

New England Energy Alliance

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New England Energy Alliance Paper Cites Need for Electricity Transmission Infrastructure for Reliability, Economic and Environmental Benefits

Boston, MA – 1/8/08 – Despite recent upgrades to New England’s electric transmission grid, system limitations have already cost the region’s consumers at least \$1.6 billion and engineering design limits may soon be exceeded on portions of the system, according to a white paper released today by the New England Energy Alliance (NEEA) and the Massachusetts Affordable Reliable Electricity Alliance (Mass AREA). As a result, more infrastructure is needed to maintain reliability and to achieve full economic and environmental benefits of competitive markets in the face of growing electricity demand.

The paper notes that New England has a comprehensive planning process for transmission infrastructure that has resulted in completion of several major cost-saving projects. But, “the report shows that much more remains to be done if this region is to realize the economic and environmental benefits of a robust transmission system in a competitive market,” said NEEA Executive Director Paul G. Afonso. “To ensure the timely construction of new projects, political and industry leadership and region-wide cooperation are absolutely essential,” Afonso added.

The paper 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 that are 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.

In fact, ISO New England has identified more than \$4 billion in transmission infrastructure investment needed to maintain reliability – totaling about 350 individual projects. The projects will not only enhance system reliability, they will in many cases lower – sometimes significantly—the delivered price of electricity to consumers by opening up the system to greater competition. A major obstacle continues to be significant delays during the siting and permitting processes – especially for projects traversing multiple states.

Mass AREA Director of Communications, Joyce McMahon said, “In the absence of significant expansion, the system’s reliability will decline and electricity prices will continue to rise. The system’s inadequacies are negatively impacting consumers, the economy and the environment.

Investing in our transmission infrastructure is desperately needed and vitally important to maintaining an adequate, reliable and affordable supply of electricity.”

While reliability has been maintained to date, electricity prices are higher in areas with transmission constraints because lower cost electricity cannot be transported out of its generation area into some areas with high demand. ISO New England – the operator of the region’s electricity grid – 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 to meet demand in some areas of Massachusetts and Connecticut.

The paper also describes the value and importance of upgrading the region’s transmission system to maintain reliable electricity delivery and to facilitate commodity trading in the competitive wholesale electricity market.

Two recently completed transmission projects are highlighted – the NSTAR 345-kV project in Massachusetts and Phase 1 of the Southwest Connecticut Project – showing that consumer savings can greatly outweigh project capital costs in just a short time – and provide significant emissions savings. These two new transmission lines alone will save consumers approximately \$360 million annually by increasing access to lower cost electricity generation.

Transmission infrastructure upgrades are also needed to increase access to cleaner more efficient generation. To comply with the region’s environmental goals, a significant amount of renewable generation needs to be constructed in off-shore or in remote inland locations. The overall configuration and capacity of the region’s transmission system is not sufficient to integrate the large amount of new renewable generation capacity that is needed.

The paper was prepared by Polestar Communications & Strategic Analysis and is available at www.newenglandenergyalliance.org.

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

The Massachusetts Affordable Reliable Electricity Alliance (Mass AREA) is a diverse group of more than 75 business, labor, and community organizations and professional leaders committed to finding clean, low-cost and reliable electricity solutions that foster prosperity for all of Massachusetts. For more information on Mass AREA please visit www.maarea.us.

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