

June/July E-Newsletter

June 30, 2006

Experts offer views at Alliance-sponsored Energy Roundtable.

New England's history and reputation as unfriendly to energy development drew a lot of attention when five experts convened recently to discuss New England's energy future. Despite noting that new nuclear and clean-burning coal-fired power plants should be economical options for a region highly dependent on natural gas for electricity generation, there seems to be little appetite among investors to consider siting such plants in New England.

William Ellis, former Northeast Utilities chairman and CEO, and now teaching at Yale, noted that "in a rational world, they should be built here." Investment banker **Manfred Ernst** pointed out that unless public policy allows investors to receive the right signals to make investments they "will go to other markets that are seen as more attractive." Lack of regional coordination and leadership was also addressed. MIT's **Paul Joskow** noted that each state has its own retail competition rules and regulations and suggested the states need to "think about ways they can harmonize their retail competition and procurement regulations in a reasonable way." **Henry Lee** from Harvard's Kennedy School of Government said that as the region "has moved to a more market-focused system, markets have expanded beyond state boundaries," yet the lack of regional institutions and political differences makes finding solutions more difficult. **Susan Tierney**, former U.S. Assistant Secretary of Energy for Policy and now a managing principle with the Analysis Group, addressing one of the most discussed topics, energy facility siting, called for political leaders to look beyond the short term election cycle to seek reforms to siting processes. A report titled "The New England Energy Roundtable" covers seven critical questions and answers from the experts who have been at the center of the region's energy debates for the past twenty-five years. It is available at www.newenglandenergyalliance.org.

New England Governors and Eastern Canadian Premiers adopt energy resolution at annual conference. In May, the governors and premiers spent a full afternoon and morning discussing regional energy issues, hearing from two panels of experts before discussing a resolution that calls for better regional coordination starting with "a ministerial-level forum of energy and environmental policymaking officials appointed by the governors and premiers...to develop protocols, structures and mechanisms for addressing energy issues on a regional level...." The forum is expected to take place after the November elections with "recommendations for action"

to be presented at the next annual conference. The resolution also establishes a goal of increasing renewable generation by 10 percent by 2020, mitigating future growth in demand through energy efficiency and demand response, and conducting a workshop to focus on promoting fuel diversity in the region. Unfortunately, during discussion of the resolution only two states – Rhode Island and Vermont – were represented by their governors. The complete resolution is available at <http://www.negc.org/resolutions2006.html>

National Commission on Energy Policy issues report on energy infrastructure needs and challenges. Earlier this month, the NCEP issued a 55-page white paper prepared by its staff that calls energy facility siting and permitting “a major cross-cutting challenge for U.S. energy policy,” a point shared by experts participating in the Alliance’s recent Energy Roundtable and in preparing previous Alliance reports. The report notes that “Stories about this or that intractable siting problem have become all too familiar. The challenge now is to speed the transition to a wholly different and vastly more appealing siting paradigm.” The commission will sponsor a series of workshops around the country later this year and into next year to address issues, challenges and opportunities identified in the white paper, which is available at <http://www.energycommission.org> and on the Alliance’s web site.

Economists urge policymakers to “stay the course” on restructuring. In an open letter to policymakers, eight prominent economists with extensive experience in utility restructuring expressed concern that today’s high electricity prices “diverts the focus and resolve of policymakers to continue with restructuring...in order to provide consumers with the full benefits of competition.” They call on policymakers to “resist the temptation to reject competition for a return to heavy-handed regulation.” The economists noted that high prices today are “largely the result of dramatically higher fuel costs” that are not unique to restructured markets. They also point out that the risks of bad investment decisions have been shifted from consumers to the shareholders of competitive suppliers. And finally, they argue that restructured markets are an “efficient and reliable way to allocate resources...” with many new market entrants, better operating efficiency and environmental improvements. A copy of the letter is available at www.competecoalition.com.

Edison Foundation report looks at why electricity prices are increasing. According to the Brattle Group, in a report commissioned by the Edison Foundation, “fuel and purchased power cost increases have been enormous and are the largest cause of recent electric cost increases.” In addition to looking at the impact of fuel prices, the 115-page report takes a comprehensive look at what drives growth in demand for electricity and the impact of energy efficiency programs. It also looks at the investment requirements for power plants, transmission and distribution lines, and environmental protection equipment to ensure reliable and affordable

supplies. In a separate report, the Edison Electric Institute shows that electricity prices increased between 1985 and 2005 less than one-third as much as the rise in the Consumer Price Index. Electricity rose 27% while food was up 81%, health care climbed 185% and transportation was up 63%. Housing prices increased at the same rate as the CPI -- 82%. Both reports are available at www.eei.org.

ISO New England hosts third annual conference: Lights, Power, Action: Solutions for New England's Energy Future. September 25 and 26 at the Marriott Long Wharf in Boston. Among the confirmed speakers are FERC Chairman Joseph Kelliher; Susan Tierney, managing principle of the Analysis Group; Richard Stavros, executive editor of Public Utilities Fortnightly; Henry Lee, Harvard director of the Environment and Natural Resources Program at the Kennedy School; former FERC commissioner Bill Massey; and Philip Warburg, president of the Conservation Law Foundation. ISO New England notes in its brochure that "Dynamic changes in New England's wholesale electricity markets have prompted improvements in the region's power system and created new challenges. Continuing the progress we've achieved to date will require a difficult balancing act by policy makers, a sustained commitment from the industry, and active participation by consumers." For more information visit <http://www.iso-ne-conference.com/2006/>.