NEPGA
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August 8, 2014

Lisa Smith
Senior Planner,
Maine Governor's Energy Office
62 State House Station
Augusta, ME 04333-0062

Attn: Comprehensive Energy Plan

Dear Ms. Smith:

The New England Power Generators Association, Inc. (NEPGA) appreciates the opportunity to submit these comments in reply to the July 28, 2014 Notice of Written Comment from the Maine Governor's Energy Office (GEO) seeking public input on the 2014 update of the 2008 Comprehensive Energy Plan. [1]

Introduction

NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 26,000 megawatts (MW) – or nearly 80 percent – of generating capacity throughout New England, and over 2,200 MW of generation in Maine, representing most of the state's electric generating capacity. Overall, NEPGA's Maine companies pay approximately $16 million annually in state income and local property taxes. NEPGA member companies provide more than 200 well-paying and skilled Maine manufacturing jobs, while annually contributing over tens of thousands of dollars to charitable endeavors throughout the state. NEPGA's mission is to promote sound energy policies which will further economic development, jobs and balanced environmental policy.

Overview

The GEO announced its intent in late July 2014 to update the state's 2008 Comprehensive Energy Plan (CEP) in order to identify ways to further reduce electric costs and provide a roadmap for the coming decade for the state's energy industry. These efforts have been

[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily the position of any particular member.

undertaken in other New England states such as Connecticut and New Hampshire and benefit from thoughtful consideration of often conflicting public policy principles informed by robust stakeholder input. The first important step in undertaking such an effort is to identify the core principles that will guide the energy plan and recommendations. This was a key part of the 2008 CEP and included public policy principles such as competitively priced electricity, energy security and reliability, healthy competitive markets, adequate infrastructure, minimizing environmental impacts, indigenous renewable energy resources and consumer access to information. As the GEO works with stakeholders to identify the principles to guide its energy strategy for the coming decade, NEPGA would offer the following set of core principles:

- Market-based electric supplies provide the most competitive prices and best deal for consumers, and shield consumers from the risk of poor investment decisions, poor operating performance and stranded costs;
- Competitive markets deliver clear reliability and environmental benefits; and
- Reducing any artificial barriers to competitive trade and regulatory certainty with respect to the Renewable Portfolio Standard is key.

The remainder of NEPGA's concepts will address each of these key principles in greater detail.

1. Competitive Wholesale Markets Best Meet Energy Supply Needs

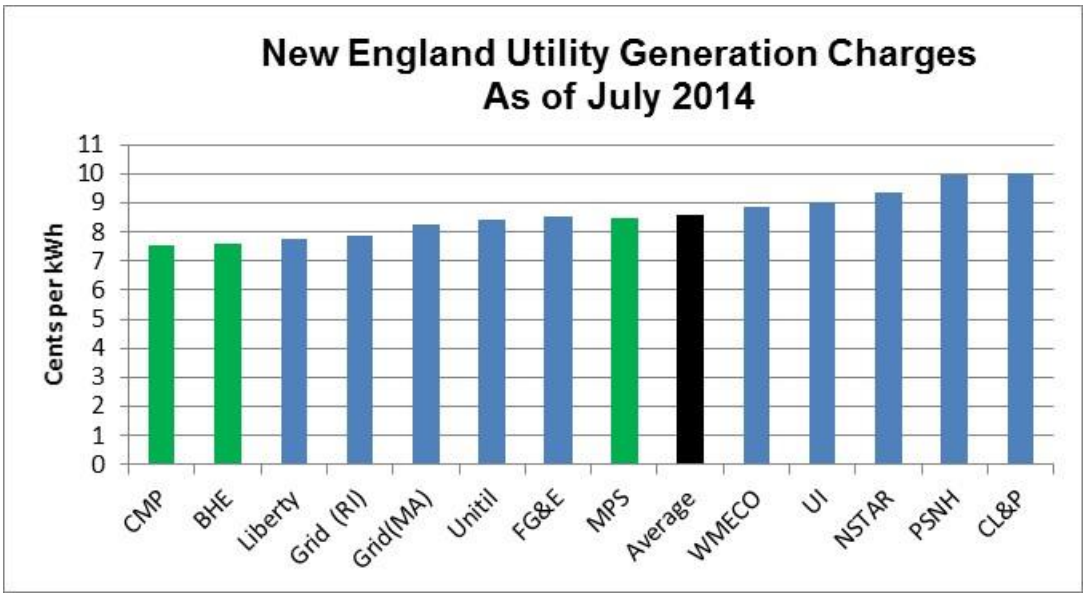
Over a decade ago most of the New England region, including Maine, moved toward a competitive electric industry structure. Companies such as NEPGA's members invested billions of dollars in the region buying existing facilities, investing in upgrades and developing new power plants. The premise underlying this particular component of electric industry restructuring was to allow free trade, market forces and transparent pricing to guide business decisions of owners and operators of generation facilities. This has led to new, clean generation supply and reduction of risk to consumers. Specifically this has led to:

- ***New, Clean and Reliable Generation for New England.*** Since the late 1990s, generation developers have invested billions in new generation facilities providing over 13,100 MW of new, clean and reliable generation for New England. Currently there are 57 generation projects totaling 8,300 MW in the ISO New England's (ISO-NE) interconnection queue with the intent of being built over the coming years.[2]

- ***Reduction of Risks to Consumers.*** Competitive generation developers have absorbed the risks of cost overruns and bad investment decisions and have shielded consumers from those risks, unlike in the former vertically-integrated utility regime.

