



## New Hampshire House of Representatives Science, Technology and Energy Committee Testimony on House Bill 1647

The New England Power Generators Association (NEPGA)<sup>1</sup> appreciates the opportunity to provide testimony on House Bill 1647. NEPGA supports the development and integration of new technologies into the market, such as energy storage. However, NEPGA opposes HB 1647 because, rather than allow competitive wholesale electricity markets to efficiently develop and deploy energy storage resources, the bill proposes that all utilities develop storage outside the market, committing ratepayers to funding costly investments through distribution rates and guaranteeing cost recovery for utilities.

NEPGA is the trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 megawatts (MW) – or approximately 80% of all generating capacity throughout New England, and over 2,600 MW of generation in New Hampshire; more than two-thirds of the electric generating capacity in the state. NEPGA's New Hampshire companies pay nearly \$46 million annually in state and local taxes, provide over 800 well-paying and skilled New Hampshire jobs, and contribute hundreds of thousands of dollars to charitable endeavors throughout the state.

NEPGA supports the development and deployment of innovative energy resources, including storage technology. NEPGA believes that the open, competitive electricity markets offer the best way to innovate, attract investment, lower barriers for all eligible participants and yield the most efficient outcome for consumers. In fact, the wholesale electricity markets are in the midst of a substantial evolution to integrate and better compensate faster, more flexible resources that are valued for their unique services. For example, ISO New England (ISO-NE), the region's grid operator, recently developed fast-start pricing rules to incentivize a quick response from resources when they are needed most – this type of reform was specifically targeted at flexible technologies like energy storage.

Energy storage resources can today enter and participate in ISO-NE's wholesale capacity, energy and operating reserve markets and can provide voltage support, regulation and other essential grid reliability services through wholesale market rates. The Federal Energy Regulatory Commission and ISO-NE are also currently considering further opportunities to facilitate greater participation of storage in the electricity

<sup>&</sup>lt;sup>1</sup> The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

markets. All of this is being accomplished without guaranteed rates of return or shifting the risk of bad investments onto consumers.

Conversely, policies that pick winners and losers and provide recovery through consumer-guaranteed rate base stifle market participation, hinder innovation and expose consumers to stranded costs. A 2011 power purchase agreement between Public Service Company of New Hampshire (PSNH) and the Burgess BioPower plant offers a cautionary tale about committing ratepayers to a specific fuel type or technology under a long-term contract. PSNH entered into a 20-year contract with the Burgess plant for power that accounts for \$36 million of PSNH's total cost of providing energy service. That works out to 1.1 cent/kWh of the overall 11.66 cent/kWh, meaning about 10% of the cost of energy supply purchased by the utility came from the Burgess plant alone.

In 2006, PSNH urged the New Hampshire legislature to pass enabling legislation to allow the company to invest in a scrubber on its coal-fired Merrimack Power Station to reduce sulfur dioxide emissions. At the time, PSNH told the legislature that it expected the environmental controls to cost \$250 million. As construction began those cost projections quickly proved to be dramatically wrong. The Merrimack scrubber was ultimately completed at a cost of \$420 million – a nearly 70% cost overrun. Merrimack has faced changing electricity market economics with a plant designed to operate as an around-the-clock resource that has instead run as a rarely-deployed backup resource during the past few years. But, because the owner of Merrimack was a regulated utility, it is PSNH customers, and not the plant's owners, that faced the risk of both picking up the \$420 million tab, but also providing a 9.81% profit to PSNH on that poor investment decision.

With the sale of the PSNH fossil and hydro assets this year, New Hampshire is about to fully realize the benefits of an open and competitive wholesale electricity market. Ironically, HB 1647 represents a continuation of inefficient and costly policies that have failed New Hampshire's consumers.

While the above-referenced examples occurred, the competitive electricity marketplace has delivered extraordinary results for consumers. Since 2005, wholesale electricity prices (the prices coming out of the power plants and delivered to a trading hub) have fallen over 50%. In fact, 2016 was the lowest wholesale electricity price year in the history of the New England competitive marketplace,<sup>2</sup> with 2017 continuing that trend. This is a remarkable result considering that a substantial amount of new plants have retired in recent years and participants continue to invest capital in new resources.

NEPGA urges the Committee to allow competitive wholesale markets to continue on this successful path and not undermine their benefits through guaranteed cost-ofservice or incentive rate recovery for storage resources. However, should HB 1647 move forward, it should at the very least be amended to enable both new and existing

<sup>&</sup>lt;sup>2</sup> <u>https://www.iso-ne.com/static-assets/documents/2017/02/20170227\_pr\_2016\_price\_release.pdf</u>

energy storage technologies to compete on a non-discriminatory, open, and competitive basis, including enabling eligibility of all technologies and vintages.

NEPGA recognizes and appreciates the role of energy storage but believes New England's competitive electricity markets are the appropriate means for its development and deployment, not long-term contracts guaranteed by utility ratepayers. For the reasons stated above, NEPGA respectfully urges the Committee to reject House Bill 1647.