September 26, 2022

BY ELECTRONIC MAIL
Mark Marini, Secretary
Department of Public Utilities
One South Station
Boston, MA 02110

Re: ***Massachusetts Electric Company and Nantucket Electric Company, d/b/a National Grid. Basic Service Filing,*** **D.P.U 22-BSF-D3**

Dear Secretary Marini:

We submit these written comments on behalf of NRG Home f/k/a Reliant Energy Northeast LLC, Direct Energy Services, LLC, Direct Energy Business, LLC, Green Mountain Energy Company, Energy Plus Holdings LLC, and XOOM Energy Massachusetts, LLC (together, "the NRG Retail Companies" or "NRG") with respect to the Basic Service filing submitted by Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid ("National Grid") on September 21, 2022 in the above-captioned proceeding.

NRG urges the Department of Public Utilities ("DPU" or "Department") and other governmental and non-governmental stakeholders to communicate clearly to the public that electric customers have opportunities, even now, to lock in prices that are lower than the proposed Basic Service rate. Additionally, NRG asks that the Department not take any rash action that would interrupt the well-established procurement process of Basic Service. Instead, we support the Attorney General's request that a separate proceeding be undertaken to evaluate structural and design issues associated with Basic Service procurement and related pricing in the Commonwealth.

Meanwhile, NRG applauds the Attorney General for quickly convening an informal stakeholder meeting on these important issues.[1] NRG would appreciate the opportunity to participate in these meetings to share its ideas and provide its feedback on approaches offered by others. While a formal DPU process is necessary to adopt certain policies and solutions—although merely using one's office to encourage customer shopping to lock in prices does not require a Department order—NRG believes informal stakeholder conversations about the

[1] "[O]n September 21, 2022, the AGO convened a meeting of stakeholders—including members of the Baker/Polito Administration, representatives from each of the electric distribution companies, and consumer groups—to discuss options that could help customers with their utility bills this winter." Attorney General Letter (Sept. 21, 2022) at 2 (hereinafter "AG Letter").

structure of the retail market, including Basic Service, are critically important to commence in an expeditious manner.

I. Customers Should Shop Now, and Policymakers Should Urge Them To Do So

At this very moment, the NRG Retail Companies have a variety of fixed-price, fixed-term retail offers in the National Grid service territory that are substantially below the proposed Basic Service rates. Right now, Massachusetts electric customers may log on, sign up, and save on their energy bills for the coming winter relative to the proposed Basic Service rate. Indeed, if they so choose, customers may lock in a price that will apply for *the next winter* and even *the winter after that*. Screenshots of those offers by Direct Energy, XOOM Energy, and Green Mountain Energy are attached as Exhibits A, B, and C, respectively.

The ability to shop for a fixed-price, fixed-term product at a time of uncertainty is a valuable service that competitive suppliers offer to the people of the Commonwealth. The Department, the Attorney General, the Baker-Polito Administration, and non-governmental stakeholders should take this opportunity to empower customers by urging them to shop for an alternative energy supplier. In doing so, customers may avoid the volatility driven by the global market for natural gas, lock in a rate for electricity, and obtain savings for the winter ahead. NRG is committed to working with the Department and other key stakeholders to develop an array of marketing outreach initiatives designed to educate and inform electricity consumers of these competitive supply options.

II. Policymakers and Market Participants Have Known for Months that Basic Service Rates Were Likely to Substantially Increase

Today is a good day for Massachusetts consumers to consider their options and shop for an energy supply product. Unfortunately, the best day to shop for a fixed-rate, fixed-term product was before a confluence of events made the rapid increase to Basic Service rates an inevitability. The Basic Service rates now being proposed are hardly unexpected. As the Attorney General notes, other states in New England have seen similar increases.[2]

Even before that, and at the latest at the outset of the Russian invasion of Ukraine more than six months ago, energy commodities clearly became subject to a greater volatility. That is especially true for New England, because unlike other regions of the United States, Massachusetts and neighboring states are more closely tied to global natural-gas prices due to the lack of natural-gas transmission infrastructure that ties New England to domestic American markets. Paradoxically, in light of its lack of greater infrastructure to transport natural gas, New England also is nevertheless heavily dependent on electric-generation capacity that runs on this fuel—or sometimes oil—to ensure electric reliability.

