

January/February E-Newsletter

February 2008

In this issue: Alliance issues reports on the region's transmission infrastructure and roundtable discussion on zero growth electricity demand strategies; Editorial in Boston Business Journal on the energy facility siting process; NEI study shows nuclear and wind energy needed to meet RGGI goals; Alliance joins stakeholders urging FERC to stay the course on competitive wholesale markets; FERC issues FEIS for Broadwater LNG project; Alliance briefs region's congressional delegation and FERC commissioners on consumer energy survey; Alliance sponsors luncheon with Maine DPU Chairman Kurt Adams.

Alliance Issues Report on Region's Transmission Infrastructure: New England has a comprehensive planning process for transmission infrastructure that has resulted in the completion of several major projects. But more is needed to realize the economic and environmental value of a robust transmission system in today's competitive wholesale electricity market.

The paper ["Electricity Transmission Infrastructure Development in New England: Value Through Reliability, Economic and Environmental Benefits"](#) finds segments of the region's 8,000 miles of transmission lines and supporting equipment are under stress from: aging and undersized equipment; growing demand for electricity; and the unprecedented number of power plants built in the last decade now connected to the system. In addition, the system was not designed to handle the \$11 billion in transactions that now occur annually by companies buying and selling electricity in the region's competitive wholesale market.

ISO New England has identified more than \$4 billion in transmission infrastructure investment needed to maintain reliability – totaling about 350 individual projects that will in many cases lower the delivered price of electricity to consumers by opening up the system to greater competition from the region's electricity generators.

Electricity prices are higher in some areas with transmission constraints because lower cost electricity cannot be transported out of its generation area into areas with high demand. In some areas of MA and CT, ISO New England has found it necessary to enter into expensive reliability contracts with owners of uneconomic generating plants to keep them operating because power from less expensive generation cannot be imported.

Two recently completed transmission projects show that consumer savings can greatly outweigh project capital costs in just a short time – and provide significant environmental benefits. The NSTAR 345-kV transmission line and the Southwest Connecticut Phase I transmission project combined will save consumers approximately \$360 million annually by increasing access to lower cost, more efficient and cleaner electricity generation.

Transmission infrastructure upgrades are also needed to increase access to renewable resources needed to comply with the region’s environmental goals. To ensure the timely construction of projects, political and industry leadership and region-wide cooperation will be essential. The report is available on the Alliance’s website www.newenglandenergyalliance.org

Alliance Roundtable on Zero Electricity Demand Growth Strategies:

The Alliance sponsored a roundtable discussion late last fall to obtain insight on a proposed goal in Massachusetts to meet all – or at least most – future growth in electricity demand by energy efficiency and demand resources rather than from new electricity generating facilities. Moderated by Nora Brownell, former Commissioner of the Federal Energy Regulatory Commission (FERC), participants included representatives from National Grid, the Conservation Law Foundation; CRA International, and the Associated Industries of Massachusetts. Invited guest Paul Hibbard, Chairman of the Massachusetts Department of Public Utilities provided regulatory insight.

There was general consensus that attaining zero electricity demand growth could be achieved with current technologies within the next three to five years if utility revenue decoupling mechanisms are adopted and the expected revenue from the auction of carbon allowances under the Regional Greenhouse Gas Initiative (RGGI) allowances is used to fund expanded energy efficiency programs. Over the longer term, however, some concerns were raised about the magnitude and sustainability of the electricity savings and the impacts of increased efficiency (rather than infrastructure development) on electricity reliability and the region’s economic competitiveness.

Going forward, participants agreed a roadmap is needed to guide how the goals will be attained to include key milestones, streamlined infrastructure development policies, decoupling methods and metrics to ensure accountability. Regional coordination will also be required. The Massachusetts tradition of stakeholder collaboration was identified as important to ensuring success. A [summary report](#) of the two-hour discussion is available on the Alliance’s website (www.newenglandenergyalliance.org).

Boston Business Journal Alliance editorial “Let the Energy Siting Process Work”: Alliance President Carl Gustin authored an editorial published in the Boston Business Journal that raises concerns about legislative interference in the Massachusetts energy facility siting process. State and federal governments have rigorous and thorough processes in place for permitting energy projects designed to balance local concern with public

interests. When elected officials act to circumvent those processes, the implications could lead to energy supply instability. The editorial is available on the Alliance's website www.newenglandenergyalliance.org

Study shows Nuclear and Wind Energy Vital to Achieving Greenhouse Gas Reductions in New England: A report sponsored by the Nuclear Energy Institute (NEI) concludes that New England cannot meet the region's commitment to reduce emissions that contribute to global warming without the continued operation of the region's five nuclear power plants and a significant expansion of electricity generation from wind.

