

Growth Spurt Expected, from EnergyBizInsider

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Stop the transmission lines. That's the decision by some major utilities, which reached their conclusion based on the fact that the demand for power has slowed and reduced the sense of urgency needed to get their projects built.

The latest line to be delayed is the Mid-Atlantic Power Pathway (MAPP). Prior to that, the Potomac-Appalachian Transmission Highline (PATH) pulled its application in a key state. In both cases, however, the utilities behind them say that their delays are only temporary and that the grids in the respective areas will become constrained.

More capacity will be needed and specifically in certain regions. Yet, the process that transmission and distribution lines must go through before they would get permitted and built is probably one of the most onerous regulatory activities there is. Utilities have always been required to engage all stakeholders, although now the voices of opposition are getting through to some companies.

That's because the recession has curbed the demand for electricity and helped dim the short-term prospects for more electricity sales. The North American Electric Reliability Corporation, for example, now forecasts that growth will be less than 1.5 percent a year. Four years ago, it predicted that level would be 2 percent annually.

"With unemployment at 10 percent, residential use may fall," says John Whitlock, Managing Director, U.S. Utilities Ratings for Standard & Poor's. "During previous recoveries, electricity sales followed Gross Domestic Product growth. However, there will be some permanent loss of industrial load due to auto industry failures." Detroit's industrial load demand, for example, has experienced a 25 percent drop.

That's why Pepco Holding's \$1.2 billion investment in MAPP has been put on hold for at least a year. The project was to be done by 2014. The company is awaiting a report by its grid operator, the PJM Interconnection, to assess what it thinks will be the annual electricity growth when the country rebounds from its economic woes.

As a result of hard times, PJM pulled back and said that lines in its territories are not at immediate risk. The proclamation then allowed American Electric Power and Allegheny Energy that were constructing the \$1.8 billion PATH to withdraw their applications that they mutually held in Virginia -- a move that both say is only temporary and one that will resume after PJM reanalyzes the situation.

"The latest request considers new information recently provided by regional grid operator PJM Interconnection, suggesting the project appears not to be needed in 2014 to resolve reliability problems on the electric grid," says a PATH statement. "However, the data recently received from PJM is preliminary and not sufficient to identify a specific in-service date for the project."

Motivating Expansion

Most of the slowdown in the nation's energy consumption is attributed to the recession. A small part is the result of energy conservation and demand response programs, although those efforts are expected to make an even further dent. Still, certain regions such as the South and the West remain seriously congested.

NERC says that if action is not taken to build out the national grid, it will harm the growth of renewables that must be transported from isolated regions to urban areas. It says that 11,000 miles of high-voltage transmission lines must still get built by 2013.

While the subsequent legal battles are well intended and meant to ensure that the permitting process is transparent and full of integrity, it creates logjams that perpetuate uncertainty. That is, investors are skeptical about supplying capital because they can make more money in alternative investments while the delays impede reliability. And if brownouts or rolling blackouts occur, there can be serious economic consequences.

To motivate expansion, the energy law provides the Federal Energy Regulatory Commission with the authority to intervene if the states do not approve vital projects within one year. However, if they decline, then it has also been determined by the courts that those federal regulators can take no other legal action.

In the case of MAPP and PATH, the environmental communities located in those regions say that the lines will harm the local ecologies and hurt property values. Rerouting those wires, which is often the solution, won't help either.

As for MAPP, most of space will come from existing rights-of-way. But a small part of the project would require new areas and the permission of land owners. Right now they are saying "no." PATH developers say that the proposed lines have already been rerouted and its applications in West Virginia and Maryland will remain in effect.

The Obama administration understands the dilemma. The legal morass threatens to undo its plans to help grow intelligent utilities that can do such things as send signals to consumers to cut their energy use or tip off grid operators to re-channel the flow of power to avert brownouts. It is seeking to streamline the permitting the process.

"The recession has slowed the growth in demand for electricity, but we cannot squander this opportunity to address future needs," says Gov. C.L. "Butch" Otter of Idaho and the Western Governor Association's vice chair. "It is clear that coordination among states, the federal government, all segments of the industry and non-governmental organizations is essential for the region to meet its clean energy needs."

The slow down has been prolonged but is only temporary. The nation's economic engine will eventually rev back up. Expanding the grid would facilitate the expected growth and better position U.S. businesses to compete in a digital world.