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New England Energy Alliance April E-Newsletter

Achievements From Electricity Industry Restructuring in Connecticut, Other Energy Industry Trends

A report released earlier this week by the New England Energy Alliance (NEEA) finds that Connecticut has realized substantial benefits from the restructuring of its electricity industry a decade ago. These benefits include: significant additions of cleaner electricity generation; increased energy efficiency across all customer segments; more in-state renewable energy resources; and an increasingly competitive and robust retail market that enables customers to shop for lower electricity prices.

Two recent legislative statutes amended restructuring efforts to increase energy efficiency, develop more renewable energy resources, and better promote customer choice. NEEA sponsored the assessment of those statutes on Connecticut's electricity industry. The report prepared by ESAI Power LLC cited several achievements:

Significant investment in new generation. There are currently more than 4,000 Megawatts (MW) of new generation in various stages of development in Connecticut. If eventually constructed, the state's total electricity generation capacity would increase by 50% -- increasing competition, lowering electricity prices and creating much needed jobs.

Substantial reductions in emissions. The construction of highly efficient, natural gas-fired generating plants, fuel switching to cleaner fuels by existing plants, and reduced generation because of decreases in electricity demand have resulted in significant emissions reductions. Since 2005, carbon dioxide emissions from electricity generation have decreased 20%, nitrogen oxides 61%, and sulfur dioxide 77%.

[Click to View Full Report on Achievements from Electricity Industry Restructuring in Connecticut](#)

Dramatic increases in energy efficiency and demand resources.

More than 400 million kilowatt-hours of electricity are saved each year from consumer-funded efficiency programs administered by the state's utilities. This is enough electricity to supply over 47,000 homes. Connecticut consumers and businesses contribute almost \$100 million per year towards these programs that make the state one of the most energy efficient in the nation. These programs also avoid the generation of greenhouse gases - equivalent to taking over 30,000 cars off the road every year.

Development of renewable energy resources. The state's renewable portfolio standard (RPS) requires electricity suppliers to purchase increasing amounts of electricity from renewable resources - growing to 27% of total electricity load by 2020. Due to these requirements, several hundred megawatts of renewable generation are under development in Connecticut - including landfill gas, hydro, biomass and wind generation.

Escalating success in retail competition. Since 2005, there has been triple-digit growth in the number of customers served by competitive suppliers, particularly in the residential sector. Today, alternative suppliers serve 20% of all customers and supply half of all electricity sold in the state. Connecticut's competitive electricity market has also attracted 35 companies that are investing substantial capital in the state and employing hundreds of residents.

These findings should guide the legislative policy debate underway in Connecticut on lowering the price of electricity. Under legislative consideration are a number of proposals that would radically change the electricity market in Connecticut, curtailing consumer choice and market competition.

"High electricity rates are a concern and should be addressed, but not at the expense of consumer choice and market competition," said Paul G. Afonso, Alliance Executive Director. "Our assessment indicates the best approach to more reliable and affordable electricity is to stay the course and keep building on the considerable

restructuring."

New England Wholesale Electricity Prices Lowest in Seven Years

According to ISO New England, wholesale electricity prices in 2009 fell to their lowest levels since 2003. The average price of wholesale electricity dropped 48% -- from \$80.54 per MWh in 2008 to \$41.99 per MWh in 2009. This decrease was due to a 52% drop in the price of natural gas -- the predominant fuel used to generate electricity in the region.

While wholesale electricity prices fluctuate in real time based on fossil fuel prices, retail rates -- those paid by consumers -- are generally set for longer intervals by state utility regulators. Therefore, the lag between wholesale prices and retail rates varies depending on each state's approach to electricity procurement.

According to ISO New England, the recession, combined with a generally cooler than normal summer and a warmer than normal winter, led to a decrease in regional electricity consumption by 2.2 percent in 2009. The last time electricity consumption was lower was in 2002.

ISO New England forecasts that demand for electricity should decrease by about 0.5% in 2010 and then begin to rise in 2011 by about 0.8%.

Nationally, the Edison Electric Institute reported that electric output in the U.S. decreased 3.7% in 2009 because of lower demand for electricity. This was the largest reported year-on-year percentage decline since 1938 and marks the second consecutive year that electric output has declined.

Survey Finds State Utility Regulators Prefer Nuclear to Natural Gas by a 2-1 Margin; Strong Support Among Public as Well

A recent survey by the Nuclear Energy Institute (NEI) found state electric utility regulators prefer nuclear energy over other forms by a two to one margin. Asked about

most effectively balanced "consumers" needs for low cost energy while having a minimal environmental impact, 35% preferred nuclear power, 18% natural gas, 16% wind, 8% coal and 5% solar. Ten percent were not sure.

Telephone interviews with 97 state utility commissioners in 52 jurisdictions were conducted. When asked to consider both the cost to the consumer and the environmental impact of future electric generation, a clear preference emerged -- nuclear plants receive twice the number of mentions as natural gas and wind.

Touting nuclear energy as a critical component of broader initiatives to reduce greenhouse emissions and meet future U.S. needs, President Obama announced \$8 billion in government loan guarantees for the first new nuclear plant to be built in the U.S. in almost 30 years by the Southern Company. Under the loan guarantee program, the government will assume a company's debt obligations if it defaults on debt incurred for new nuclear projects. Because new nuclear reactors cost billions of dollars to build, the loan guarantees can be a key step for energy companies that plan to undertake such projects.

A recent national survey also sponsored by NEI found unprecedented support for nuclear energy. A record high 74% of Americans support nuclear energy and 70% say the U.S. should definitely build more nuclear energy facilities. Survey results are available at www.nei.org

Former National Grid Executive Cheryl LaFleur Nominated for Commissioner at the Federal Energy Regulatory Commission

President Obama recently announced the nomination of Cheryl A. LaFleur as a FERC Commissioner. Cheryl has more than 20 years experience as a leader in the electric and gas industry.

She retired in 2007 as Executive Vice President and acting CEO of National Grid USA responsible for the delivery of electricity to 3.4 million customers in the Northeast. Her previous positions at National Grid and its predecessor New England Electric System included Chief Operating

companies, General Counsel, Senior Vice President of Retail Marketing and Vice President of Demand-Side Management. Prior to joining National Grid, she was an attorney at Ropes and Gray in Boston.

About New England Energy Alliance, Inc.

The New England Energy Alliance is a coalition of energy providers and trade organizations concerned about the reliability and affordability of future energy supplies.

Please visit www.newenglandenergyalliance.org for more information on the Alliance.