BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

Limited Income Mechanisms for	)	
Utility Customers	)	**Administrative Docket**
	)	**PC59**

Reply Comments of NRG Energy

NRG Energy, Inc. ("NRG") respectfully submits the following comments to the Maryland Public Service Commission ("the Commission" or "MPSC") in response to the agency's November 16, 2023, Notice of Public Conference and Opportunity to Comment instituting the current proceeding and inviting comments and reply comments on the statutory requirement that the state's utilities "shall adopt a limited-income mechanism to benefit an eligible limited-income customer." PUA § 4-309.

NRG is a Fortune 500 company and one of America's leading energy companies with nearly 8 million customers nationwide. Our company serves a substantial number of retail electricity and natural-gas customers in the state across all customer classes. At various times since the beginning of electric and gas restructuring, NRG companies have also participated in the auctions and procurements that provide supply to utility default products and municipal aggregations in the eastern restructured markets.

In these reply comments, we respond to several commentators who make proposals in PC59 and offer two proposals that are related to what those commentators have proposed:

- Using a market-based mechanism, the Standard Offer Service ("SOS") and gas-commodity procurement processes, as the vehicle to convey a supply-related discount to eligible limited-income electricity and gas customers; and
- Providing that all retailers who market products to customers be trained and furnished with materials that allow eligible limited-income customers to be aware of the bill-discount and energy-efficiency programs that are available to them.

1. *The Commission should consider using utilities' SOS auctions and gas-sales procurements to provide and fund a discounted commodity for eligible limited-income electricity customers*

Various utilities and the Commission Staff in their comments suggest that limited-income discounts apply only to the distribution portion of consumers' bills. Potomac Edison, the only utility to so far file a detailed proposal under PUA § 4-309, would provide a 50% discount on distribution rates during winter to eligible customers, who would be automatically enrolled from the list of those customers already enrolled on energy assistance programs.[1] While not offering a particular percentage for the discount they advise, the Maryland Exelon Utilities similarly propose "to limit rate relief to a percentage discount on customers' distribution bills."[2] Finally, Commission Staff, supporting a limitation of any on-bill assistance to distribution rates, observes that "The utilities who will propose the discount mechanisms only have direct control over their distribution rates. To the utilities, the commodity rates charged to their SOS or commodity customers are pass-through costs."[3]

Commodity costs in the energy sector are a substantial portion and, sometimes, a majority of residential customers' overall bills. The Commission should not accept out of hand that on-bill assistance should be limited to distribution charges, and instead should consider in this proceeding what a fair approach to promulgating an eligible limited-income customer discount related to supply costs might look like. While it is true that the utilities themselves have direct control over only their systems' costs, the utilities also define the timing, volumes, and tenor of procurements made through the auctions and solicitations that take place for electricity SOS customers and gas-sales customers. NRG submits that these procurements could be used to yield both a standard Residential rate and a discounted limited-income rate. The former would fund the latter and exist within the confines of the SOS auction and gas-procurement process.

NRG proposes that, in the context of an SOS auction, any bidder for any tranche that includes Residential customers be required to submit a two-part bid: one part that represents the price at which Residential customers generally would be served by SOS and one part that represents a

[1] Comments of PotomacEdison, at 1.
[2] Joint Comments of Potomac Electric Power Company, Delmarva Power & Light Company, and Baltimore Gas and Electric Company, at 9.
[3] Comments of the Staff of the Public Service Commission of Maryland, at 28.

Commission-specified discount (e.g., 35%) off the first part, which represents the price for any SOS customer who is enrolled in the limited-income discount during the period of SOS service that is being bid upon. Any utility conducting such an auction would include in the pre-bid information they disseminate the current and estimated eligible number of customer counts and associated load volume associated with limited-income customers. It would be up to wholesale suppliers to make bids into the SOS auction that were revenue-adequate to fund the Commission-specified limited-income discount. Meanwhile, competition between the wholesale suppliers in the auction would continue to constrain the price offers they made, even at the risk that a wholesale supplier would itself have to be in the position of funding a portion of that discount.

Given that the SOS product is procured generally on a two-year cycle of tranched supply, adopting this approach would mean a phase-in, albeit a relatively quick one, of the Commission's pre-specified discount to the full price of SOS. It would also allow the Commission to make adjustments to that discount as it gained experience with the limited-income discount through the SOS process.