The report found that even with unprecedented construction of renewable generating capacity, substantially increased reliance on natural gas and premature closure of oil- and coal-fueled plants, the licenses of the Pilgrim nuclear plant in Massachusetts and Vermont Yankee must be renewed to meet the emission limits imposed by the Regional Greenhouse Gas Initiative (RGGI) by the 2019 deadline. The newer Seabrook plant in New Hampshire and Millstone Units 2 and 3 in Connecticut also must continue to operate, according to the analysis. The Pilgrim and Vermont Yankee nuclear power plants have filed applications for 20-year license extensions with the U.S. Nuclear Regulatory Commission (NRC).

The analysis also concludes that under either a high- or low-electricity growth scenario, the region should be adding approximately one new major wind energy plant the size of the proposed Cape Wind project in Nantucket Sound every year for the next decade. To achieve the low-growth scenario, the region's already strong commitment to energy efficiency would have to increase significantly. In the high-electricity growth scenario, meeting the RGGI limit will require all of the above, plus the addition of a new nuclear plant.

The study "[Reducing CO₂ Emissions in New England: The Imperative of Nuclear Power,](#)" was commissioned by the Nuclear Energy Institute (NEI) after 10 Northeastern states developed a plan under the framework of the Regional Greenhouse Gas Initiative (RGGI) to reduce greenhouse gas emissions—chiefly carbon dioxide—in the electricity sector. The 10 states are Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont. The report is available on the Nuclear Energy Institute's website (www.nei.org).

Alliance Joins Diverse Group of Electricity Market Stakeholders urging FERC to Stay the Course Regarding Electricity Markets: In a filing on January 16th, a diverse coalition of over 80 electricity market stakeholders jointly urged the Federal Energy Regulatory Commission (FERC) to maintain the scope of its June 22, 2007 advance notice of proposed rulemaking (ANOPR) which considers four areas of improvements to organized regional wholesale electricity markets: 1) the role of demand response and greater use of market prices to promote electricity demand reductions during a power

shortage; 2) improving opportunities for long-term power contracting; 3) market monitoring; and 4) board governance at regional transmission organizations (RTOs) and independent system operators (ISOs).

The [FERC filing](#) made by the coalition was in response to a December 17, 2007 request by several large industrial energy users and other interest groups that urged FERC to expand the scope of its proceeding beyond those four issues listed above to include an investigation of the “justness and reasonableness of wholesale power supply prices in the centralized markets administered by RTOs”.

The broad-based coalition formed by the COMPETE Coalition included the Alliance – as well as many of the nation’s most prominent retail electricity consumers, consumer groups, retail service providers, economists and academics, utilities, generators, former utility regulators and demand response service providers. The coalition noted that the Commission already determined competitive markets to be successful and that any fundamental redesign of the markets would be disruptive and harmful to consumers. For more information, visit www.competecoalition.com

FERC Issues Final Environmental Impact Statement for Broadwater

LNG Project: After three years of review, on January 12, 2008, FERC staff issued the FEIS on the Broadwater project – an offshore LNG import terminal that would be located approximately 9 miles from the closest New York shoreline and about 10 miles from the nearest Connecticut shoreline. FERC found that the project – a joint venture between TransCanada Corporation and the Shell Corporation– would result in fewer environmental impacts than any alternatives considered; and would provide a new source of reliable, long-term and competitively priced natural gas to the Long Island, New York and Connecticut markets. In a [statement to the media](#), Alliance Executive Director Paul G. Afonso said issuance of the FEIS is good news for New England consumers as the project will improve the security of supply and price flexibility for energy providers who rely on natural gas to generate electricity and to fuel businesses and homes throughout the region.

Alliance briefs FERC Commissioners and New England Congressional Delegation in Washington:

In December, the Alliance conducted an “Energy Briefing” with the region’s congressional delegation on the results of the Alliance’s [2007 public opinion survey](#) on energy issues as well as on the region’s energy-related developments. The Alliance also met individually with all the commissioners of the Federal Energy Regulatory Commission (FERC) or their staff to present the survey results and New England regional energy issues.

Alliance hosts luncheon with Kurt Adams, Chairman of Maine Public Utilities Commission (PUC):

Alliance members were briefed by Chairman Adams at a January luncheon on recent developments and reports issued by the Maine PUC including the recent report on “Participation in the New England

Transmission Organization". Among other issues, the discussion touched upon Maine's vast renewable resource potential and the transmission infrastructure that will be needed to deliver electricity generation from such resources to southern New England – and associated cost allocation issues.

The 2008 National Electricity Delivery Forum sponsored by NARUC and DOE: will be held February 20-21 in Washington DC. The nation's electricity delivery experts and FERC and DOE regulators will present their views on the three biggest challenges facing the nation's electric power delivery system infrastructure: Climate Change, Demand Growth and Energy Security. Issues to be discussed include: how should the nation mitigate its carbon footprint, how will deployment of advanced technologies affect the nation's economy, what options are available for delivering renewables to load centers; what does smart grid mean; how should states achieve environmental goals while ensuring cost-effectiveness among others. For more information, go to: www.electricitydeliveryforum.org

The New England Energy Alliance is a coalition of energy providers, trade organizations and others concerned about future energy supplies. For more information, visit the Alliance's website at www.newenglandenergyalliance.org