

NEW ENGLAND COALITION FOR **AFFORDABLE ENERGY**

**Statement for Quotation
by the New England Coalition for Affordable Energy after a preliminary review of
AG Healy's study titled *Power System Reliability in New England***

November 18, 2015

The study released today by the Massachusetts Attorney General's office prepared by the Analysis Group adds another dimension to debate surrounding the need for additional energy infrastructure in New England. However, based on a preliminary review, we are concerned about some of its conclusions.

As its title implies, the AG's study was designed to determine whether the region is facing electric reliability challenges through 2030 -- and then to identify the most cost-effective and clean solutions.

Recognizing that there are economic consequences to not having sufficient energy infrastructure within the region, the coalition's August 2015 study by La Capra Associates focused on affordability over the next five years --- because this is an immediate as well as a long-term challenge to the region. In fact, the La Capra study explicitly states: "the region may be able to continue over the short term with the current [energy infrastructure] buildout from a reliability perspective but ... this will occur at higher cost levels. These costs will impose a burden on households and businesses and will harm regional competitiveness."

Despite its comprehensiveness the AG's study appears to have a clear and compelling blind spot. Because while it considered the most cost effective and environmental ways to achieve reliability, it neglected to consider what needed to achieve affordability as well.

It is imperative that the region has the facts, not just on reliability but affordability as well.

Throughout New England, businesses that can relocate or expand elsewhere are warning that high costs jeopardize New England operations. Others, especially manufacturers, are shutting down or curtailing operations because of high energy prices. And consumers who have seen household incomes stay flat for a decade are being hit by prices that are increasingly difficult to afford. So affordability is every bit as important as reliability and we hope policy makers will give full consideration to actions that will lower costs, actions that are described in the Coalition's report.

The La Capra study considered not only natural gas pipeline expansion (optimized to lower energy costs) but also included increased transmission lines, fully achieving the

Renewable Portfolio Standards of each New England state (meaning the near term construction of a very substantial 1,300 MW of new wind generation), as well as the solar installation and demand response capacity published by ISO New England.

The results of the La Capra study are sobering --- and are not addressed by the AG's study. Specifically the La Capra study found that the potential impacts of constraints on infrastructure investment could, over the next five years (2016 to 2020), lead to higher energy costs in the range of \$5.4 billion (2014 dollars), lower personal income that could likely top \$12 billion and job losses – temporary and permanent – that could be in the range of 167,000 over the same period, 2016-2020.

It should be noted that those economic consequences are projected even though the region was believed to have a reliable supply of energy.

The AG's report is also silent as to where New England would stand if its recommendations were fully implemented relative to the price of energy that other states that the region economically competes against would pay. Last winter New England residential consumers paid 68% above the national average for electricity and 45% for natural gas.

It's important to keep in mind that the coalition represents the largest industry and business organizations in the region along with small business, other trade associations and labor. All of our members are deeply concerned about the cost of energy and how it affects jobs and regional competitiveness. The volatility seen in energy pricing in recent years is a significant source of concern to those who make business decisions and value predictability and consistency.

The challenge for policy makers and investors is to balance affordability, reliability and ecology in timely fashion. It's a three-legged stool and the AG's study, no matter how well intended and comprehensive only considers two of the legs. Its results are helpful to the region's energy debate --- but they also don't tell the full story.

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