



AS TEMPERATURES RISE SO DOES THE REGION'S POWER DEMAND

Angela O'Connor

As New England suffered through the oppressive heat wave that hit the nation last week, everyone was wondering if the lights would remain on. Despite hitting new record peaks for electricity consumption, the answer, fortunately, was yes.

However, as electricity consumption continues to climb, our future may not be so bright. According to the Independent System Operator of New England, who is responsible for running the region's power grid, we may not have enough power supply to meet our needs by as early as 2007 to 2009. That's only one to three years from now.

So what is the solution to this looming crisis? Simply put, there is no silver bullet. Rather, it will take a combination of additional power plant construction, energy conservation, transmission upgrades, and market rule changes to maintain the reliability of the power system that we have all become so accustomed.

In response to the need for new power plant construction, Central Maine Power and Bangor Hydro have recently expressed interest in getting back into the power generation business and they want consumers to pay for them. Not only is it contrary to Maine law, it is the wrong answer and wrong for consumers to foot the bill.

Why? Today Maine and other New England states treat power generation like any other business: the market determines what is bought and sold; who fails or succeeds; and at what price. As a result, 10,000 megawatts of new, clean and efficient generating plants have been constructed in New England in recent years, replacing many of the region's older inefficient plants. In fact, five new plants, representing 1,700 megawatts and more than \$2 billion of investment, have been built in Maine. These new plants are cleaner and more efficient so

emissions of key pollutants have decreased even as energy consumption has increased throughout the region.

Currently, power plants are privately financed, so consumers don't have to pay for bad decisions and poor management like they have in the past. Previously, Maine's regulated utilities made the decisions about what plants to build and where to build them. As a result consumers paid for those bad decisions, resulting in billions of dollars in stranded costs out of their pockets. In fact, approximately 20% of CMP and Bangor Hydro ratepayer's bills today are comprised of stranded costs from poor generation-related decisions of the past.

Now CMP and Bangor Hydro want to build new power plants and have Maine consumers pay for them – again. Why would Maine consumers want to pay for utilities to build plants when there are other independent companies willing to build generation in Maine and other parts of New England using their own money to ensure there will be reliable electricity?

There is no question that to ensure the continued availability of reliable and affordable electricity, improvements to the current system may be necessary. But as a recent Bangor Daily News editorial put it, "the range of possible solutions to its shortcomings exceeds simply going back in time." There are many options available to improve the system without going back to a flawed, risky, and rejected model that has cost Maine consumers dearly...and still does today.

Competitive markets are still the best means to produce a reliable and affordable energy supply for consumers and provide the backbone for the economic development that is necessary for a healthy New England economy. As history has shown, retreating to the "good old days" of utility-owned generation is not a solution worth repeating.

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Angela O'Connor is the president of the New England Power Generators Association, (NEPGA) the largest trade association representing electric power generators throughout New England. NEPGA's member companies represent over 20,000 megawatts (MW) of generating capacity in the region. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. We believe that sustainable competitive markets are the best means to provide long-term reliable and affordable supplies of electricity for consumers.