A similar process tied to the procurement cycles of the natural gas commodity would apply to Residential gas-sales customers of the utility, with suppliers expected to provide a two-part bid.

2. *NRG notes and appreciates the Staff and utilities' concern about the competitiveness of retail offerings compared with a subsidized limited-income SOS or gas-sales product, but believes the above proposal would establish a generally fair marketplace*

The Maryland Exelon Companies express a concern that, were supply charges for utility SOS and gas-sales to be subsidized, then "The utilities would be undercutting retail energy suppliers by charging artificially low rates that do not reflect the results of the utilities' competitive supply auctions."[4] Commission Staff notes a similar concern.[5] NRG appreciates the concern and agrees that it is a serious one, especially if a rate external to SOS, such as a nonbypassable charge, were applied against a limited-income SOS rate that only a subset of customers, including none of NRG's customers, take service under. However, the NRG proposal in Section 1 of these

[4] MEU Comments, at 10.

[5] Staff Comments, at 28 ("If the limited-income discount was applied to those commodity rates, customers choosing retail supply for their commodity service would be at a disadvantage, unable to receive the same rate relief as the utilities' SOS or [gas] commodity customers.")

comments addresses this concern, by making on-bill SOS and gas-supply assistance part and parcel of the "results of the utilities' competitive supply auctions," and thereby avoiding the use of a nonbypassable charge to competitive retailers' customers to pay for the power bills exclusively of SOS customers. In NRG's view, the base of SOS Residential customers, which accounts for more than four-fifths of the customer class's peak load obligation across all utilities, is sufficiently large to internalize the cost of the eligible population's on-bill assistance.[6]

Alternatively, to the extent the Commission did use a nonbypassable charge that applied to competitive retail providers' customers to fund supply-related bill-assistance, then it is only fair that competitive retailers should be allowed to use that share of the funding for approved rate plans that they offer to eligible customers, pursuant to the requirement in SB 31, which became effective last summer.[7]

3. *The Commission should consider using the mandatory training program for licensed suppliers as a conduit for the dissemination of information on bill-assistance and energy-efficiency programs*

The Commission Staff recommends that "at a minimum, all customers enrolled in any limited-income mechanism be sent information on ways to make their homes more energy efficiency and to take advantage of State or Federal programs that support customers in climate adaptation."[8] Meanwhile, Potomac Edison's proposal, in addition to the distribution-only discount referred to above, includes the establishment of an "Energy Assistance Outreach Team to increase awareness, education and participation in energy assistance programs that are available to low-income customers."[9]

NRG believes licensed electric and gas suppliers also have a role to play in customer education. In 2020, SB 603 was enacted into law, which directs that "the Commission shall develop a training and educational program for any entity or individual that is licensed by the Commission

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[6] The MEU companies' percentage of peak load served by third-party electric suppliers ranges from 6.7 to 16.6 percent, with Potomac Edison and SMECO having still smaller percentages, as of December 2023. https://www.psc.state.md.us/electricity/electric-choice-monthly-enrollment-reports/
[7] SB 31 (2021), codified at Chapter 637.
[8] Staff Comments, at 30.
[9] Potomac Edison Comments, at 1.

as an electricity supplier or a gas supplier."[10] The statute permissively allows the Commission, in addition to ensuring the training program reinforces a "through understanding of the Commission's regulations regarding sales [and] customer protections," that "any other matter the Commission deems appropriate" may be included in that training program.[11] This program has not yet been implemented by the Commission, though the Commission in its December 2022 report to the General Assembly advised that it was pursuing the hiring of a consultant to develop this program.[12] When the Commission does take this matter up, NRG suggests that the Commission should contemplate including training on limited-income and energy-efficiency programs, as well as having written collateral that can be provided to customers that interact with sales agents over the phone or in person at box stores, farmer's markets, and other sales locations where suppliers and customers interact.

4. Conclusion

NRG thanks the Commission for its attention to this important matter, and we look forward to participating in any workshop or technical session the Commission may schedule.

Respectfully submitted,

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[10] Codified as PUA § 7-311.
[11] *Id.*
[12] MPSC, "Energy Supplier Marketing Practices" (Dec. 21, 2022), at 7. https://www.psc.state.md.us/wp-content/uploads/2022-Joint-Chairmens-Report_Energy-Supplier-Marketing.pdf