



October 12, 2018

Grace Strom Power, Esq.
Chief of Staff
New Jersey Board of Public Utilities
44 S. Clinton Avenue
Trenton, New Jersey 08625

Re: Energy Master Plan Comments

Dear Ms. Strom Power:

On behalf of Direct Energy and Centrica Business Solutions (“Direct Energy” or “CBS”), I am writing to provide comments to the Energy Master Plan (“EMP”) revisions currently underway and as directed by Governor Murphy in Executive Order #28. Direct Energy is one of the largest retail power and gas suppliers and energy services companies in North America and is a licensed TPS in New Jersey serving approximately 82,000 customers. We operate in all 50 states plus the District of Columbia and 4 Canadian provinces and are proud to have nearly 4 million customer relationships, more than any other competitive retail supplier in North America. Our parent company is UK-based Centrica, plc (formerly known as British Gas), a Global Fortune 500 company. CBS helps customers harness the power of distributed energy across three key strategy areas – energy insight; energy optimization; and energy solutions, including combined heat and power (“CHP”), solar, battery storage and standby generators.

Overall Comments

As an overarching issue, the EMP must consider that since the passage of the Electric Discount and Energy Competition Act (“EDECA”) in 1999, a large and significant competitive market has emerged and developed to meet many, if not all, of New Jersey’s residents’ energy needs. Private companies like Direct Energy and CBS are often better positioned than public utilities to develop and commercialize new technologies and services. Whether it be smart home technologies, combined heat and power (“CHP”), commodity and time-of-use type offers, solar products, energy measurement and management products/services, the competitive market is ready and able to help solve the state’s energy goals.

Thus, the preferred policy of the State of New Jersey should be to encourage and incent the investment of private capital (where shareholder’s properly hold the risk) as opposed to condoning the use of ratepayer dollars by the state’s public utilities, thus socializing cost and risk on the residents of NJ while privatizing profits for the shareholders of New Jersey’s utility companies.

To judge how important the competitive market is to New Jersey, one must only look at the most recent switching statistics as posted on the New Jersey Board of Public Utilities (“NJBP”) website for July 2018. For the power sector, over 422,964 residential and 153,151 commercial and industrial (“C&I”) accounts are with Third Party Suppliers (“TPS”) totaling ~39% of the total electric load. For the gas sector, 121,561 residential and 52,461 commercial accounts are with TPS totaling ~49% of the total load. These numbers demonstrate that while additional penetration by TPS can be accomplished, the competitive market is alive and well in New Jersey and the state should be driving additional development of the competitive market to benefit all energy consumers.



Direct Energy/CBS's additional comments, in no particular order, are as follows:

Clean and Reliable Transportation

Recognizing that the transportation sector is now the leading source of greenhouse gas emissions in New Jersey, Direct Energy/CBS believes the state can enable consumers, both residential and commercial, to adopt modern technologies in the transportation sector through the following policies/actions:

- Continued support for energy consumer choice. As Electric Vehicle ("EV") adoption grows, so too will the challenges that their significantly increased energy demand puts on energy infrastructure for which the current energy grid was not originally built (one EV on average doubles the monthly energy demands for the typical home, as an example). Direct Energy/CBS strongly believes that the public utilities are not as well-positioned as private competitive companies to provide other products/services beyond the chargers themselves (e.g. custom power supply agreements, demand side management, onsite generation, smart charging, microgrids, etc.) that will be critical in ensuring the success of EV adoption and health of the electrical distribution system. This is all especially true for electrified fleets and their significantly greater energy requirements.
- Policies that promote the growth of private EV infrastructure over public EV infrastructure. Users of EVs already on average do >90% of their charging at home and/or work (fleets can roughly be included in this category too since they will charge at a depot of some kind) and battery ranges are only improving, meaning increasingly less need for public chargers. Further, installation of public chargers tends to be much costlier (i.e. installation site nuances, permitting, distance from power, etc.), thus entities like public utilities would not look to invest in public chargers without significant ratepayer subsidies and risk shifting to ratepayers as opposed to shareholders.
- The EMP should recognize the growing interest in renewable natural gas ("RNG"). RNG harnesses otherwise environmentally harmful biomethane and repurposes it for fuel, including in clean vehicles. RNG is chemically the same as "traditional" fossil natural gas and is also commonly used by Compressed Natural Gas vehicles. Thus, Direct Energy/CBS supports the inclusion of any pro-RNG and related renewable identification number (RIN) environmental attribute policies and/or incentives that can assist Governor Murphy's renewable and lower-carbon energy goals.
- The EMP should also recognize that once aggregated in enough number, EVs can help support the overall power distribution system and create new revenue streams/savings for customers given the potential of their large batteries to supply capacity and ancillary services to the grid and to individual customers when equipped with bi-directional chargers. Thus, competitive markets, and not public utilities, can better offer solutions to consumers through innovative technologies and offerings to maximize monetary benefits EV's may be able to provide. Moreover, the role of EVs in energy markets needs to be part of the broader discussion around inclusion of batteries into wholesale energy markets in line with FERC Order 841.

