



Energy Insights -- February 2013 Monthly Briefing on Energy Issues and Trends

Connecticut Releases Comprehensive Energy Strategy

Governor Malloy released Connecticut's first ever Comprehensive Energy Strategy -- intended to establish a path toward cheaper, cleaner and more reliable energy. Major components of the plan call for:

Increasing the availability of natural gas for space heating: by requiring Connecticut's gas utilities to detail how to make low cost, domestic natural gas available to hundreds of thousands of residents and 75 percent of the state's businesses within the next seven years -- and offering a \$500 tax credit to consumers who switch to natural gas.

Expanding access to energy efficiency initiatives: by connecting residents and businesses to an expanded range of energy efficiency programs through a new website that provides one place for all the state's energy efficiency programs as well as through a direct outreach campaign to small businesses on all aspects of energy efficiency and renewable energy implementation.

Lowering energy use in the transportation sector: by developing a network of charging stations for electric cars, natural gas filling stations for fleet vehicles, and continued investment in public transportation and land use policies that promote pedestrian and bicycle access.

Improving resiliency of the electric grid and investment in microgrids: by making infrastructure and hardware investments as well as better management of trees located near power lines and transmission routes. Promotion of investment in microgrids -- small scale, distributed generation networks -- will help facilities like hospitals, wastewater treatment plants and town centers to maintain their supply of electricity in the event of a large outage.

Conducting a cyber security review: of all major utilities to assess their ability to deter electronic attempts to disrupt service. The Comprehensive Energy Strategy was developed with input from five public hearings and five technical meetings held throughout the state and almost a thousand written comments from more than 500 stakeholders.

Source: *2013 Comprehensive Energy Strategy for Connecticut*, prepared by the Connecticut Department of Energy and Environmental Protection, February 19, 2013.

In This Issue:

Connecticut Releases Comprehensive Energy Strategy

Natural Gas Constraints Impact Energy Prices

Tighter Caps on Carbon Emissions Proposed for New England Power Plants

National Poll Shows Solid Support for Nuclear Energy

Electric Industry Plans Significant Infrastructure Investment

Natural Gas Constraints Impact Energy Costs

Because of New England's increasing reliance on natural gas for electricity generation and home heating, the two pipelines that bring low-cost shale gas from the west and south into New England have been pushed to the limit this winter.

Due to high natural gas demand during extended cold snaps combined with tight supplies, the U.S. Energy Information Administration reported last month that New England had the highest natural gas prices on the spot market in the country.

Because the price of electricity in New England is tied to the price of natural gas, spot market electricity prices in the region have been four to eight times higher than normal, according to the *Wall Street Journal*.

For the time being, consumers may be insulated from these spot market price increases because utilities sign long-term contracts for electricity. But electricity may be more expensive in the future as companies that sell power on a long-term basis may charge more to absorb the risk of future price spikes.

The underlying issue is that New England's gas pipeline is inadequate to keep supplies steady in times of high home heating demand. Because homes and businesses have first priority over natural gas supplies, electricity generators may have to supplement supplies with more expensive imports when supplies run low.

New England gas pipeline owners would expand pipeline infrastructure to bring in more low cost supplies to the region, but long-term contracts with electricity generators are needed to finance the expansion. But many generators prefer to have the flexibility to consider all available supply import options during extended cold weather.

A report released in December by the New England States Committee on Electricity, a group of state regulators, concluded that the region's increasing reliance on natural gas will pose reliability risks to the region's electric grid if left unaddressed.

Industry experts say the problem is that the natural gas and electricity markets mesh poorly and require greater coordination. ISO New England and the Federal Energy Regulatory Commission which oversees interstate electricity and gas markets and transmission are working together to make improvements to the system to increase supplies and reduce costs.

Sources: Wald, M. (2013, February 16). The Natural Gas Trap, *Wall Street Journal*.

Chesto, J. (2013, February 22-28). Running Low on Gas. *Boston Business Journal*.

