

Supplier Diversity Annual Report and Annual Plan

Direct Energy Business, LLC	2024	GO 156 Section 9.1.1
Description of Supplier Diversity Program Activities During the Previous Calendar Year		

Corporate Overview

NRG Energy Inc. is committed to offering maximum practicable opportunities to Small Business (“SB”), Small Disadvantaged Business (“SDB”), Woman-Owned Small Business (“WOSB”), Veteran Owned Small Business (“VOSB”), Service-Disabled Veteran Owned Small Business (“SDVOSB”) and, HUBZONE (“HUBZ”) concerns by active engagement and participation in NRG’s Small Business/Supplier Diversity Program. NRG applies best faith efforts in meeting or exceeding our subcontracting goals through subcontract awards by including language supporting FAR 2.219-8 “Utilization of Small Business Concerns” in corporate supply chain procurement subcontracts over \$250,000. In addition, NRG explores ancillary methods of meeting the goals outside of subcontracting through diversifying of vendors in purchasing with MWBE/SDVOB businesses. For example, in 2024, of 6 the regulatory and governmental affairs consultants NRG contracted with to provide professional support services, all are small businesses, with 5 out of 6 owned by women. Program expenses for NRG’s corporate supplier diversity program can be seen in Section 9.1.3.

Our Small Business Manager makes good faith efforts and provide the support for identifying small business opportunities through our Supplier Diversity efforts for both commercial and government contracts to the maximum extent practicable by continued participation in local councils, networking events and trainings. These practices will aid in NRG’s SBLO pursuit to assist suppliers with the self-certification process, tracking and reporting of subcontracting spend data and working with the business to take the Small Business Program to the next level.

NRG further has a responsibility to provide opportunities to small and diverse businesses. Our core values provide the basis for our business decisions and drive this commitment to diversity within our supply chain. We actively seek diverse business enterprises that can offer quality products and services on a competitive basis. NRG creates a fair and equitable opportunity for minority owned, woman owned, LGBT owned, veteran or service-disabled veteran owned, disability owned, and SBA defined small and disadvantaged businesses to be included as contracted and subcontracted suppliers. NRG’s supplier choices reflect our diversity and values, strengthens our customer relationships, and economically develops the communities we serve.

California Specific Activities

NRG’s California Electric Service Provider (“ESP”) brand, Direct Energy, solely procures energy and related products to meet its requirements as Load Serving Entity (“LSE”). The opportunities in these areas to procure from diverse suppliers is very limited due to the limited nature of companies that offer products and services to support NRG’s ESP business.

GO 156 first became applicable after the approval of Decision 22-04-035 passed in April 2022. Following the passage of this Decision, NRG met internally to discuss how to best incorporate the voluntary procurement goals outlined in GO 156 into its upcoming procurement for that year. This led to two specific actions being taken. First, all products procured by NRG through a Request For Offers (“RFO”) process to support its California ESP activities are now being posted on the Supplier Clearinghouse website. Note that not all products that NRG procures is via an RFO process and many existing products, such as legal and consultant support, are through contracts and relationship held prior to the passage of Decision 22-04-035. Second, in its RFO process, NRG includes language to encourage respondents to utilize diverse subcontractors to the extent possible and to incorporate the following actions into their procurement:

- Set voluntary minimum goals for subcontractor procurement in-line with Section 8.2 of GO 156: 15% for minority business enterprises; 5% for women business enterprises; 1.5% for disabled veteran business enterprises; and 1% for LGBT business enterprises
- Post opportunities for subcontracting work on the CPUC’s Supplier Clearinghouse website
- Report to Direct Energy any and all efforts to meet diverse procurement hiring goals

In 2024, Direct Energy was also in attendance at the CPUC Supplier Diversity En Banc and Expo alongside its trade organization Alliance for Retail Energy Markets (AReM) and shared “best practices” with similar type of businesses and subsequently implemented ongoing meetings with such suppliers to continue “best practice” sharing, including diverse hiring practices.