[2] *See* AG Letter at 1, citing to increases in New Hampshire and Rhode Island.

Almost a year ago, NRG provided consumers advice on "ways to help mitigate rising natural gas costs," including, as the very first item of advice:

> ***Switch to Fixed***. *Research suggests that when wholesale electricity prices spike, those with a fixed-price contract fare better than those without one. Fixed-price plans provide varying term lengths and protect customers from price spikes for the duration of their term. NRG has unique, fixed-price products the utility can't offer. While monthly bills will still vary based on usage, fixed-price plans give customers the security of a locked-in energy price, not subject to market fluctuations. In short, fixed-price plans offer stability and predictability*.[3]

Had a typical residential consumer bought one of Direct Energy's Go Green Lights 24-month contracts in March 2022, that customer's fixed rate would have been 16.29 cents per kilowatt-hour, *less than half* the proposed Basic Service rates. While this customer would have paid a slightly higher rate during the early months of their contract than Basic Service, the customer's purchase of this clean-energy product constituted an act for both clean energy and price certainty. Assuming household electricity use of 600 kilowatt-hours during each of the six months in the upcoming Basic Service period, that would result in savings of $634. Shopping for a fixed-price, fixed-term energy plan also would have meant peace of mind, certainty of supply costs, and an appropriate shifting of the risk of volatility from customers themselves to upstream suppliers of electricity. Moreover, the Direct Energy rate plan offers do not include any early termination fees. A customer may opt to leave, subject to the typical utility de-enrollment protocols, without penalty, and consider other competitive supply options or return to utility basic service.

National Grid has forecast that its residential customers will use 4.4 billion kilowatt-hours of electricity during the November to April period during which the proposed Basic Service rates will be in effect.[4] Assuming no customer shopping, the cost to customers during the coming winter would be $775 million. Fortunately, many customers did protect themselves by proactively shopping for a fixed-price, fixed-term product. But, unfortunately, a significant number of customers did not shop, were not advised to shop, and in some cases were actively discouraged from shopping. Unfortunately, the costs of that inaction are now coming due in the form of higher electric supply costs.

NRG encourages the Department and other stakeholders to think ahead to the next commodity cycle and toward what can be done to prevent this situation from recurring. Specifically, among the structural considerations we raise in Part IV of these comments for any docket about Basic Service procurement, NRG encourages policymakers to create a

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[3] "NRG Helps Consumers Prepare as Fuel Costs Rise" (Dec. 15, 2021). Emphasis in original. Available at: https://www.nrg.com/about/newsroom/2021/nrg-helps-consumers-prepare-as-fuel-costs-rise.html. The Massachusetts section of the online text was distributed to news outlets in the Commonwealth. The research referred to above can be accessed through the hyperlink embedded in "Research" in the online text.

[4] National Grid Basic Service filing, September 21, 2022, Attachment 2, at p. 2 of 6.

comprehensive public-communications strategy that emphasizes to the general public the security of customers' purchasing longer-term, fixed-rate contracts from the competitive market.

If this message had been amplified previously, more customers might have purchased this vital "insurance" product before wholesale prices substantially rose, protecting themselves from the current wave of volatility. Nevertheless, as discussed above, there are even now offers available in the competitive retail market including the Energy Switch Massachusetts website that are substantially lower than the Basic Service rates proposed in this docket.[5] If the best time to shop was months ago, the second-best time is now.

