

New England power has competing goals: ISO chief

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Washington, 17 February (Argus) – State clean energy goals collide too frequently with grid operators' efforts to ensure electric reliability and enable price formation, the head of New England's power grid said.

ISO-New England chief executive Gordon Van Wiele told the National Capital Chapter of the US Association of Energy Economists yesterday that prescriptive state policies for renewable energy may clash with federal standards and eventually erupt in litigation.

State renewable portfolio standards could articulate a carbon price, Van Wiele said, and the independent system operator could accommodate one. But efforts to prod grid customers to supply their own power may create resources that are uncompetitive in the power markets or that do not reduce carbon emissions.

Most renewable project developers will not build without long-term sales contracts and do not trust the [ISO] regulatory system, he said, citing a "completely different incentive system." He added that the Regional Greenhouse Gas Initiative for carbon emission reduction in the northeast does not help meet the requirements of the federal proposed Clean Power Plan.

Another bind for the region has been keeping the lights on with clean generation. The ISO made rule changes following the gas shortages of winter 2012-13 that pushed the grid to slim reserve margins and near blackouts. The region was much better prepared during the "polar vortex" of the following year, because ISO subsidies increased the use of refined oil products, coal and liquefied natural gas.

By 2018 the ISO will put in place a pay-for-performance scheme for generation resources, which would penalize plant owners that receive capacity auction payments but do not run when dispatched. The resulting forward capacity auctions have produced high prices for generations, Van Wiele said, demonstrating that putting steel in the ground for new power plants "is no longer so important to stakeholders."

The drawback is that the existing units getting the high capacity prices can be dual-fueled to burn oil, which is not acceptable to policymakers. States have responded by trying to get electric distributors to buy gas pipeline transmission rights and release them to generators.

Van Wiele called this a "workaround" and suggested the states ask the US Congress for statutory changes. Plans for states to jointly own gas pipeline infrastructure or finance projects through power transmission tariffs would have to be approved by the Federal Energy Regulatory Commission, which is unlikely to give up its authority over setting rates for interstate facilities.

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