Currently, around 99.4 percent of Direct Energy’s reportable ESP expenditure in 2024 was power procurement as detailed in Section 9.1.9. Due to a lack of diverse suppliers offering these products, no expenditures were made with diverse suppliers specific to power procurement in 2024. The challenges facing Direct Energy to find diverse suppliers for these products is similar to that faced for all load serving entities (“LSEs”) in California and consistent with utility and CCA reporting for Section 9.1.9. For non-power purchases, namely legal and consulting support, approximately 15% percent of expenditures in these categories were with diverse suppliers. As reported in 2023, Direct Energy identified two subcontractors that could possibly be categorized as a diverse supplier under the Supplier Clearinghouse, but they have still yet to register. In 2024, Direct Energy also inquired with four additional suppliers about a diverse supplier certification under the Supplier Clearinghouse, and so far, none has registered.

Contact Information

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Direct Energy Business, LLC	2024	GO 156 Section 9.1.9
Description of Supplier Diversity Activities and Progress in Power (Energy) Procurement		

GO 156 first became applicable to ESPs after the approval of Decision 22-04-035 passed in April 2022. Following the passage of this Decision, NRG met internally to discuss how to best incorporate the voluntary procurement goals outlined in GO 156 into its upcoming procurement for that year. This led to two specific actions being taken. First, all products procured by NRG through a Request For Offers (“RFO”) process to support its California ESP activities are now being posted on the Supplier Clearinghouse website. However, not all products that Direct Energy procures is via an RFO process and many existing products, including power. Direct Energy procures three main products for its ESP business in California: power, renewable energy, and resource adequacy (“RA”). Power is procured through day ahead and real time transactions with the California Independent System Operator (“CAISO”) and thus has been excluded in this reporting. Renewable energy and RA are procured through bilateral negotiations with generators and other California LSEs, with occasional RFOs released for specific products. Renewable and RA transactions with non-utility counterparties have been reported. Second, in its RFO process, Direct Energy includes language to encourage respondents to utilize diverse subcontractors to the extent possible as outlined in the response to Section 9.1.1. All the RFOs and RFIs released at the end of 2024 by Direct Energy Business for CPUC Mid-Term Reliability Products included this language.

As outlined in the table quantifying the procurement of power by diverse supplier, Direct Energy did not contract with any firms that fall under these classifications and is unaware of any firms offering these products that would meet diverse supplier requirements plus qualify under NRG’s supplier program. This is not a situation unique to Direct Energy; other LSEs in California typically report zero or near zero contracts with diverse suppliers for power procurement.

Direct Energy Business, LLC	2024	GO 156 Section 9.1.2
Description of Diverse Suppliers with Majority Workforce in California		

Direct Energy is unable to determine the number of diverse suppliers who have the majority of their workforce working in California.

In 2024, all the regulatory and governmental affairs consultants NRG contracted with, five out of six in total, were women. While none are registered with Supplier Clearinghouse, two of our contractor's own minority business enterprises and one is a proud owner of a LGBT business enterprise.

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Direct Energy Business, LLC	2024	GO 156 Section 9.1.4
Description of Progress in Meeting or Exceeding Set Goals		

Goals have been set for 2024 and future compliance years in this filing per the requirements of Section 10.1.1.

Direct Energy Business, LLC	2024	GO 156 Section 9.1.5
Description of Prime Contractors Utilization of Diverse Subcontractors		

In its RFO process, Direct Energy includes language to encourage respondents to utilize diverse subcontractors to the extent possible as outlined in the response to Section 9.1.1. The RFOs and RFIs released at the end of 2024 by Direct Energy Business for CPUC Mid-Term Reliability Products included this language. Included in the RFO language is information to contractors for how our Small Business Manager is available provide the support for identifying small business opportunities through our Supplier Diversity Program for both commercial and government contracts to the maximum extent practicable.

Direct Energy Business, LLC	2024	GO 156 Section 9.1.6
List of Supplier Diversity Complaints Received and Current Status		

Direct Energy has not received any complaints from small or diverse suppliers in the past year.

