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Via Electronic Filing
Ms. Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission of the District of Columbia
1333 H. Street NW, Suite 200
West Tower
Washington, DC 20005

FC1130 – Investigation into Modernizing the Energy Delivery Structure for Increased Sustainability

Dear Secretary Westbrook-Sedgwick:

NRG Energy, Inc. ("NRG") offers these comments in response to Chairwoman Kane's guidance at the close of the third workshop in the Modernizing the Energy Delivery System for Increased Sustainability ("MEDSIS") proceeding on April 28. NRG appreciates this opportunity to supplement the record as the Commission continues its data-gathering process. We look forward to continued engagement and discussion with the Commission, staff and other stakeholders in this important proceeding.

Competition as the Foundation for the Future

The District of Columbia has a strong foundation and commitment to competitive energy markets, both as a participant in the PJM wholesale markets, and in the District's long-standing retail electricity choice policy. This competitive environment forms an effective basis for the MEDSIS proceeding. In the distributed energy future that MEDSIS envisions and will facilitate, the hallmark will be highly-engaged customers interacting directly with DER providers, purchasing and investing in energy generation and control technologies in unprecedented numbers. This distributed grid will be more efficient overall through the use of sophisticated and integrated control platforms to manage the output of DERs and the timing and consumption of energy in myriad end-use devices. NRG urges the Commission to maintain a focus on, and a central role for, competition in the MEDSIS proceeding, to foster a marketplace driven by customer choice and voluntary participation.

The Role of Utilities in the Distributed Future

At the same time, there is no question that the electric utility will serve a vital role in this future as a facilitator of DER and as the operator of the physical grid that connects and enables customers and DER providers to achieve greater efficiency and shared benefits. An important aspect of insuring both the efficient growth of DER and the economic sustainability of the electric utility will be a rate and cost-recovery structure that aligns the utility's financial incentives with facilitating a vibrant market for DERs.

The Commission should also examine each of the roles and functions currently performed by or proposed to be provided by the electric utility and evaluate whether such a role or function is uniquely enabled by the natural monopoly character of the utility or whether such role or function can be more efficiently provided by competitive third parties. NRG submits that this principle has two main implications:

1. In order to ensure vibrant opportunity for customers and competitive third parties to implement DERs, the utility must remain financially disinterested in the outcome of DER decisions, such as *what* DERs are deployed and installed, as well as *how* DERs are dispatched and operated once installed; and

2. The Commission should focus on maintaining sufficient utility earnings by providing the utility the opportunity to earn some of its revenue requirements from services provided to DERs, but should not allow the utility to offer services that competitive third-party suppliers can provide.[1]

Rather than seeking returns through investing in DERs, the electric utility should continue making the prudent distribution grid investments that will be needed to provide and maintain a robust physical platform for meeting all of its customers' needs and enable competitive DERs to participate in the distributed markets.

NRG submits that it is critical that the Commission direct the utility to proactively plan and build out its distribution infrastructure in order to handle two-way flows, and to pursue advanced metering and data management systems that will enable customers and DER providers to have access to planning data to better understand the locational needs and value of DER, as well as real-time usage and loading data (subject to proper authorization to protect confidential customer information). Relatedly, the Commission should ensure that DER communication and control standards and protocols are open, and otherwise facilitate competitive product and service providers to deliver value to customers and the grid through asset aggregation. As such, DER control standards and protocols should not default to electric utility systems unless there is

[1] NRG focuses these comments specifically on the relationship of the District's *electric* utility with the competitive DER market and operation of the electric distribution system, as there is a clear and direct risk of self-dealing and bias with respect to DER activities; even the potential or perception of such anti-competitive behavior could significantly chill the competitive environment. With respect to the District's *gas* utility, NRG likewise recommends that the utility and any unregulated affiliates be barred from participation in DER activities in the District, to ensure that there is no actual or perceived anti-competitive preference in the DER market. In the event the Commission opts to allow either utility or their affiliates to participate in DER activities, it should examine the value of the corporate brand and ensure that ratepayers are appropriately compensated for any use of names or service marks associated with the regulated utilities.

extreme justification to do so, such as emergency situations related to safety or grid stability. In order to secure ongoing cost reductions and performance innovation, it is crucial that communication and logic architectures supporting DER controls remain in the competitive sphere to the greatest extent possible.

With the proliferation of ever more efficient and cost-effective technology for generating electricity at small scale in distributed applications, and the proliferation of communications and control technologies that can collectively optimize multiple loads and generators across multiple sites in real time, the consumer products that we see in the marketplace today are only the beginning. One of the speakers at the April 28 workshop used the phrase, "the inevitable march to the edge of the grid," and NRG agrees with that characterization.

As consumer adoption of DG and load optimization increases, one predictable impact is an erosion of utility revenue as kWh throughput declines and peak loads are smoothed. An important strategy to alleviate this pressure on utility rates will be to focus on minimizing the utility's rate base. In this context, the Commission may want to think of the rate base as a precious societal asset, and to ensure that it is only used for purposes that clearly fit the monopoly character of utility service and where there is no other source of financing. In keeping with that view, a careful policy to minimize utility investment, in favor of customer or third-party financing wherever possible, would position the District to embrace a modernized electric grid and enhanced customer services in a vibrant DER market.

As a corollary to the principles above, the Commission should also consider whether the current practice in which the electric utility provides standard offer service to customers who have not chosen a competitive supplier should be continued. Regulated utilities require staff and other overhead to provide this service, and these costs could be eliminated from utility revenue requirements if all retail service were required to be delivered by competitive energy service companies. With proper qualification requirements for service providers, and appropriate consumer protection standards administered by the Commission, the District's electric consumers could achieve significant savings and a more vibrant competitive supply marketplace by removing the utility from this role.

NRG looks forward to continued engagement and dialog in this important policy-making proceeding to improve the electric service and cost management opportunities for the District's consumers.

Respectfully Submitted,

/s/ *Peter D. Fuller*
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