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March 7, 2017

The Honorable David Woodsome Chair
The Honorable Seth Berry, Chair
Maine Joint Committee of Energy Utilities and Technology
Cross Building Room 211
Augusta, ME 04333

RE: LD 532 -- Removing the Cap on Large Scale Hydro

Dear Chairmen Woodsome and Berry:

The New England Power Generators Association, Inc. (NEPGA) offers these comments on LD 532, which seeks to repeal the 100 MW cap on large-scale hydro. NEPGA¹ strongly opposes this bill.

By way of background, NEPGA is the largest trade association comprised of competitive electric generating companies in New England. NEPGA's member companies represent approximately 27,000 megawatts (MW) of generating capacity throughout New England, and nearly 3,000 MW of generation in Maine, or 87 percent of the electric generating capacity in the state. Our mission is to promote sound energy policies which will further economic development, jobs and balanced environmental policy.

NEPGA's Maine companies provide power for the state from a portfolio of plants, including natural gas, oil, and hydro. Overall, these companies pay roughly \$18 million annually in state and local taxes, while providing more than 230 well-paying and skilled Maine jobs. NEPGA members are good corporate neighbors, contributing to the civic and charitable endeavors of their host communities, donating tens of thousands of dollars annually to charitable causes throughout the state of Maine.

NEPGA's Position

NEPGA opposes LD 532 as currently drafted. While we appreciate the goal of this bill – to lower electric prices for Maine's consumers, NEPGA believes the bill will have exactly the opposite effect and will harm the consumers the bill seeks to help. Specifically, the proposed elimination of the 100 MW cap on eligible renewable

¹ The positions discussed in this letter represent the views of NEPGA, but not necessarily those of any particular member.

resources qualifying for the state's Renewable Portfolio Standard (RPS) will extend a subsidy, paid by Maine's consumers, to a well-developed technology that does not need the RPS subsidy.

NEPGA's testimony focuses on three key points:

- Opposition to allowing existing large-scale hydro facilities from qualifying for state RPS programs;
- The benefits of electric competition; and
- The importance of adhering to competitive procurement practices.

Large-Scale Hydro Should Not Qualify for the State's RPS

Sections 1 and 2 of LD 532 would remove the existing 100 MW cap on renewable capacity resources and renewable resources that would qualify for the state's RPS. The immediate impact of this change is the allowance of large-scale hydro resources located outside of New England to qualify for Maine's RPS. In adopting the RPS, the Maine legislature sought to provide a consumer subsidy to support emerging renewable energy sources. It took this step both to promote innovation in energy technologies and to assist new resource that are not yet developed enough to compete on even economical footing when compared to current commercial technologies. Solar, wind and biomass are examples of such newly emerging technologies. In contrast, however, large-scale hydro resources are a commercially-proven resources with a long history of market participation, not an emerging technology. As a well-established resource, it does not need, nor should it benefit from, a RPS subsidy from Maine consumers to be able to compete in the New England power market.

A RPS directs a subsidy toward resources that would not otherwise be developed or operate, potentially displacing resources on the system with a less desirable environmental profile. It is difficult to see how the inclusion of large-scale hydro in the Maine RPS will affect the development or operation of out-of-region large-scale hydro resources which will be built based on the value of their energy and capacity, not based on a subsidy from Maine consumers.

Consistent with RPS goals, and again in stark contrast to large-scale hydro, more local renewable resources depend, to a very real degree, on revenues from Renewable Energy Credits (RECs) for both their development and operation. Since many of these resources are distributed technologies, they also tend to be developed locally, within the state of Maine, paying local taxes and supporting local employment. Eligibility for RECs should therefore not be extended to energy sources, such as large-scale hydro, that do not satisfy those criteria.

Another requirement for any successful RPS is to provide a degree of regulatory certainty that rules and definitions are not subject to sudden change. This allows contractual arrangements to be made in the market to meet the RPS requirements. Enticing firms to make investments and create jobs in Maine with a RPS program

simply will not work if the program is modified in ways that undermine the reasonable expectations of investors after investments are made. Policy consistency and certainty is critical for long-term investments.

Moreover, allowing these large-scale resources to qualify for the RPS effectively kills any incentives for new, local renewable resources and the economic development benefits that Maine would otherwise derive. A sudden increase in REC supply sources from mature technologies that have been developed economically at scale for more than a century will drive down the price for RECs for those more nascent technologies that truly need the revenue to support them. In the case of some large-scale provincially owned hydropower, the generation behind the transaction cannot always be identifiable and may come from non-renewable sources.

The Benefits of Electric Competition

Maine policy-makers pursued the development of a competitive electric industry structure in the late-1990s. The Maine Legislature passed comprehensive legislation, *the Maine Electric Utility Restructuring Act*, in 1997, which functionally separated generation from transmission and distribution, and introduced competition into the supply of electric generation. The premise underlying this particular component of electric industry restructuring was to allow market forces and transparent pricing to guide business decisions of owners and operators of *all* generation facilities.

Some specific examples of the benefits of electric competition to the region as a whole include the development of more than 13,000 MW of new clean generation for New England, greater plant availability and decreased emissions, with nitrogen oxides (NOX) falling by 68%, sulfur dioxide (SO₂) by 95%, and carbon dioxide (CO₂) by 24% between 2001 and 2015.

Importance of Competitively Procuring New Generation

In order for Maine and the region to continue to enjoy these benefits of a competitive electric market, policy-makers must ensure the preservation of the principles of an open and transparent market whereby all participants can compete on a level playing field. It is imperative that all comprehensive energy policy in the state of Maine, including the policies embodied in statutes such as the long-term contracting provisions referred to in this proposed legislation, continue to embrace these competitive market provisions to allow the many benefits of electric competition to be realized by all consumers.

Conclusion

NEPGA appreciates the opportunity to testify on LD 532 and to offer our perspective on this important piece of legislation. We ask the Committee to weigh carefully the many benefits of competitive electric markets, and the need for regulatory consistency in the state and region's market policies. For this reason, we ask the Committee to maintain the existing cap of 100 MW on eligible renewable resources pursuant to the state's RPS and not allow large-scale hydro to qualify.