Direct Energy Business, LLC	2024	GO 156 Section 9.1.7
Description of Efforts to Recruit Diverse Suppliers in Low Utilization Categories		

Regarding power procurement, Direct Energy is unaware of any firms that would meet diverse supplier requirements plus also be able to provide the products being sought by Direct Energy and qualify under NRG’s supplier program. This is not a situation unique to Direct Energy; other LSEs in California typically report zero or near zero contracts with diverse suppliers for power procurement, in looking to utility efforts on this topic to determine if there are best practices to support greater supplier participation for power, little to nothing is reported. Direct Energy will continue to actively seek diverse business enterprises that can offer quality products and services on a competitive basis and use our in-house supplier diversity team to inform interested companies seeking power procurement opportunities for how they can engage with NRG. Finally, any power procurement done via RFIs and RFOs will continue to be posted to the supplier clearinghouse.

Financial, legal, and consultant support are largely held through contracts and relationships prior to the passage of Decision 22-04-035. When opportunities arise to bring on new firms in these areas, Direct Energy will post these opportunities to the Supplier Clearinghouse. All firms which can meet established corporate requirements for experience and financial standing will be considered.

Direct Energy Business, LLC	2024	GO 156 Section 10.1.2
Description of Supplier Diversity Program Activities Planned for the Next Calendar Year		

Internal Supplier Diversity Program

Internally within NRG, the Supplier Diversity Program Office seeks new small and diverse business through match making events externally and in turn bring them back internally to our internal stakeholders to provide new opportunities.

Specifically, within California, all teams involved in procurement of goods and services will be provided materials that outlines Direct Energy’s GO 156 goals, with regular reminders and updates. Included in that information will be resources for how to access the Supplier Clearinghouse and the CPUC’s resources for seeking diverse suppliers. All RFIs and RFOs specific to California goods and services to support Direct Energy’s ESP business will be posted to the Supplier Clearinghouse.

External Supplier Diversity Program

Externally, NRG’s Supply Chain organization provides small and diverse companies opportunities on all RFP’s in excess of \$250,000. We also partner with several organizations to mentor and develop small and diverse companies.

Specifically, within California, all RFIs and RFOs specific to California goods and services to support Direct Energy’s ESP business will be posted to the Supplier Clearinghouse. Direct Energy staff will also participate in the annual Supplier Diversity En Banc and any other meetings organized by the Supplier Diversity team specific to Load Serving Entity resource procurement.

Direct Energy Business, LLC	2024	GO 156 Section 10.1.3
Plans for Recruiting Diverse Suppliers in Low Utilization Categories		

Direct Energy will continue to expanded efforts in 2024 to communicate awareness of its procurement efforts to diverse suppliers across all products and service categories. All RFIs and RFOs specific to California goods and services to support Direct Energy’s ESP business will be posted to the Supplier Clearinghouse. In addition, Direct Energy will work with CPUC staff to identify organizations that represent enterprises covered under GO 156 for performing additional education and outreach regarding Direct Energy’s procurement needs as an ESP. Parties that participated in R.21-03-010 representing diverse suppliers may also be contacted regarding Direct Energy’s procurement needs and ways that their members can participate.

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Direct Energy Business, LLC	2024	GO 156 Section 10.1.4
Plans for Recruiting Diverse Suppliers Where Unavailable		

Direct Energy’s plans outlined in section 10.1.2 and 10.1.3 constitute the main activities that will be undertaken in an attempt to identify diverse suppliers of products or services where they are currently unavailable.

Direct Energy Business, LLC	2024	GO 156 Section 10.1.5
Plans for Encouraging Prime Contractors to Subcontract Diverse Suppliers		

In its RFO process, Direct Energy will continue to include language to encourage respondents to utilize diverse subcontractors to the extent possible and to incorporate the following actions into their procurement:

- Set voluntary minimum goals for subcontractor procurement in-line with Section 8.2 of GO 156: 15% for minority business enterprises; 5% for women business enterprises; 1.5% for disabled veteran business enterprises; and 1% for LGBT business enterprises
- Post opportunities for subcontracting work on the CPUC’s Supplier Clearinghouse website
- Report to Direct Energy any and all efforts to meet diverse procurement hiring goals

Direct Energy Business, LLC	2024	GO 156 Section 10.1.6
Plans for Complying with Supplier Diversity Program Guidelines		

Direct Energy's plans outlined in section 10.1.2 and 10.1.3 constitute the main activities that were undertaken in 2023 to comply with the Supplier Diversity Program guidelines.