October E-Newsletter

October 2007

In this issue: Alliance paper on New England Electric Transmission Infrastructure; NERC report confirms new infrastructure needs; Upcoming Alliance roundtable on zero electricity growth strategies; Survey shows increasing support for new power plants; AIM survey indicates electricity costs impacting competitiveness; New reports highlight value of ISOs/RTOs; Briefing of CT officials on Alliance consumer survey on electricity issues.

Soon-to-be-Released Alliance Paper Highlights Need for New Transmission Infrastructure in New England: This comprehensive look at the vital role of electric transmission in New England, sponsored by the Alliance and the Massachusetts Affordable Reliable Electricity Alliance, highlights the need for new transmission infrastructure to maintain reliable electricity delivery and to facilitate the competitive wholesale marketplace in New England. Higher than expected electricity demand, aging and underinvested infrastructure, the interconnection of dozens of new generating plants, and billions of dollars in electricity transactions are limiting the transmission grid's ability to efficiently and economically meet demand.

Since 2002, these challenges have cost New England consumers approximately $1.6 billion in marketplace inefficiencies. In the absence of significant transmission system expansion, the region's electricity reliability will inevitably decline from equipment problems and the inability to interconnect new generating facilities. In addition, wholesale electricity prices will increase further from the inability to transmit economic electricity to where it is needed, undercutting competition, resulting in higher costs to consumers. While several major projects have recently been completed or initiated, ISO New England estimates more than $3 billion in additional transmission investment is needed.

Using two recently completed projects as examples – the NSTAR 345 kV line and the Southwest CT Phase I project – the white paper shows that economic savings from transmission projects can greatly outweigh costs – with projects paying for themselves almost immediately. Transmission infrastructure is also needed to increase environmental benefits to the region by increasing access to cleaner, more efficient generating facilities and renewable resources. The paper discusses several key issues that need to be addressed by policymakers to ensure transmission expansion is implemented in a timely, cost-effective manner. The soon-to-be-released paper will be posted on the Alliance's website and distributed to the region's energy policymakers.

NERC Annual Reliability Assessment Confirms Need for New Energy Infrastructure to Maintain Reliability: The North American Electric Reliability Corp. (NERC) in its recently released *"2007 Long-Term Reliability Assessment"* projects that electricity usage in the U.S. will grow more than twice as fast as committed resources over the next 10 years. Unless additional resources are brought into service, some areas could fall below their target capacity margins within two or three years – including New England. NERC forecasts New England' s installed reserve margins to decline from a high of 13% in 2007 to minus 2% in 2015 if additional resources are not installed. As a result, the region will meet reliability criteria only through 2008 – thereafter new generation will be needed. In its report, NERC also confirmed the need for completion of the 253 transmission projects currently underway in the region to maintain local and system-side reliability. NERC's report is available at NERC.com

Upcoming Alliance Roundtable on Zero Electricity Growth to be moderated by Former FERC Commissioner Nora Brownell. The Alliance will conduct a roundtable in Boston on November 8 on the impact of zero electricity demand growth strategy on regional infrastructure development – specifically transmission and generation asset expansion/retirement. This zero growth strategy has been formally proposed by Massachusetts Governor Patrick, and advocated by other governors as well as many groups throughout the region. While an attractive strategy, the potential long-term implications need to be thoroughly vetted. Former FERC commissioner Nora Brownell will lead an informal discussion with a diverse group of participants from industry, business and government to provide thoughtful and constructive perspective on the strategy.

While attendance is limited to Alliance members and invited guests, a paper will be prepared containing a summary of the key highlights of the roundtable discussion which will be posted on the Alliance's website and distributed to the region's policymakers, legislators, and the media.

Survey Shows Increasing Number of Americans Support Building Power Plants: A survey conducted by The Saint Consulting Group in conjunction with the University of Massachusetts' Center for Economic and Civic Opinion found that the number of Americans who support power plant development rose dramatically over the past year. Thirty-eight percent of Americans would support a local power plant project compared to just 23% in 2006 – a 15% percentage point increase. While 57% of Americans surveyed would still oppose construction of a new power plant in their community – the number is down significantly from last year's 74%. Support and opposition to all types of power plants tracks fairly consistently across all geographic regions of the U.S., with the Midwest being the most receptive region to new power plant construction (44% compared to the Northeast's 34%). Public support for wind farms are by far the highest (72%), followed by hydro (53%), biofuels (50%), fossil (37%), and nuclear (31%). Additional information on the survey is available at www.tscg.biz.

Preliminary Results of AIM Survey Shows High Electricity Costs Impacting Massachusetts' Competitiveness: Results compiled to date from an on-line survey by the Associated Industries of Massachusetts (AIM) indicate that electricity costs are a major concern for 95% of Massachusetts businesses, making it difficult for companies to compete and grow jobs. Fifty-six percent of businesses said their profit margins have been reduced because of high electricity prices, while 22% said they've been forced to cut business expenses such as salaries and benefits. Forty-six percent of respondents said the rising and volatile nature of energy costs is a concern that will drive future business decisions regarding investment, job growth and future plans. In fact, many companies have abandoned plans for expansion in Massachusetts for other states with lower cost electricity. AIM is the largest employer association in Massachusetts with more than 7,000 members. The final survey results will be reported at regional briefings later this fall where AIM will also discuss public policy actions to insure an adequate supply of electricity at reasonable cost. More information on the survey is available at aimnet.org

Reports Highlight Demand Response, Renewable and Market Administration Benefits of Nation's ISOs and RTOs: Three separate reports issued by the ISO/RTO Council describe the value the nation's ten Independent System Operators (ISOs) and Regional Transmission Organization (RTOs) bring to U.S. electricity markets. The first report, a progress report on competitive wholesale electricity markets, concludes that competitive wholesale markets are working well and reflect meaningful competition. ISOs/RTOs have facilitated billions in infrastructure investments resulting in wholesale price decreases – of between 14 and 32% between 2005 and 2006 due in part to reduced congestion on the grid. The second report on renewable resources explains how the ISOs/RTOs are enabling significant growth and development of renewable resources. These resources now represent 44% of the 300,000 MW currently being proposed in the ten ISO/RTO regions. The third report describes how ISOs/RTOs provide the framework to enable demand response – the ability of consumers to respond to emergency, peak-demand or high wholesale price conditions. As of June 2007, over 23,000 MW of demand response has been facilitated by the ISO/RTO markets. The ten ISOs and RTOs located in the U.S. serve two-thirds of the nation's electricity consumers. The three reports are available at www.iso-rto.org.

Alliance Briefs Connecticut PUC on Results of Regional Consumer Survey on Electricity Issues: The Alliance met with Chairman Downes and Commissioners at the Connecticut Department of Public Utility Control on September 27th to present the results of the Alliance-sponsored consumer survey conducted by Opinion Dynamics earlier this year which found: consumer concern about future electricity supplies; desire to choose electricity suppliers; preference for competitive electricity markets; and support for addressing global warming. Similar briefings are being offered in other New England states.

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