III. The Department Should Not Force Customers Who Locked in Prices to Pay for the Very Volatility These Customers Sought to Avoid when They Shopped for a Fixed-Price, Fixed-Term Product

The Department should not authorize any kind of deferral mechanism for the collection of costs associated with Basic Service, and the DPU should especially not require customers who prudently selected a fixed-price, fixed-term product for energy supply to pay for these deferred costs when these customers pragmatically elected to avoid this very volatility by buying a product characterized by price certainty.

Further, NRG agrees with National Grid that the Department should not take a rash action that disrupts or potentially circumvents the customary Basic Service procurement for the coming six-month period that already has occurred.[6] Doing so would risk further market disruption, stretching even beyond the harms of still-higher pricing that National Grid warns of. The Department should explore other remedies for affected customers, principally by encouraging them to shop for another product and not remain on Basic Service.

NRG is aware that the Department previously approved a "joint mitigation proposal" between a small electric distribution company, Fitchburg Gas and Electric Light Company d/b/a Until, and the Attorney General Office.[7] This proposal took what then was estimated to be $3.2 million in projected costs associated with high Basic Service rates, and spread them to all customers, including those receiving supply service from another provider. This outcome was unfair at the time.[8] In addition, the joint mitigation proposal was largely driven by the unique and exigent circumstances of the City of Fitchburg municipal aggregation program that directly impacted the Unitil Basic Service rate procurement process. These circumstances do not apply to the National Grid Basic Service rate procurement process.

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[5] www.energyswitchma.gov.
[6] National Grid Letter (Sept. 22, 2022)
[7] Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 21-BSF-A4, Order on Mitigating the Impact of the Increase of Standard Basic Service Rates of Fitchburg Gas and Electric Light Company (October 22, 2021).
[8] On November 8, 2021, the Retail Energy Supply Association ("RESA") filed a Motion for Reconsideration of the Department's October 22, 2021 Order in D.P.U. 21-BSF-A4. RESA's Motion, which includes many of the concerns raised by NRG in today's letter, remains pending close to a year after it was submitted.

Accordingly, such a policy, applied to the Commonwealth's largest utility, would be an insult to all customers who prudently made an alternative supply decision. It would also upend procurement decisions by municipal aggregations that are ongoing. It would threaten to turn underwater the value proposition that many customers are seeking even now, as they read headlines about increasing Basic Service rates, as they sign up for an alternative competitive retail product. Meanwhile, the mere threat of this disruption affects the business decisions of NRG on how much to invest in the Massachusetts market on behalf of both individual customers and municipal aggregations. These interests must be considered by the Department and represented in front of the DPU.

If the Department intends to do anything with respect to the proposed Basic Service rates other than following National Grid's tariffed and well-documented procurement process, NRG respectfully submits that it is necessary for the DPU to provide interested parties the opportunity to intervene and participate fully in an adjudicatory proceeding regarding any alternative basic service rate proposal.

IV. The Department Should Open a Basic Service Proceeding, and Include Default Time-of-Use or Time Varying Rate Design as a Primary Consideration Therein

The Attorney General encourages addressing longer-term, structural issues with Basic Service by "either conven[ing] a stakeholder technical session…or open[ing] a new investigation on the procurement of electric distribution company basic service."[9] NRG agrees that the Department should consider opening a docket on Basic Service, or reviving an existing one, but in doing so the DPU should include as a topic the appropriate retail rate design for Basic Service.

Specifically, NRG specifically encourages that the Department examine opt-out, time-of-use ("TOU") or Time Varying Rates ("TVR") as the default Basic Service rate. Notably, TOU/TVR rates are a policy recommendation specifically identified to help achieve the "Wholesale and Retail Markets Coordination" that the Attorney General identified as the foremost recommendation in the excellent 2020 report *Wholesale Electric Market Design for a Low/No-Carbon Future*, authored in collaboration between the Attorney General's Office and the Regulatory Assistance Project.[10]

Current Basic Service rates include a substantial premium for those times and days when demand is high and the ISO-New England grid is heavily reliant on gas and oil, but where those rates convey to consumers that the cost of this supply is just the same as any other hour on any other day. Price-responsive demand only is possible when demand (or someone responsible for actively supplying it) faces differentiated prices that indicate these conditions of stress and fossil-

[9] AG Letter at 2.