Tighter Caps on Carbon Emissions Proposed for New England Power Plants

Under a proposed revision to the Regional Greenhouse Gas Initiative (RGGI) -- the nation's first cap-and-trade system designed to cut greenhouse gas emissions -- New England would reduce the amount of carbon dioxide power plants are allowed to emit by 45%.

Under the initiative, Northeast and Mid-Atlantic states would lower an existing cap on carbon dioxide emissions from power plants -- from 165 million tons to 91 million tons. Power plant operators would continue to buy permits for every ton of carbon dioxide emitted -- costs which are passed on to consumers through higher electricity rates. The allowances are bought in quarterly auctions and the revenue is used by participating states primarily for energy efficiency programs. Since 2009, consumers have paid almost \$300 million into the RGGI program. This revenue is being used to fund energy efficiency programs throughout the states.

The new cap will be lowered 2.5 percent per year until 2020 -- the most aggressive emission limits in the country. These changes are expected to double the RGGI payment by consumers but will lead to increased energy efficiency and clean energy investments throughout New England.

The new rules won't take effect until each state adopts individual regulations or legislation to approve the changes. According to officials, all are expected to do so before next year.

Source: Gallucci, M. (2013, February 11). Tougher Northeast CO2 Cap Seen Doubling Revenues by 2020. *Bloomberg News*.

National Poll Shows Solid Support for Nuclear Energy

A recent telephone survey found a solid majority of Americans continue to hold favorable views of nuclear energy and believe that electric companies should prepare to build new nuclear energy facilities if they are needed. The telephone survey of 1,000 U.S. adults conducted in early February by Bisconti Research, found

- 68% of Americans favor nuclear energy
- 65% believe that U.S. nuclear power plants are able to withstand the most extreme natural events that may occur
- 73% believe nuclear plants operating in the U.S. are safe and secure
- 73% believe that electric utilities should prepare now so that new nuclear power plants can be built if needed in the next decade
- 81% agree with renewing the operating licenses of nuclear power plants as long as they continue to meet federal safety standards

Source: *U.S. Public Opinion Survey*. Nuclear Energy Institute. February 2013

Electric Industry Plans Significant Infrastructure Investment

In an annual state of the industry address before Wall Street, Edison Electric Institute (EEI) President Thomas Kuhn said the electric power industry is optimistic about the future of the industry. As the most capital intensive industry in the U.S., it projects to invest an average of \$85 billion a year on capital expenditures through 2014, which is the highest for any sector of the economy. In addition, some key issues the industry will continue to address include:

Cyber security A heavy emphasis on protecting the grid from cyber threats will be made by expanding the many industry

initiatives already underway to safeguard and protect critical infrastructure.

The Environment: The industry will continue to work with the U.S. Environmental Protection Agency to ensure that any new regulations protect customers from steep rate increases and give industry as much flexibility as possible, while maintaining reliability and achieving environmental goals.

Natural Gas Prices: As today's low natural gas prices continue to affect electricity generation choices, the industry will continue to pursue a balanced and diversified generating portfolio that combines all generation technologies and fuels to ensure an affordable, reliable electricity supply.

Source: *Electric Power Industry Outlook*, 2013 Wall Street Briefing, Edison Electric Institute, February 6, 2013.

Did You Know.....

While Americans are using more gadgets, televisions and air conditioners than ever -- their electricity use is barely increasing? The Energy Information Administration is projecting that electricity use in U.S. homes will increase by an average of just 0.7% per year for decades -- through the year 2040. Traditionally, electricity use was viewed as a barometer of economic growth, but that link has become less clear cut in recent years -- particularly because of a big push to make major appliances more efficient and encourage consumers in all sectors to adopt high efficiency products such as compact fluorescent lights and high efficiency motors that use less electricity.

Source: Smith, R. (2013, January 3). U.S. Electricity Use on Wane. *Wall Street Journal*.

About the New England Energy Alliance, Inc.

The New England Energy Alliance is a coalition of energy companies advocating to ensure the availability, reliability and affordability of future energy supplies which are vital to the region's economic growth and prosperity. Formed in 2005, the Alliance works to balance public debate about solutions to New England's energy infrastructure by providing information on the region's energy needs and the resources, technologies and policies needed to meet those needs.

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

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