press release

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Contact:
Ellen Foley, ISO New England Inc. (413) 535-4139
Marcia Blomberg, ISO New England Inc. (413) 540-4555
Lacey Ryan, ISO New England Inc. (413) 540-4483

New England Winter Grid Outlook: ISO-NE Forecasts Sufficient Capacity to Meet Demand

Region will rely more heavily on oil- and coal-fired generators to ensure system reliability

Holyoke, MA—December 3, 2012—New England should have sufficient resources to meet consumer demand for electricity during the 2012-2013 winter season, according to ISO New England Inc., the operator of the region's high-voltage power grid and wholesale electricity markets. However, the region's reliance on natural gas as a fuel to produce electricity could create operational challenges if natural gas supplies become tight this winter. If this occurs, ISO New England will rely on oil- and coal-fired generation to lessen any operational risks to the region's power system.

"ISO New England has raised concerns about the region's reliance on natural gas as part of our broader Strategic Planning Initiative efforts," said Vamsi Chadalavada, executive vice president and chief operating officer of ISO New England Inc. "And while we currently are working on several mid- and long-term solutions with stakeholders, including changes to the wholesale electricity markets, these will take time to implement. In the meantime, the ISO will continue to turn to coal- and oil-fired generation when necessary to ensure that the power needed to meet consumer demand and maintain grid reliability is available this winter."

Under winter temperatures of about 7 degrees Fahrenheit (°F), demand is projected to peak at about 22,355 megawatts (MW) this winter.[1] If extreme winter weather of 2°F occurs, demand could reach 23,095 MW.[2] The six-state region has generation and demand-side resources totaling about 33,000 MW, including about 30,500 MW from generators, about 1,920 MW from demand-side resources, and about 475 MW of net imports from neighboring regions.[3]

Natural Gas Dependence and Winter Grid Preparations

New England's reliance on natural gas to produce electricity has increased significantly in the past several years, in part because natural gas has become far less expensive than other fossil fuels. Today,

[1] When the impact of passive demand resources (e.g., energy-efficiency measures) is factored in, the forecasted peak under normal winter weather conditions is reduced by 963 MW to 21,392 MW.

[2] When the impact of passive demand resources is factored in, the forecasted peak under extreme winter weather conditions is reduced by 963 MW to 22,132 MW.

[3] This data regarding generation, demand-side resources, net imports, and capacity by fuel type are the 2012/2013 winter capacity supply obligation values.

more than 13,000 MW—almost 45% of the region's generating capacity—is natural-gas-fired generation, and these generators produce more than half of the region's power. And while oil- and coal-fired generators are seldom called on to provide electricity because of their higher fuel costs, they make up nearly 30% of the region's generating capacity—more than 6,000 MW and 2,000 MW, respectively. These resources play an important role in maintaining reliability during times of high demand, system stress, or the unavailability of natural-gas-fired generation.

During the winter, simultaneous demand for natural gas comes from both power plants and heating customers in New England. Companies that procure natural gas for heating purposes typically have firm contracts for pipeline delivery, which gives them priority and creates the possibility of reduced fuel deliveries to some natural-gas-fired generators in the region.

To gauge any potential impact that a natural gas fuel supply issue could have on power system reliability, the ISO will continue its coordination efforts with the regional gas pipeline companies and has surveyed the fuel inventory at dual-fuel, coal, and oil power plants to establish their likely availability in the event these resources are needed to run.

In addition, the ISO has filed proposed changes with the Federal Energy Regulatory Commission that would allow power system operators to communicate specific real-time generating information with natural gas pipeline operators for ensuring power system reliability.

Finally, recent discussions between ISO New England and liquefied natural gas (LNG) suppliers have led the ISO to expect LNG to be delivered to certain Northeast Massachusetts/Boston generators this winter.

Operational Procedures to Maintain Reliability

Should conditions such as unexpected power plant or transmission line outages occur, ISO New England has other steps it can take to maintain reliability, including calling on demand-response resources to curtail their energy use, importing emergency power from neighboring regions, and asking businesses and residents to voluntarily conserve electricity.

ISO New England also can implement special procedures in the event of a predicted severe cold snap, including one that temporarily shifts the timing of the day-ahead electricity market to more closely align with the natural gas market. This enables natural-gas-fired generators to know earlier in the day whether they will operate the following day, giving them more time to procure and schedule the gas they will need to operate in real time.

During the 2011-2012 winter season, demand for electricity peaked at 21,354 MW on January 4, 2012. The all-time winter peak of 22,818 MW was set on January 15, 2004, during a cold snap. The highest demand ever recorded in New England was 28,130 MW, reached on August 2, 2006.

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