

New England: Regional Energy Infrastructure Proposals

Sue Tierney, Analysis Group

**Restructuring Roundtable
April 11, 2014**

My comments today: The New England energy infrastructure initiative: Where are we as a region.....?

Caveat:

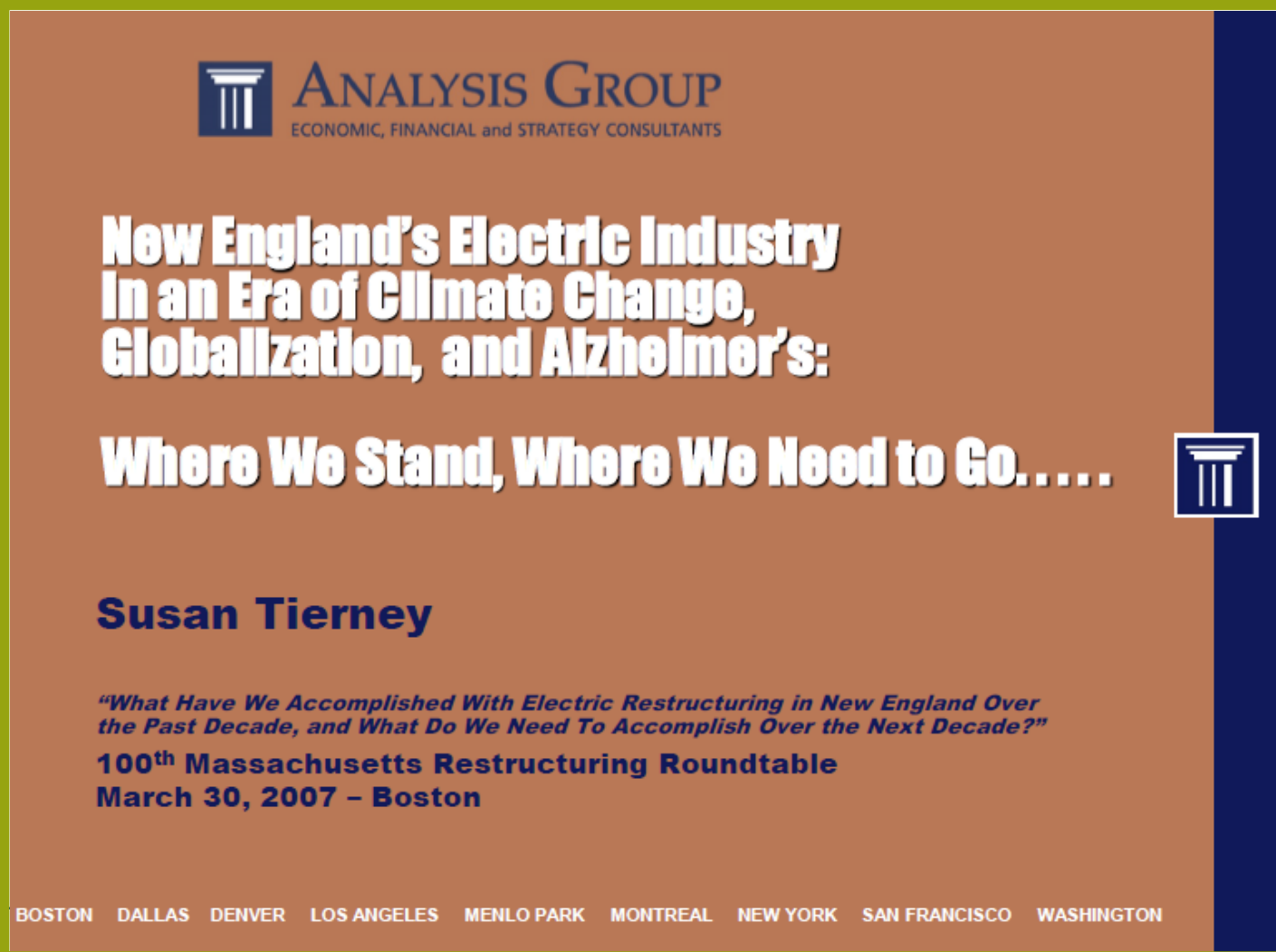
J. Raab invited me to join the panel, knowing of the recent report I prepared for NEPGA on the MA ‘Clean Energy Resources’ bill. I will mention that report later, but my comments focus more on the overall infrastructure initiative.