[2] COO Report, NEPOOL Participants Committee, August 1, 2014.

Maine restructured its electric industry in the late 1990s and since this time has relied upon competitive wholesale markets to meets its supply needs. These market-based mechanisms provides the most efficient, reliable and cost-effective supply for consumers. As illustrated below, Maine's distribution utilities, utilizing the cost-effective wholesale supply, have among the lowest standard offer rates in New England with Central Maine Power and Bangor Hydro currently offering the lowest in New England, and Maine Public Service below the regional average.



Any policy recommendations made in the CEP on serving standard offer service should continue to be done through competitive processes. Through competitive procurement, all electricity suppliers are permitted to bid on an equal basis to win the right to supply electricity. The key to ensuring the best price outcome for consumers is that any and all resources can participate to meet standard offer service load. The procurement works to ensure that a competitive market solution continues to provide a resource, at the best price and lowest risk to consumers. As has been seen throughout the restructured states in New England and in Maine, the use of competitive procurement has delivered the lowest-cost, best-fit resource for consumers. The case for competitive procurement is compelling – allow the time-tested market structures used for the purchase of all other necessary commodities to also work for electricity consumers. If the process is conducted in a fair, open manner, the consumer will get the best deal.

2. Competitive Markets Deliver Clear Reliability and Environmental Benefits.

One anticipated outcome of the new competitive market embraced in Maine and throughout the region was reliability benefits and environmental improvements, with less consumer risk. Some specific examples of these benefits of competitive electric markets to the region as a whole include:

- ***Greater Plant Availability.*** Since the beginning of wholesale markets in 1999, plant availability – or the amount of time that plants are available to run when asked to do so – has increased from 81 percent to 89 percent.[3] This increase is enough to power over an additional 1.5 million New England homes. And, the improved availability of generators saves consumers hundreds of millions of dollars annually by providing lower cost energy and allowing reliability to be met with fewer plants.

- ***Decreased Environmental Emissions.*** Environmental emissions across the region have decreased since the late 1990s with CO_2 emissions down by 11 percent, NO_X emissions down by 58 percent and SO_2 emissions down by 71 percent.[4]

In order to ensure that all Maine consumers 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 market participants can compete on a level playing field without any artificial barriers to trade.

3. Reducing any Artificial Barriers to Competitive Trade and Regulatory Certainty with Respect to the Renewable Portfolio Standard is Key.

Maine was one of the first New England states to embrace the use of a Renewable Portfolio Standard (RPS) to provide market incentives for the development of a robust renewable energy resource market. In Maine and throughout New England there has been a tendency for policy-makers to frequently suggest changes to the RPS which often imposes barriers to trade. Allowing more competition in these markets should be a key underpinning of any reforms to the RPS. The CEP should rely on the benefits to consumers created from a healthy competitive standard offer market when designing modification to its RPS.

A successful RPS needs to provide a degree of regulatory certainty that rules and definitions are not subject to sudden or continual change. This allows contractual arrangements to be made in the market to meet the RPS requirement. 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 expectation of investors to compete on a levelized playing field after an investment is made. Policy consistency is critical for long-term investments in any industry.

Of most significance, the current 100 MW limit on RPS eligible resources (other than wind) in Maine should not be lifted. Eliminating the 100 MW cap on eligible renewable resources will extend a subsidy, paid by Maine's consumers to subsidize power from a provincially-

[3] Establishing the Grid, ISO-NE Website.
[4] 2013 Regional System Plan, ISO-NE Website.

owned, rate-base Canadian utility at the expense of other resources developed in an open competitive market.

Recommending changes to Maine's RPS needs to be made to better meet the policy and environmental goals of the state's RPS and provide the necessary regulatory certainty to incent the development and maintenance of local renewable resources and the attendant economic and job benefits.

Conclusion

NEPGA appreciates the opportunity to offer these policy considerations to the GEO as it begins to update the state's 2008 Comprehensive Energy Plan. Our comments provide the unique perspective of the region's generation community on the principles which should drive the policy recommendations in the 2014 CEP. NEPGA strongly recommends a continued regional focus on implementing a well-functioning wholesale electric market design to balance supply and demand, and to procure low-cost energy. Competitive electric markets have delivered real benefits to the region and to Maine through enhanced reliability and environmental impacts, while reducing the risk on Maine consumers from generation ownership. Maine has successfully embraced competitive market principles in its procurement of wholesale electric standard offer supply, as well as in its solicitations for energy and capacity. The use of competitive procurement processes should continue. In addition, Maine should exercise caution in considering any broad changes to its RPS. A successful RPS is based upon regulatory certainty and not ever-changing rules. Most significantly, the 100 MW cap on RPS eligible resources should be not lifted as the inclusion of provincially-owned large-scale hydro resources run counter to the purpose of a RPS.

We appreciate your consideration of our comments and encourage you to contact us should you have additional questions. We welcome the opportunity to meet with the GEO and discuss our recommendations in greater detail.

Sincerely,

Dan Dolan
President
New England Power Generators Association