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**Date:** December 2, 2010

**To:** Heather Hunt, NESCOE

**From:** Pete Fuller, NRG

**Subject:** NESCOE RFI

NRG Energy, Inc. (NRG) is very supportive of NESCOE's announced intent to issue a Request for Information (RFI) "to help identify the renewable energy resources within New England and neighboring regions that have the greatest potential for helping New England to meet its renewable energy goals at the lowest overall, or "all-in", delivered cost of electricity." NRG is very active in developing and operating renewable energy sources, including the Bluewater Wind project off the coast of Delaware, several wind projects in Texas, and large photovoltaic and solar thermal projects in California. NRG intends to respond to the RFI and may include biomass, wind and solar projects we are developing in the New England region.

In preparing the RFI and evaluating responses, NRG suggests that NESCOE consider the region's energy supply more holistically and take into consideration the following.

First, NRG notes that the ISO-NE study supporting the Governors' Blueprint showed that some of the lowest-cost and lowest-emission futures could be achieved by replacing or repowering existing fossil steam units in and near load pockets in southern New England with efficient new gas combined cycle capacity. The Blueprint noted that new gas combined cycles and wind resources could have similar beneficial impacts on energy market prices. If the goals are to minimize cost and maximize environmental performance, this strategy approach should be part of the mix.

In addition, it is becoming inevitable that older, fossil-fueled steam thermal generating plants will all be phased out within the next decade or so as a result of increasingly stringent environmental control requirements currently being promulgated by the US EPA<sup>1</sup> and the increased density of demand resources and renewables. This represents a loss of nearly

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<sup>1</sup> These requirements include the Clean Air Transport Rule, the Maximum Achievable Control Technology standard, and the Hazardous Air Pollutant standard. Greenhouse gas regulations will also put pressure on coal and oil facilities.

9,000MW of dispatchable capacity in the New England region. Some of that capacity will need to be replaced with new dispatchable capacity in order to enable ISO-NE to continue to balance demand and supply on a continuous basis, particularly as non-dispatchable intermittent resources make up a larger portion of the region's supply mix.

At the same time, as noted in the New England Wind Integration Study (NEWIS), combined cycle plants will become increasingly important as a source of operating reserves and balancing supply. However, these resources will be economically challenged as renewables built under long-term contracts represent an increasing share of the region's supply and lead to depressed energy market prices and displacement of energy production from the combined cycle plants. Without the revenue certainty available under long-term contracts, the needed combined cycle plants will not be forthcoming based solely on ISO-NE market revenues.

Hence, NRG suggests that a comprehensive strategy to procure and promote renewables should also include identification of procurement opportunities for efficient gas fired combined cycle capacity. Particularly now, with inexpensive shale gas from nearby regions a reality and other sources of natural gas available to the region (particularly LNG from Canaport) providing the potential for locking in low-cost fuel prices, it could be an ideal time to capture the economic and environmental benefits of repowering or replacing older fossil steam units and also securing flexible capacity specifically to provide operating reserves and balance the operation of new intermittent renewable energy sources.

I look forward to the RFI and would be happy to discuss these suggestions with you at your convenience.