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## ISO New England CEO Testifies at Congressional Subcommittee Hearing on Growing Role of Natural Gas for Electricity Production

**Holyoke, MA—March 19, 2013**—Gordon van Welie, president and chief executive officer of ISO New England Inc., is scheduled to testify today at a hearing called by the US House Energy and Commerce Subcommittee on Energy and Power on the growing use of natural gas for electricity production.

The hearing, entitled, “*American Energy Security and Innovation: The Role of Regulators and Grid Operators in Meeting Natural Gas and Electric Coordination Challenges*,” will explore how the growing interdependency of the electric and gas sectors is leading to challenges to reliable power system operation.

### **Shift to natural gas generation in New England**

New England is a prime example of this trend. The region has become increasingly dependent on natural gas for electricity—today, more than half of the region’s power is generated by natural-gas-fired power plants. While this increase has brought economic benefits to New England consumers, including lower wholesale electricity prices and a significant reduction in pollutant emissions, the increased reliance on this fuel has created severe and immediate challenges to power system operations.

“New England has seen a dramatic shift in its generation fleet in a little more than 10 years, moving from a diverse mix of oil, coal, nuclear, and natural gas generation, to a system that is heavily dependent on natural gas to produce electricity. Consequently, the ISO has to manage around the unavailability of natural gas generation because of limitations of the current market design and the resulting inadequate fuel arrangements made by generators. Clearly, this is not a sustainable situation, and we are working closely with our stakeholders to develop a set of solutions.”

### **Risks heightened during winter months**

The risk to reliable grid operations is heightened during the winter, when there is a simultaneous demand for natural gas for both heating purposes and electricity generation. At times, this causes constraints on the natural gas supply coming into the region because there is not enough pipeline capacity to satisfy both heating and electric demand.

Companies that procure natural gas for heating purposes pay for and receive firm, priority contracts with the pipelines for natural gas delivery, but this can limit deliveries to some natural-gas-fired generators in the region, which typically do not pay for firm service and purchase their fuel using a ‘just-in-time’ delivery

system. The current wholesale electricity market design does not provide adequate incentives for generators to provide electrical energy when called on by the ISO during stressed conditions, in particular for gas generators who have not made adequate and reliable arrangements for fuel supply.

During a cold spell in late January and Winter Storm Nemo in February, 2013, generator unavailability due to inadequate fuel arrangements made for volatile operating conditions. Both events tested the reliability of the power system and further underscored the urgency of this issue. For more information on the January and February operational events, see the ISO's [Winter Operations Summary](#).

### **Strategic Planning Initiative: working toward solutions**

In 2010, ISO New England launched a Strategic Planning Initiative that identified several challenges to the continued reliability of the region's power system. The region's dependence on natural gas for electricity generation is at the forefront of these challenges. The ISO and industry stakeholders are looking at a broad range of solutions, from the near-term to the long-term, to help address the region's natural gas dependence.

Many of the solutions involve changes to wholesale electricity market rules. Among the possible solutions, the ISO has proposed changes to the timing of the day-ahead energy market so that it more closely aligns with the natural gas market timeline. This will provide additional time for generators to secure fuel from the gas market to meet their obligations in the electricity market, and will provide system operators additional time to call on longer-lead time resources such as coal or oil power plants, if needed.

The ISO is also considering changes to its Forward Capacity Market that will create stronger incentives for the availability, performance, and flexibility of resources such as natural gas generators.

The [2013 Regional Electricity Outlook](#) provides a detailed summary of the issues identified through the Strategic Planning Initiative and presents the immediate-, short-, and long-term solutions the ISO and stakeholders are pursuing to solve these challenges.

### **More on the Congressional hearing**

The Energy and Power Subcommittee of the US House Energy and Commerce Committee is holding a series of hearings—the American Energy Security and Innovation series—to examine the role of fuel diversity in the nation's electricity generation portfolio.

The hearing will be available via [webcast](#).

View Gordon van Welie's [testimony](#).