July 28, 2023

Jared S. Chicoine, Commissioner
New Hampshire Department of Energy
21 South Fruit Street, Suite 10
Concord, N.H. 03301-2429

Re: INV 2023-001 – DOE Energy Procurement Investigation; DOE Set 1 Questions

Dear Commissioner Chicoine,

Constellation Energy Generation, LLC ("Constellation") appreciates the opportunity to provide comments in this proceeding. As requested in the Department's issuance in this docket dated July 6, 2023, we respond below to several of the specific questions directed at wholesale energy suppliers. Questions related to Constellation's responses provided herein should be directed to Gretchen Fuhr, Wholesale Market Development Director for Constellation, at gretchen.fuhr@constellation.com.

Regards,

Gretchen Fuhr

CONSTELLATION ENERGY GENERATION, LLC

INV 2023-001

DOE SET 1 QUESTIONS

Date Request Received: 7/6/23 **Date of Response:** 7/28/23

Request No.: DOE IQ 1-18 **Contact:** gretchen.fuhr@constellation.com

REQUEST: Would regulatory provisions that limit the frequency of customers switching to and from default service impact your bid?

RESPONSE:

Customer switching is one of the largest risks that suppliers have to evaluate when participating in default service auctions and must be accounted for in supplier bids. This risk has increased in recent years with the popularity of community choice aggregation programs in a number of states, including New Hampshire. Despite these real risks, Constellation cautions against creating new regulatory restrictions on switching. Depending on how they are structured, such limits could be difficult for suppliers to model and may not comport with a competitive marketplace.

Rather than place regulatory limits on switching, the Department should consider efforts to provide greater transparency and advance notice to the market with respect to customer aggregation programs in particular. Constellation discusses this topic in more detail in response to DOE IQ-24.

CONSTELLATION ENERGY GENERATION, LLC

INV 2023-001

DOE SET 1 QUESTIONS

Date Request Received: 7/6/23 **Date of Response:** 7/28/23

Request No.: DOE IQ 1-19 **Contact:** gretchen.fuhr@constellation.com

REQUEST: How does your company evaluate the risk of having a contract *not* approved by the Public Utilities Commission?

RESPONSE:

We do not currently consider this risk when developing our bids. If such a contract rejection were to occur, there would likely be a chilling effect on supplier participation going forward. Our risk management protocols may disallow participation in a state's default service procurement altogether in such a scenario, or, at the very least, our bids would need to include dramatically higher risk premiums.

In a typical procurement, suppliers enter into hedging arrangements immediately upon notification that the supplier's bid has been selected by the utility. Hedging is necessary to mitigate exposure to wholesale market volatility. If the regulatory body with oversight over the default service auction subsequently rejects the supplier's default load contract with the utility, the supplier would need to liquidate the hedges and incur potentially significant losses. Alternatively, the supplier could wait to hedge the awarded load obligation until the regulatory body approves the contract, but even a short delay can be costly if the market moves in the interim period.

CONSTELLATION ENERGY GENERATION, LLC

INV 2023-001

DOE SET 1 QUESTIONS

Date Request Received: 7/6/23 **Date of Response:** 7/28/23

Request No.: DOE IQ 1-24 **Contact:** gretchen.fuhr@constellation.com

REQUEST: Please discuss other issues and provide other information that you believe the Department should consider as part of this investigation into the Default Energy Service procurement process.

RESPONSE:

With an increase in community choice aggregation programs in New Hampshire, the risk associated with customer movement to and from default service has increased in recent years. High quality and timely data are essential for suppliers to be able to model that risk. Accordingly, Constellation submits that competitive auction outcomes could be improved by requiring more information disclosure related to customer choice aggregation programs:

1. Customer data associated with aggregations. Approximately one month prior to each default service auction, aggregators should be required to provide up-to-date customer data for each existing aggregation. This data should include: customer count by class; historical customer usage data by customer class over the most recent 12 months for which data is available; and the supply term for the aggregation. In the application process for planned aggregations, disclosure of customer usage data by customer class over the most recent 12 months for which data is available should also be required.

2. Pipeline of aggregation programs. Suppliers currently have limited visibility into expected aggregation attrition when bidding in default service auctions. For example, in a May auction for a term that covers August-January, suppliers may have no awareness of an aggregation

that decides to leave default service in October. Improved advance notice of aggregations would provide significant benefits to the market. In particular, the Department should consider the benefits of requiring public notice of an aggregation at least eight months prior to first month in which the aggregation leaves default service. The improved transparency would reduce customer attrition uncertainty, which may reduce risk premiums included in bids on that basis.