[10] Attorney General's Office & Regulatory Assistance Project, *Wholesale Electric Market Design for a Low/No-Carbon Future*. (2020). p. 19. https://www.mass.gov/doc/wholesale-electric-market-design-for-a-lowno-carbon-future/download.

fuel dependency are driving wholesale price differentials. Basic Service should reflect these differences in cost, and Basic Service rates should be time-of-use by default.[11]

In the context of its Grid Modernization application to the Department, National Grid anticipated the roll-out of Advanced Metering Infrastructure starting next year and proceeding through 2027[12]. The utility argued in that proceeding that "the development and regulatory approval of TVR enabled by the [Advanced Meter Infrastructure] platform is beyond the scope of this filing."[13] Assuming that TOU/TVR as a default, opt-out rate is not required as part of that proceeding, it should be a topic within any Basic Service docket that the DPU initiates.

A full consideration of these issues should take place in the docket the Attorney General proposes. But in light of the current situation facing New England, NRG preliminarily submits that a multi-tiered TOU/TVR rate for Basic Service, with certain features that recognize the coincidence of emissions intensity and wholesale pricing (such as a special "Oil Peak Day")[14], would be an appropriate design that contours to the Commonwealth's other policy objectives and the unfortunate realities of New England's energy supply in the present day. TOU rates either could be calculated in a manner to collect Basic Service costs, or Basic Service itself could be bid out around the TOU parameters, with minimum standards for demand elasticity achieved through Basic Service pricing.

V. Conclusion

NRG appreciates the opportunity to provide these comments regarding National Grid's September 21, 2022 Basic Service filing. NRG again urges the Department and others to empower customers by encouraging them to consider alternative supply arrangements ahead of winter. Meanwhile, the Department should avoid the disruption that would result from taking any rash action with respect to National Grid's filing. Finally, NRG welcomes the opportunity to participate in any informal stakeholder sessions and supports the Attorney General's request to address important long-term issues regarding the procurement and pricing of Basic Service in a separate proceeding.

[11] Access to AMI data is critical in order for retail electricity suppliers and third parties to offer time-variable rates (TVR) and other benefits to customers. The Department is currently considering National Grid's proposed AMI rollout as part of its grid modernization plan in D.P.U. 21-81. In that proceeding, NRG has argued that the Department "must ensure that TVR and the other significant benefits of AMI are made available to customers on an expedited basis" (*see* NRG Initial Brief at 14), and other intervenors have similarly urged that the timetable for TVR be expedited.

[12] D.P.U. 21-81, Exh. NG-AMI-2, at 5.

[13] D.P.U. 21-81, Exhs. NG-AMI-1, at 31; NRG-1-1.

[14] Of note, in January 2022, ISO-New England saw more than 10% of its power generation derived from oil.

Respectfully Submitted,
/s/ Travis Kavulla
Travis Kavulla
Vice President, Regulatory Affairs
NRG Energy, Inc.
1825 K. St., NW, Suite 1203
Washington, D.C. 20006
Travis.Kavulla@nrg.com

Marc Hanks
Director, Regulatory Affairs, New England Region
24 Gary Drive
Westfield, MA 01085-4555
Marc.Hanks@nrg.com

cc: Patrick M. Houghton, Hearing Officer
Emily Luksha, Director, Electric Power Division
John K. Habib, Keegan & Werlin
Nathan Forster, Chief, Energy and Telecommunications Division
Jacqueline Birhle, Office of the Attorney General
Brooke Skulley, Assistant General Counsel and Director, National Grid

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