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Electricity costs expected to skyrocket: What can businesses do?

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If the darkening skies weren't a good enough indicator, the frigid air when you leave for work in the morning should make it clear: Autumn is here and winter is just around the corner. While the Farmer's Almanac predicts plenty of snow, there's another concern for businesses in Massachusetts: skyrocketing energy costs. In fact, National Grid has proposed supply rates of over 24 cents per kWh for this January. That's double their rate of last January and triple their rate of January 2013. Businesses with other electricity suppliers will surely see significant increases as well. And for many, that's hard to absorb into an already-taxed operating budget.

But what about all the changeovers of oil and coal power plants to plentiful natural gas? Unfortunately, in New England, we're not going to see much benefit—at least in the near term. Power plants are coming off-line faster than they can be replaced due to our older generating infrastructure and challenges permitting new power plants. So far this amounts to 8GW of capacity, which will be retired by 2020, one-third of the generating capacity of the region.

There is limited pipeline capacity bringing natural gas into New England, especially in the winter when natural gas is used for heating as well. Pipelines are not easy to build, given that no one wants a gas pipeline in their backyard, and unfortunately there aren't a lot of places to put a pipeline that's not near anyone's backyard. In addition, while a new pipeline would be used in the winter, when we need natural gas to heat our homes and businesses, it would not be used for most of the rest of year.

As ISO New England (ISO-NE) CEO Gordan van Welie said at a conference in mid-September: "We're in a precarious position and it's going to get worse before it gets better." On the coldest day last winter, ISO-NE called on 11GW of gas-fired generators to produce electricity. Only 3GW answered the call because the rest could not get fuel. ISO-NE scrambled and was able to get enough old oil and coal plants to turn on to avoid blackouts. Will we be as lucky to avoid blackouts this winter?

Luckily, renewable energy sources are helping fill this void in a significant way. If a transmission line can be permitted and built to Maine, about 3GW of wind capacity is expected to be built there. Another 0.5GW of wind is expected to be built off of Cape Cod. And about 1.8GW of solar is expected to be built by 2020. Notice that renewables are expected to fill more than half of the generation coming off-line, which shows how far renewables have come.

So, what can you do to avoid the energy price hikes? One way to reduce your company's individual reliance on the grid is to look into on-site distributed generation for your building with solar. Reducing even a portion of your electricity usage by adopting renewable energy assures that your operating costs remain steady. A professional wind or solar project developer can walk you through the ROI of solar and help you understand how you can combat the ongoing trend of rising electricity

costs in the months ahead.

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