STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of Natural Gas Commodity and Delivery Capacities in the State of New New Jersey – Investigation of the Current and Mid-Term Future Supply and Demand	))))))	Docket No. GO20010033

COMMENTS OF NRG ENERGY, INC.

NRG Energy, Inc. ("NRG") submits these comments in the above-captioned proceeding in support of the New Jersey Board of Public Utilities ("the Board") in its quest for knowledge on the topic of natural gas commodity resources. This is a complex issue which deserves the proper research and investigation and we appreciate the opportunity to share our expertise in this matter.

Who We Are

With a regional office in Princeton, New Jersey, NRG is a leading integrated power company in the U.S. As a Fortune 500 company, NRG creates value through best in class operations, reliable and efficient electric generation, and a retail platform serving electricity and natural gas to residential, commercial, and industrial customers. NRG has approximately 23,000 MW of generation resources throughout the U.S., and transports 6.6 Bcf/day of natural gas across North America, while our retail energy brands serve more than six million customers across North America. The company has numerous licensed Third Party Suppliers (TPSs) that are actively serving natural gas and electricity customers across New Jersey.[1]

New Jersey needs a Gas Capacity Release Programs for Third Party Suppliers[2]

[1] *Reliant Energy Northeast LLC d/b/a NRG Home/NRG Business* ESL-0093 and GSL-0176; *Green Mountain Energy Company* ESL-0098; *Energy Plus Holdings LLC* ESL-0087; *XOOM Energy New Jersey, LLC* ESL-0115 and GSL-0112; *Stream Energy New Jersey, LLC* ESL-0109 and GSL-0120; *Direct Energy Services, LLC* ESL-0078 and GSL-0088; *Direct Energy Business, LLC* ESL-0165 and GSL-0145; *Direct Energy Business Marketing, LLC* ESL-0142 and GSL-0128; and *Gateway Energy Services Corporation* ESL-0166 and GSL-0146.

[2] The Retail Energy Supply Association ("RESA") presented similar arguments in a November 27, 2017, petition to the Board and a March 5, 2018 amended petition requesting a formal proceeding to establish a mechanism for the gas distribution companies in the State to release natural gas capacity to TPSs. At that time, NRG was a member of RESA and participated in and supported the Petition. *See* RESA Verified Petition Seeking to Reopen the Matter of the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. and Establish Gas Capacity Procurement Programs, filed November 27, 2017 (BPU Docket No. GO17121241); RESA Amended Verified Petition Seeking to Reopen the Matter of the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. and Establish Gas Capacity Procurement Programs; Retail Energy Supply Association, filed March 5,2018 (BPU Docket No. GO17121241).

NRG applauds the current efforts of the Board and Staff to better understand natural gas capacity and its adequacy in the State. The retail gas supply market has changed significantly in New Jersey in the 18 years since the Board's 2003 Basic Gas Supply Service Order ("BGSS") and a review of the gas market and the existing gas capacity release programs in New Jersey is long overdue. The Gas Distribution Companies' ("GDCs'") current gas capacity release programs (to the extent they exist at all) tend to be generic and outdated, and are not well-subscribed, utilized, or easily understood by TPSs. In addition, customers who shop with a TPS are often paying twice for pipeline capacity (once to the GDC through delivery charges and once to the TPS).

One such example, Elizabethtown Gas includes in its tariff pages information on a gas capacity release program. However, this capacity release program can only be used for new gas customers (not existing, enrolled customers of a TPS in Elizabethtown Gas' territory), and further does not allow a TPS to purchase 100% of its customers' gas capacity obligations. In addition, Elizabethtown Gas requires suppliers to purchase "comparable capacity" for service of customers on certain rate classes. The current structure of the capacity market in New Jersey makes the cost of this capacity extremely high for TPSs, often curtailing the ability of TPSs to serve customers in Elizabethtown's territory. To NRG's knowledge, no TPS actually uses the Elizabethtown Gas capacity program.

