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## Column: High energy costs are a competitive issue for employers

<https://goo.gl/Tnx9Ee>

By Carl Gustin

Electricity prices and uncertainties about future power supply reliability are a drag on regional competitiveness.

Just ask Judson Reis, president and CEO of Gorton's Seafood in Gloucester. When asked recently by Massachusetts state Sen. Bruce Tarr how officials could help Gorton's continue its dominance in the frozen seafood industry, Reis pointed to the cost of electricity. He suggested that making electricity more affordable would be very helpful to a company in "very, very competitive business." (Gloucester Times, Oct. 20, 2016)

Anyone familiar with Gloucester and the fishing industry knows that local fishing itself has been in decline. Yet, Gorton's, with its iconic fisherman logo, remains the leading frozen prepared seafood brand in the United States in a worldwide industry that introduced hundreds of new brands in the last decade.

While Reis is concerned about electricity costs, Gordon Van Welie, who heads ISO New England, the nonprofit responsible for ensuring that the region has a reliable supply of electricity, is warning about pending shortages. Van Welie has described a "precarious" and "unsustainable" electric grid operating system over the next few years during periods of extreme cold. That's a concern for any business operating 24/7 year-round. It is a huge concern to individual consumers who depend on electricity to keep their homes warm and families fed.

The warnings are not new. The New England governors in December 2013 declared that a reliable and affordable energy system requires "investments in additional energy efficiency, renewable generation, natural gas pipelines, and electric transmission."

A flurry of recent legislation has focused on renewable generation -- hydropower from Canada, off-shore wind projects and subsidies for solar power to address climate concerns. But the region is falling behind on energy infrastructure needed to make electricity more affordable and reliable for Gorton's Seafood and other employers throughout the region.

In 2014, the New England States Committee on Electricity (NESCOE), which reports to the governors, found that "All studies... (reviewed) concluded that New England needs additional natural gas supply infrastructure to satisfy New England's power system demand."

In 2015, the New England governors agreed that the region “continues to face significant energy system challenges with serious economic consequences for the region’s consumers. The problem is greater than any one state can solve alone.”

Later in 2015, a Massachusetts attorney general study concluded that burning oil and LNG during severe cold spells, when natural gas may not be available, would maintain electric system reliability. But largely overlooked was the conclusion that “Increasing natural gas transportation capacity in New England would lower wholesale electricity costs by lowering natural gas prices.”

Anti-natural gas activists have used the attorney general’s report as a sledgehammer to turn the earlier concerns of all six New England governors about natural gas pipelines and electric transmission lines into something akin to touching the third rail of a subway system.

No organization today looks at the regional impacts of state-by-state policies with a comprehensive, integrated approach that considers electric reliability and the environment, as well as regional economic competitiveness. This approach was recommended by Daymark Energy Advisors in a recent update of an August 2015 study conducted for the New England Coalition for Affordable Energy, whose members include the region’s largest business organizations.

The earlier study concluded that the region’s energy costs could be \$5.4 billion higher by 2020 unless actions are taken to add energy infrastructure of all types. The update found that inaction on infrastructure development has increased the risk of even higher energy costs.

Major natural gas pipeline projects that would relieve constraints have been cancelled or blocked, transmission lines that would bring large amounts of wind energy from northern New England and hydropower from Canada to load centers have been delayed or stopped, and up to one-third of the region’s electric power generation has either been retired or is likely to do so in the coming years.

This is a serious near-term regional challenge. It is time to take action to support infrastructure projects - pipelines, transmission lines, power generation of all types -- based on the concerns the governors expressed in 2013 and have reiterated since.

Just ask Judson Reis at Gorton’s -- and CEOs throughout New England -- who battle every day to keep their companies competitive with domestic and foreign producers whose energy costs are a fraction of those in New England.

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Carl Gustin is a consultant to the New England Coalition for Affordable Energy, which includes many of New England’s major business and industry organizations and labor representatives.