My remarks today reflect my own views.

I am not speaking ‘on behalf of’ NEPGA.

My high-level comments: Where are we as a region.....?

I went back to prior Roundtable remarks (at the 100th Anniversary Roundtable (2007))




 **ANALYSIS GROUP**
ECONOMIC, FINANCIAL and STRATEGY CONSULTANTS

**New England's Electric Industry
In an Era of Climate Change,
Globalization, and Alzheimer's:
Where We Stand, Where We Need to Go.....**

Susan Tierney

"What Have We Accomplished With Electric Restructuring in New England Over the Past Decade, and What Do We Need To Accomplish Over the Next Decade?"

**100th Massachusetts Restructuring Roundtable
March 30, 2007 – Boston**



BOSTON DALLAS DENVER LOS ANGELES MENLO PARK MONTREAL NEW YORK SAN FRANCISCO WASHINGTON

What I liked then, I still like about New England:

Where We Stand: New England's strength in numbers

- We start restructuring with a key strength: regional ties
- It's an important legacy:
 - Key connections in physical energy systems.
 - Significant trade flows – with NY and Eastern Canada
 - Shared resources, reserves, know-how
 - Shared environment and climatic systems (Acid Rain, NOx, CO₂)
 - Inter-governmental collaboration (e.g., NEGC, NECPUC, NEC/ECP)
 - Institutional cooperation (e.g., NESCAUM, ISO-NE)
- We've hung in there together – for better or for worse
 - Ties may be fraying but they've served us well for years

Where We Stand: Physical energy infrastructure

We import just about all of our energy supplies.

Our interconnections and integration make us stronger than if we were alone.

* **Electric**

* **Natural Gas**



What do today's policy makers want out of our energy system?

Here's what I hear these days:

- Affordable energy
- Reliable, diverse energy
- Greater energy productivity
- Clean energy
- Low GHG
- Small facility footprint
- Local jobs
- Reliance on markets
- Energy independence
- Keep the dollars in the region

**On first blush:
The New England
Governors' Energy
Infrastructure Initiative
sounds like a creative
solution:**

**More pipes and wires to
accomplish all of those
outcomes, and developed
through strong regional
leadership and cooperation**

What do I worry about for the region's electric system in its next chapter (with regard to infrastructure plans)?

The law of unintended consequences:

Good intentions:
Mixed results
(with some good and some bad)



The Energy Infrastructure Initiative: Potential negative consequences?

- **Affordable energy?**
 - **Billions of dollars of investment underwritten by electric customers**
 - **Dollars would shift from energy commodity payments to energy delivery payments – with what total cost impact on consumers**
- **Reliance on markets?**
 - **Would pick winners, and ignore potential adverse impacts on the region's wholesale market and existing electric generating assets (including ones that have zero or low GHG)**
- **Clean energy – with a small facility footprint and low GHG?**
 - **Would shift impacts of energy production to others outside of the region**
- **Energy independence and keeping dollars locally?**
 - **Would still lead to energy payments going out of the region**

Many of these have been recognized by NESCOE – but not addressed yet in proposals

My report (for NEPGA) on the MA ‘Clean Energy Resources’ bill:

The bill would:

- **Direct MA electric utilities to solicit (by the end of 2014) proposals for at least 18.9 million MWh per year from large hydro and renewable energy resources, for a 20-to-25 year contract period.**

In spite of the very-good intentions (decarbonizing power supply), this bill would get there in a “too fast, too risky, too costly” way:

- **This represents 1/6 of the NE demand for power (1/3 of MA’s demand);**
- **MA electricity consumers would underwrite the contact (in a state with retail choice);**
- **Given the size of the procurement, this could crash prices in wholesale power markets – undermining the very sustainability of the wholesale market;**
- **The proposal assumes (incorrectly) that Canadian hydro will be cheap;**
- **The outcome (price suppression in ISO-NE energy markets; impacts in transmission-related costs) is not necessarily low cost in light of total cost of zero-carbon energy supply, taking into consideration delivery costs.**

Let's continue to collaborate regionally.....

Working toward a framework for electricity supply that

- takes into account and directly addresses potential unintended consequences of the region's energy plans, and
- transitions to a regional energy system with
 - **much-lower carbon energy resources**
 - **a market-friendly framework that stimulates and sustains private investment**

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