

## **Lag on New Power Plant Development Threatens Savings from Deregulation**

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**By Carl Gustin**

Electricity industry restructuring has saved the region's consumers billions of dollars compared to pre-restructuring trends and is better protecting the environment. But the development of new infrastructure to support future demand is not where it should be.

A recent white paper issued by the New England Energy Alliance presents what may well be the first integrated review of the progress of restructuring in New England from its inception in 1998 through 2005. It finds that consumers and the environment are better off in comparison to what the prevailing trends prior to restructuring would have yielded had they continued.

New England consumers have cumulatively saved between \$6.5 to \$7.6 billion under a combination of state restructuring efforts and the establishment of a regional competitive wholesale electricity market. Adjusted for inflation, electricity prices were shown to be 7 to 18 percent lower when compared to those years just prior to restructuring.

More recently, record-high natural gas prices, environmental compliance costs, and transmission congestion costs appear to reduce these economic benefits, but some, if not all, of these costs, would have been borne under the previous electricity industry structure. The environment has also benefited despite a 25 percent increase in electricity production.

Restructuring was intended to give all consumers the opportunity to choose their electricity supplier. Medium and large commercial and industrial customers with buying power and market knowledge, especially in Massachusetts and Maine, have taken advantage of the opportunity. But by and large, residential and small commercial consumers have not. They appear to have had little incentive to do so as long as electricity prices were kept artificially low or at least stable under state restructuring legislation and rulings.

Despite these accomplishments, restructuring is "a work in progress." Development of new infrastructure - power plants, transmission lines, and natural gas supplies - is not keeping pace with demand, which in turn affects market effectiveness. Recent changes to the wholesale market such as the newly approved "Forward Capacity Market" are

designed to encourage new power plants, and early signs are positive. In the meantime, opposition to energy projects already proposed remains strong throughout the region.

New England has also become heavily dependent on natural gas as a generating plant fuel, making the region susceptible to volatile electricity prices and vulnerable to supply disruption. In spite of this situation, infrastructure project proposals to increase natural gas supplies or diversify the fuels used to generate electricity have been increasingly met with political opposition.

We need more infrastructure to maintain an adequate, reliable and affordable supply of electricity. Political leadership across the region is needed to encourage investment and to make the hard decisions necessary for the permitting of facilities to be more predictable and timely.

Carl Gustin is president of The New England Energy Alliance ([www.newenglandenergyalliance.org](http://www.newenglandenergyalliance.org)), a coalition of energy providers, business and trade organizations and others concerned about future energy supplies.