A lack of gas capacity procurement for TPSs impedes the development of a competitive gas market in New Jersey and frustrates the intent of the Electric Discount and Energy Competition Act ("EDECA") to promote competitive retail markets. TPSs are forced to pay more for gas capacity than the GDCs serving default BGSS to customers. Because gas capacity in New Jersey is fully subscribed by the GDCs, TPSs are subject to increased costs, and must purchase their own capacity to transport gas to the city gate. As a result, TPSs pay embedded transportation demand rates for delivered supply- and the potential exists for TPS customers to pay duplicative costs because TPS customers are also subject to the transportation costs of the GDC asset portfolio.

The 2003 BGSS Order clearly states that "customers benefit by having a price structure that is more consistent with market conditions." [3] The creation of an avenue for the purchase of gas capacity by TPSs on behalf of their customers also furthers the Board's goal of a price structure that is consistent with market conditions. Introducing more entities into the gas capacity market creates market diversity and lowers gas capacity costs. Implementation of gas capacity release programs ensures that TPSs have a bigger stake in the retail gas market and that they pay a fair fee for capacity. Gas capacity release programs also ensure that customers benefit from the capacity acquired on their behalf (whether by their GDC or by a TPS) and may result in lower prices to customers, particularly shopping customers who are currently paying twice for capacity.

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[3] In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act N.J.S.A 48:3-49 et seq. – BGSS Pricing, January 6, 2003 (BPU Docket No. GX01050304), page 7.

When RESA presented similar arguments to the Board in 2017 and 2018, the GDCs indicated that they did not have excess gas capacity to release to TPSs while still reliably meeting their respective BGSS design day loads. While the utilities claim to have lowered their necessary capacity volumes to exclude customers' load served by TPSs, NRG believes that the utilities have enough gas capacity to share with TPSs. Moreover, the utilities have not provided enough details about the process and methodology behind their gas capacity to TPSs and other stakeholders in the market.

Key Attributes of a Well-Designed Capacity Release Program

A well-designed capacity release program includes the following: equitable access to all utility supply receipt points (not just a select few), a prorated share of capacity, storage (both physical and potentially managed) and peaking assets based upon peak day load served, and costs that are passed through in a manner intended to create an even ground for both the GDCs and TPSs. The cost structure also needs to be clearly defined annually to avoid any unexpected costs and should include capacity cost (weighted average cost of capacity or max rate), storage demand charges, storage commodity charges, peaking demand charges, and peaking commodity charges if applicable. New York has a well-designed capacity market and NRG recommends using New York as an example of what works. As a matter of fact, two of the utilities in New York have recently added more capacity through an RFP process to meet peak demand.

NRG urges the Board to create gas capacity release programs in each GDC territory which are specific to each individual GDC as each GDC has separate pipelines and pipeline arrangements which should be taken into consideration when developing a gas capacity release mechanism. Creating capacity release programs in each GDC territory allows each GDC to improve their individual optimal least cost gas sourcing while incorporating storage capacities. Moreover, if capacity release programs are implemented, the GDCs will no longer be locked into sole source/no bid contracts with their affiliated supply companies because the GDC's capacity would be available for TPSs. Incorporating a gas capacity release program where transportation and storage capacity follow the customer based on the customer's individual peak day requirement is an efficient and transparent way to ensure fair and equitable cost allocation between GDC and TPS activity.

The Future of Natural Gas in New Jersey

Natural gas is likely to remain an integral part of New Jersey's energy landscape for some time and this proceeding will help inform its current status and how best to economically and reliably serve the millions of residential and C&I customers who rely on natural gas for heating and other needs. Regardless of the outcome, TPS will continue serving these customers and need assurance that the appropriate firm pipeline capacity is available to do so while maintaining the reliability of the market.

Conclusion

As a trusted and experienced natural gas marketer and supplier, NRG would like to be a resource in this discussion and is grateful for the opportunity to comment in this proceeding. NRG also reserves the right to respond to filings made by any party to this proceeding.

Respectfully submitted,

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