NEPGA
NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.

Connecticut Energy & Technology Committee
Testimony on HB 5327 & SB 176

The New England Power Generators Association (NEPGA)[1] appreciates the opportunity to provide this testimony on House Bill 5327, *An Act Concerning Energy Storage Systems and Electric Distribution Reliability,* and Senate Bill 176, *An Act Concerning Shared Energy Facilities*. NEPGA member companies operate roughly 26,500 MW of power plants in the region, representing approximately 90% of the electric generating capacity for New England. NEPGA members also operate nearly 2,000 MW of electricity storage facilities in the region from pumped hydro-electric and battery technologies. All of these resources, whether generation or storage, are operated in the competitive investment market, without any guaranteed rate recovery. It is in that context that NEPGA is opposed to HB 5327 and SB 176 and raises serious concerns to expanding the return to utility owned, rate-base electricity storage.

NEPGA's mission is to support competitive wholesale electricity markets in New England. We believe that open markets guided by stable public policies are the best means to provide reliable and competitively-priced electricity for consumers. A sensible, market-based approach furthers economic development, jobs and balanced environmental policy for the region.

NEPGA supports the development and deployment of innovative energy resources, including storage technology. 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. The wholesale electricity markets are in fact in the midst of a substantial evolution to integrate and appropriately compensate faster, more flexible resources that are valued for their unique services. Valuable wholesale market reforms that can help support the attributes of storage technologies include better valuation of reliability and capacity contributions, enhancing the value of energy reserves, as well as performance bonuses and penalties based on performance during electric system shortage events. In addition, the Federal Energy Regulatory Commission recently issued Order Number 2222, which is specifically designed to further lower barriers to entry in the wholesale electricity markets for electricity storage and distributed resources. The reforms associated with Order 2222 have not even yet been implemented.

In the limited instances in which Connecticut may wish to specifically subsidize additional storage in the state, this must be done by leveraging the expertise of the numerous companies that specialize in the development and operation of electricity

[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

supply and storage technologies. Electric storage is one of the fastest growing areas of this industry with a wide array of market participants from large players, to smaller firms. The marketplace is robust and New England has already seen many invest here.

The State of Connecticut made the correct choice in 1998 when it pursued the development of a competitive electric industry structure to the benefit of consumers. Power generation was functionally separated from transmission and distribution, or the wires. Competition was introduced into the supply of electricity and competitive generators built efficient, state-of-the-art plants and purchased many former utility facilities. These investments were made by competitive generators at their own costs and with no guaranteed cost recovery or guaranteed profits, as was the case under the previous rate-based utility regime and is being contemplated in this legislation. The restructured market rightly transferred the risk of development from the ratepayers to shareholders. HB 5327 and SB 176 would move Connecticut decidedly backwards to the old noncompetitive electric industry model.

Permitting utilities to own storage or other clean energy resources further distorts the region's competitive markets, which reduces competitive market participants' ability to recover sufficient revenues and continue to make the kinds of investments that have resulted in historically low wholesale energy prices in recent years. No market gap exists, and the prospect of utilities entering this space with the skewed ability to guarantee cost-recovery of any investment will chill the prospects for all those others who seek to put their own capital at risk. NEPGA urges the Committee to allow competitive wholesale markets to continue on this successful path and not undermine their benefits through utility developed and owned storage resources with guaranteed cost-of-service or incentive rate recovery.

NEPGA recognizes and appreciates the role of storage and clean energy resources. New England's competitive electricity markets are the appropriate means for its development and deployment, not discriminatory practices guaranteed by utility ratepayers.

March 8, 2022