

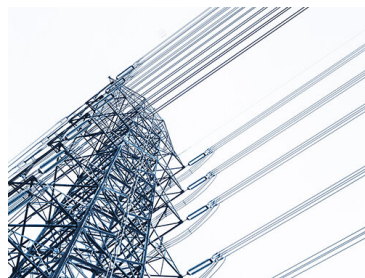
Energy

Wholesale Electricity Price Drop Reduces Demand for Fossil Fuels

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By TIM FAULKNER/ecoRI News staff

The latest auction price for the ISO New England electricity contracts dropped to a historic low, signaling an uncertain future for power plants that run on fossil fuels.



ISO New England, the operator of the six-state power grid, sees the drop in capacity supply obligation price as a win for ratepayers. (istock)

The cost of \$2 per kilowatt-month marks the steady decline of wholesale electricity since it reached a peak of \$17.73 per unit in 2015. The price has been in free fall ever since, dropping to \$4.63 in 2018 and \$3.80 per unit last year.

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Rhode Islanders learned about **forward capacity auctions** during the contentious permitting hearings for the Clear River Energy Center (CREC) proposed for the woods of Burrillville. In 2016, the developer, Invenergy Thermal Development LLC, was awarded an electricity purchase agreement from ISO New England for \$7.03.

The capacity supply obligation, or CSO, became a point of debate as Invenergy argued that earning the contract from ISO New England proved the power plant was vital to the region's energy needs and therefore the project deserved a license to operate.

However, the CSO was awarded to only one of CREC's two proposed electricity generation units. Project opponents argued that the limited CSO proved that only a portion of the power plant had a place in the regional electric grid and therefore the project was too large to approve.

Invenergy argued that it could still sell the electricity from the second power unit on the open market and earn a profit.

But the Chicago-based company was no doubt in a bind because reducing the size of the project from two power units to one would require a new application, an expensive and time-consuming process.

Problems over cooling water and other setbacks in the application proceedings forced Invenergy to sell its CSO capacity during the years the energy facility was supposed to be producing power. The delays prompted ISO New England to suspend Invenergy



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from participating in the CSO auctions for its second power unit. In 2018, Invenergy was dealt another blow, when ISO New England rescinded the first CSO contract.

All the while, the CSO unit prices continued to drop as electricity capacity grew and demand held steady, due in part to the success of energy-efficiency programs and new renewable-energy projects feeding into the regional power grid.

The falling auction unit price gave CREC opponents further conviction that the fossil-fuel project was redundant. This reasoning was part of the argument the state Energy Facility Siting Board used to [ultimately reject the CREC application](#) in June 2019.

ISO New England, the operator of the six-state power grid, also forecasts energy needs and trends for the region. The nonprofit sees the drop in CSO price as a win for ratepayers.

“New England’s competitive wholesale electricity markets are producing record low prices, delivering unmistakable economic benefits for consumers in the six-state region,” said Robert Ethier, ISO New England’s vice president for system planning.

The pricing also reflects the growing flow of renewable energy into the grid. Of the some 600 megawatts of new electricity approved in the auction, 317 were from land-based and offshore wind, solar, and solar paired with batteries.

Behind-the-meter solar is also reducing demand for utility-scale power. According to the [U.S. Energy](#)

Information Administration, New England added 493 megawatts of rooftop solar last year.

“This is good news for consumers all over New England,” said Bill Eccleston, a former activist against the Invenegy power plant. The lower auction price “also contradicts the propaganda that we need to be building more fossil-fuel power plants.”

“There’s a glut of (electricity) supply on the market,” said Jerry Elmer, senior attorney for the Conservation Law Foundation (CLF).

Elmer and CLF opposed the Burrillville proposal and as intervenors argued before the EFSB. Elmer and CLF staff are steeped in local energy markets because they serve on ISO New England’s working committees.

“The big lesson there is there no need for new fossil fuel plants and I don't think you'll see any in the near future,” Elmer said.

New Connecticut solar facility to benefit Ocean State

Rhode Island is fulfilling one of its renewable-energy goals by acquiring power from a Connecticut solar facility.

To help reach 1,000 megawatts of renewable power by 2020, the state is making another deal with New York City-based hedge fund D. E. Shaw & Co. In 2008, D. E. Shaw was the financial backer of Deepwater Wind, the Providence-based developer that won the contract to build the Block Island Wind Farm.

D. E. Shaw sold Deepwater Wind to Danish energy company Ørsted in October 2018 for \$510 million.

This time, D. E. Shaw Renewable Investments, a division of D. E. Shaw, has won a contract for a 50-megawatt solar facility at a gravel mine in East Windsor, Conn. The state will not release the precise location of the project, called Gravel Pit Solar II LLC.

Without offering specifics, D. E. Shaw has offered to pay \$300,000 for renewable-energy workforce development in Rhode Island.

Although it's promoted by the state as a deal for Rhode Island's three electric utilities, the agreement awards 99 percent of the energy generated to National Grid. The remaining 1 percent, or 0.5 megawatts, is credited to the Pascoag Utility District and the Block Island Utility District.

The 20-year contract must be reviewed and approved by Rhode Island's Public Utilities Commission.

National Grid is asking the state to buy renewable-energy credits (RECs) for 5.3 cents per kilowatt-hour. By comparison, the state is paying between 24 and 50 cents per kilowatt-hour for electricity from the 30-megawatt Block Island Wind Farm.

National Grid selected D. E. Shaw from 41 bids. The Rhode Island Office of Energy Resources and the Rhode Island Division of Public Utilities and Carriers served as advisors for the selection process. Of the 19 projects that offered to sell the electricity below market rates, none were based in Rhode Island.

Ratepayers are expected to pay \$30.8 million for the electricity over 20 years. Based on energy price forecasting models, ratepayers will save \$101 million over the term of the contract.

Gravel Pit Solar II LLC is expected to be commercially operational by March 31, 2023. More details of the project can be found in the [PUC docket](#). The proposed ground-mounted solar facility is estimated to displace 41,000 tons of carbon dioxide annually.

Ferry funds

[Rhode Island Fast Ferry Inc.](#) recently received up to \$30,000 from the Rhode Island Commerce Corporation to expand its offshore wind shuttle services — visiting the offshore wind facility is becoming a tourist destination — at the Port of Quonset and along the East Coast.

The grant pays for costs associated with acquiring permits from the Coastal Resources Management Council, the Rhode Island Department of Environmental Management, and the Army Corps of Engineers.

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