

ViewPoint: SJC decision won't help energy affordability

Carl Gustin and John Regan

<http://www.bizjournals.com/boston/blog/techflash/2016/08/viewpoint-sjc-decision-won-t-help-energy.html>

Aug 31, 2016

Higher energy costs and price volatility in coming years may have been further embedded into energy pricing for New England businesses by the Aug. 17 Massachusetts Supreme Judicial Court decision that blocked a funding option that could have led to the construction of needed natural gas pipeline capacity.

The court found the Mass. Department of Public Utilities incorrectly interpreted legislation passed nearly 20 years ago that effectively deregulated the production of electricity.

The DPU, which regulates electric and gas utilities, was prepared to review utility contracts for natural gas to be used for electricity generation that would have provided a hedge against volatile natural gas prices.

Such contracts would potentially prevent the kind of price increases that added some \$7.5 billion to New England's electricity costs over three years. Those increases are largely attributed to an inadequate natural gas transportation system to bring low cost natural gas from states within driving distance of New England. Maine recently approved a similar approach to the one proposed by the Massachusetts DPU, but noted that it was contingent on other states taking similar action. The SJC decision appears to bring an end to that.

For commercial or industrial firms in New England, electricity costs are 50 percent and 84 percent higher, respectively, than the national average. For natural gas, commercial prices are more than one-third higher and for industrial customers those costs are a stunning 167 percent higher. Increasing the supply of natural gas into the region isn't likely to bring those costs in line with the national average, but it would at least make the region's businesses more competitive by making energy more affordable and minimizing price volatility and uncertainty.

A recent survey of New England businesses by the New England Coalition for Affordable Energy found that nearly nine-in-10 respondents are concerned about energy prices. And three-quarters think government performance in making energy more affordable is either fair or poor.

In and around Boston, the effects of high and volatile energy prices seem to have a lesser impact on businesses and institutions involved in technology, medicine and education than in places like Western Massachusetts where moratoriums on new gas hookups are in place. And in parts of the region where energy intensive businesses are located, the price of electricity and natural gas remains a major concern. It is a concern that business leaders — by a 3-to-1 margin — do not think is getting sufficient attention from government leaders.

Not to be overlooked is concern about reliability of the electric system. ISO New England, which is responsible for reliability, continues to warn about the retirement of about one-third of the region's electricity generating capacity in coming years.

That capacity, at least much of it, will need to be replaced. Last winter, ISO cautioned that “up to 4,220 MW of natural gas-fired generation (is) at risk of not being able to get fuel when needed.”

To ensure reliability, improve affordability and meet long-term climate goals requires a comprehensive and integrated energy strategy for New England. Natural gas should not be a third-rail issue, but a key and prominent component — as should renewables and energy efficiency.

Carl Gustin is a consultant to the New England Coalition for Affordable Energy, and John Regan is executive vice president of Associated Industries of Massachusetts, which is a member of the Coalition.