



NECBC ENERGY TRADE & TECHNOLOGY CONFERENCE

Canada, New England Talk Trade, Politics and Clean Energy

By Michael Kuser

BOSTON — Energy made up \$130 billion of the \$750 billion that changed hands last year between Canada and the U.S., the largest bilateral trading relationship in the world. Industry participants on both sides of the border question why the Trump administration would risk that relationship with protectionist tariffs.



Sergio Marchi | © RTO Insider

"We believe in building bridges, not walls," said Canadian Electricity Association head Sergio Marchi, speaking at the New England-Canada Business Council's (NECBC) 26th annual energy conference Thursday, where attendees also discussed

the changing resource mix, investment prospects and siting challenges.

Canadians were disappointed that the energy chapter in the original North American Free Trade Agreement was not preserved in the proposed United States-Mexico-Canada Agreement, and surprised the updated energy provisions were bilateral, not trilateral, Marchi said.

"The provisions of energy in the new NAFTA are scattered across a multiplicity of different sections, and so we're puzzled as to why you would not want to consolidate all of these provisions in one coherent place," he said.



David Alward | © RTO Insider

David Alward, consul general of Canada to New England and a former premier of New Brunswick, said Canada did not believe the premise of the original NAFTA was unfavorable to the U.S. and noted that negotiations over the new agreement led to a pessimistic cloud of uncertainty.

"But we achieved a good agreement and brought a certain level of predictability to the relationship," Alward said.



The New England-Canada Business Council (NECBC) 26th Annual Energy Trade & Technology Conference took place Nov. 1-2 in Boston. | © RTO Insider

The Analysis Group's Paul Hibbard, former chairman of the Massachusetts Department of Public Utilities, said, "It's difficult to overstate the importance of Canada in meeting energy needs and renewables. ...

Looking forward, the potential growth in cross-border energy trade is staggering."

Renewable, with Gas and a Little Oil

Massachusetts Energy and Environmental Affairs Secretary Matthew Beaton said his state is "continuing to make sure that we take a combo platter approach" to include all technologies in achieving a renewable energy future.

"The existing markets are becoming more aligned on natural gas, which will continue to play a very important role in the market price of energy here in New England," Beaton said.

Carol Grant, commissioner of the Rhode Island Office of Energy Resources, said she is optimistic that people want to contribute to a



Matthew Beaton | © RTO Insider



Paul Hibbard | © RTO Insider

cleaner world, "but I don't think New England or anyone is saying at any price."

ISO-NE Vice President of Market Operations Robert Ethier said the two most important issues for the RTO are winter fuel security and "addressing the states' desire to bring in more carbon-free resources."



Robert Ethier | © RTO Insider

Integrating those new resources is not now a problem for the RTO and likely won't be for the next decade, Ethier said. It's a two-fold economic challenge involving the energy and capacity markets.

"One is, bring in these zero-marginal-cost resources and insert them into our real-time supply stack, and it lowers energy prices for everyone," Ethier said.

Second, "when the states contract for these resources, they don't just affect the energy market, they also affect our capacity market," Ethier said. So the RTO developed Competitive Auctions with Sponsored Policy Resources "to insulate the capacity market outcomes from having these resources, which are by most estimates uneconomic to enter into our capacity market, but enter anyway because they have long-term state contracts."

Having new state-sponsored resources buy out old resources in the market will help manage and ration the entry of these resources into the market and prevent price suppression, he said.



Carol Grant | © RTO Insider

**NECBC ENERGY TRADE & TECHNOLOGY CONFERENCE**

NECBC Panel (left to right): Robert Ethier, ISO-NE; Dena Wiggins, NGS&A; Paul Hubbard, Analysis Group; Sergio Marchi, CEA; and Seth Jaffe, Foley Hoag. | © RTO Insider

"If we want to have long-term competitive markets in New England, and we want to have the prospect of merchant investment five, 10 or 15 years from now ... they need to have confidence that there are going to be market opportunities for them into the future that make it worth their while to invest their money," Ethier said.

Dan Dolan, president of the New England Power Generators Association, said 60% of the region's electricity will soon come from state-sponsored resources not dependent on the wholesale market, "but the market is not structured to protect the 40% of generators who will remain dependent on the market."

On fuel security, Ethier said the market needs to incent gas-burning generators to fully utilize LNG facilities and also ensure the region continues to maintain its existing fleet of oil-burning resources, at least in the near term.

"Those resources have remarkably low capacity factors for resources that were built as baseload ... in the 1 to 2% range, so they hardly ever run," Ethier said. "The thing is, when they do run, we really need them."

Dena Wiggins, president of the Natural Gas Supply Association, said that ample and diverse natural gas supplies balance the current weak U.S. gas storage picture of about 3 Tcf, so that a disruption to production in one place no longer spikes prices.



Dena Wiggins | © RTO Insider

"It's a little bit different here in New England, but those are spot prices," Wiggins said in

reference to potential spikes. "Our consultant tells us that during the winter peaks, only about 1% of the gas traded at those high prices."

Siting Concerns

John Gulliver | © RTO Insider

from 15% to 48% — "with the balance made up by healthy growth in hydro and renewables."

Attorney Seth Jaffe of Foley Hoag said policymakers may be willing to pay the price for pursuing their political goals of a carbon-free economy, but both gas pipelines and hydro-power transmission from Canada have had problems getting sited, even when hydro nominally supplants the need to burn natural gas. "You have to wonder, how are we going to get these projects done?"



Seth Jaffe | © RTO Insider

Avangrid CEO James P. Torgerson said the difficulty in siting onshore wind in New York and New England is just one reason why offshore is more appealing.

"You still have to deal with the intermittency, but the good thing about offshore wind [is] the

capacity factors we're seeing for that should be in the 50% range," compared with 33% for existing onshore wind and 40% for new onshore projects, Torgerson said.



James P. Torgerson | © RTO Insider

Speaking about Avangrid's New England Clean Energy Connect (NECEC), a project of subsidiary Central Maine Power to bring 1,200 MW of Canadian hydropower to Massachusetts, Torgerson said, "We expect to get all the approvals in 2019," despite Maine regulators in October having suspended hearings on the project. (See [Maine PUC Move Poses Hurdle for NECEC](#).)

The Maine Public Utilities Commission on Nov. 2 scheduled several technical conferences in the case (Docket No. [2017-00232](#)) ahead of resuming hearings January.

"Some communities are not as supportive as they initially were ... but things evolve," Torgerson said.

NECEC faces some of the same issues as Northern Pass did in New Hampshire, so when Maine environmentalists protested plans to string high-voltage lines across the Kennebec Gorge, for example, Avangrid agreed to tunnel under the river, he said.

The project to deliver Quebec's hydropower will reduce electricity prices in Maine by about \$40 million a year, provide communities \$18 million a year in tax benefits and add more than \$500 million to Maine's GDP, Torgerson said.



Ian Robertson | © RTO Insider

Algonquin Power & Utilities CEO Ian Robertson noted how the intermittency of renewables is declining and the potential for storage to assist the trend.

"We're all trying to understand how battery

storage fits into that equation. Part of what we're doing is working with regulators to put 500 of the Tesla Powerwalls in," Robertson said. "But I'm not sure anybody in a utility really understands how storage can be most effectively introduced into an electric grid to create value for customers." ■