Building a Modern Grid

Ensuring New Jersey remains competitive in the energy sector relative to neighboring states includes a grid that is state-of-the-art, resilient and reliable. Direct Energy/CBS supports policies that:

- Encourage 'Non-Wire Alternative' ("NWA") programs to provide lower-cost alternatives to major public utility investments. To ensure a robust selection of potential NWA programs, public utilities should be required to bid such programs to the competitive market who are poised and ready



to offer innovative solutions that solve local and regional grid issues while minimizing ratepayer costs. Direct Energy/CBS already manages 550+ MW of demand response resource from C&I customers, 440 MW of which is in the PJM transmission system that includes NJ.

- Collaborate with PJM to ensure reasonable wholesale market treatment of clean and distributed resources, including the implementation of FERC Order 841 on storage resources and likely upcoming order on aggregated DER.
- Streamline the Distributed Energy Resource (“DER”) interconnection process, both at the state and PJM level, which is often a hurdle to new resources and discourages existing resources from providing other grid benefits which they are technically capable of providing.
- Require public utilities to file Distribution Resource Plans (DRPs) that determine what resources and grid upgrades the public utilities will need to meet customer electric demand and consider what role clean and distributed resources could play in those needs. Those plans should provide granular hosting capacity analysis and locational net benefit analysis to direct DERs where they are most valuable.
- With respect to energy storage, the EMP must recognize recently enacted legislation, P.L.2018, c.17, that recognizes that third party suppliers like Direct Energy must have a seat at the table in any analysis around energy storage policy and implementation in New Jersey. Direct Energy/CBS and other competitive market companies are already providing storage solutions to their customers and public utility investment in energy storage presents an unfair, subsidized advantage over market-based solutions that properly places the risk on shareholders.

Sustainable and Resilient Infrastructure

Direct Energy strongly believes that ensuring the energy resilience of New Jersey's businesses and organizations means expanded/targeted incentives for privately owned Commercial & Industrial (“C&I”) microgrids, CHP facilities, and other energy resilience technologies. Such technologies can help a business or organization restore power quickly or keep it from going out in the first place. Indeed, CBS assembles CHP and backup generation units in New Jersey, and has advanced optimization solutions that controls building energy loads at split-second intervals to meet grid operator and energy market needs. The EMP can encourage the competitive market by recognizing the role such market already plays in New Jersey and considering innovative Clean Energy Program pilots that would allow C&I customers to take advantage of grants/incentives to acquire such technologies.

Direct Energy/CBS appreciates the opportunity to offer these comments and suggestions and looks forward to working with the NJBPU and staff to produce an EMP that recognizes competitive markets work.

Thank you for your consideration and should there be any questions, please do not hesitate to contact me on my mobile phone at 732-259-0233 or at Robert.Gibbs@directenergy.com.

Very truly yours,

Robert L. Gibbs

Director, Corporate & Regulatory Affairs

Via electronic delivery