NEWS

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NERC LONG-TERM ASSESSMENT CONFIRMS ELECTRIC CO-OP CAPACITY AND TRANSMISSION CONCERNS

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Unless steps are taken to improve power resources, expand grid capacity and attract new professionals to the field, the nation's electric system could be in real trouble, the North American Electric Reliability Corp. (NERC) warned in its *2007 Long-Term Reliability Assessment*, released Oct. 16.

According to the report, peak electricity demand will grow by 135,000 MW, or 17.7 percent, over the next 10 years, NERC projected, more than double the 8.4 percent, or 77,000 MW, increase in committed power resources that will be available.

Unless additional supply- and demand-side resources are brought into service, California, the Rocky Mountain States, New England, Texas, the Southwest and the Midwest could fall below target capacity margins within 2-3 years, the report said.

Electric cooperatives are confronting the challenge of growing demand sooner than other sectors of the electric utility industry.

"Typically … the electric cooperatives, the G &T's of these areas, are seeing growth at a greater pace.… The more rural areas are now experiencing the growth coming out of the urban and suburban areas…. We are expecting demand growth in our territories to be greater than the demand growth of the investor-owned utilities around us," said Jack Reasor, CEO of Old Dominion Electric Cooperative in Glen Allen, Virginia.

Reasor cites several factors to explain the delay in building new capacity. "New generation is extraordinarily expensive and is a huge commitment…. Second, the rules and the process have been

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somewhat in flux over the past several years…. What will be the requirements going forward to meet environmental concerns, to meet local land use policies, to meet the needs of being able to transmit or transport that generation to other areas of service territories? All of those have been issues that have been very much up in the air."

Commenting on the timing of the report, Paul McCurley, NRECA Power Supply Manager, noted that "even though we're not into a lot of reliability violations [yet] … by the time you're there it doesn't really give you a lot of comfort [to] cite people for violations if you've got the lights going out everywhere."

NERC also estimated that if an increase of 46,000 MW in uncommitted resources—those too early in the planning process to be certain of providing energy—were factored in, the gap would shrink by almost half.

Transmission and Reliability

Turning to the nation's transmission network, the reliability overseer pointed out that the projected addition of 14,500 miles of line to the transmission network over the next 10 years—an 8.8 percent increase—lagged both forecasted demand growth and the addition of new generation in most areas.

Congestion and the lack of transmission capacity are of particular concern to cooperatives.

According to Reasor, "You will not be able to build enough new generation in all the different areas that are congested, so you must have some new transmission. We will address as much of [the demand growth] as we can through conservation and smaller distributed-type generation projects in as many areas as we can … but that will not solve the problem…. Transmission will be vital and in my opinion transmission will be more difficult to solve than just building a few generation plants."

Building transmission offers a short-term solution to the problem of diminished capacity, observed McCurley. "We have enough generation to serve load, and in many cases we have cheaper generation that could serve load if the transmission could get it there. So, if we could build more transmission in the right places for a short … period of time we could run postpone a lot of the reliability concerns [related to generation capacity] and potentially lower the costs – at least briefly."

The NERC study also points out that integrating renewables such as large-scale wind and solar, as well as large nuclear plants, into the bulk power system would require expansion and strengthening of the grid.

The consequences of turning to gas

The report also noted that natural gas is expected to fuel 22 percent of U.S. electricity generation by 2016, and the heavy dependence of Texas, Florida, the Northeast and Southern California on this resource could affect reliability as competition for gas supply and delivery capacity rose.

While a number of steps, including increased gas storage, alternative pipelines and expanded dual-fuel capability, have been taken to mitigate the reliability impacts of this gas reliance, "more action is needed," NERC added.

"In addition to serious availability and deliverability problems associated with the projected increased use of natural gas for electric generation, there are tremendous cost consequences for consumers," said Dave Mohre, executive director of NRECA's Energy & Power Division.

"In addition to consumers paying a lot more for using natural gas to heat their homes, the price of electricity in regions with centralized markets will also be determined by these much higher natural gas prices," Mohre noted.

If some of the planned coal and nuclear plants do not materialize, he cautioned, "This situation will become even more critical – and expensive for consumers."

Said Reasor: "One of the luxuries we do not have is to just say, 'well, we can't meet all the demand.' We have a legal if not a moral obligation to meet the demand of our members and we have to find the capacity to do that."

"We're right on the edge," warned McCurley, but "with some judicious management and a little bit of luck – if we can get anything built – we might be able to make it through. Odds are at least in some areas it's getting pretty close to too late. …"

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