

Energy and Technology Committee
Senate Bill 1: An Act Concerning Connecticut's Energy Future

Comments of Boralex, Inc.
Nathan Hebel
March 15, 2011

Introduction

Boralex would like to offer brief comments on a very limited section of the expansive Senate Bill 1. We do not hold a substantive opinion on a majority of the bill, and will leave it to the testimony of others to provide insight on the bill's effectiveness. However, we believe that the revision of the definition of "Class I renewable energy source" would be devastating to the Renewable Portfolio Standard for all years going forward. In particular, the bill seeks to amend the requirements so that any hydroelectric facility would be eligible for Class I REC status. Previously, a hydro facility had to meet age, size, and water flow criteria. This loosening of hydro standards would have the direct effect of substantial oversupply in the class I and II markets through 2020.

About Boralex

Employing over 300 people, Boralex operates 29 power stations with a total installed capacity of over 650 MW in the Northeastern United States, Canada, and France. In addition, Boralex has power projects under development that will add close to 300 MW of power. Boralex holds in-depth experience in three power generation segments – wind, hydroelectric, and biomass.

Full Hydro Supply Overwhelming

While difficult to pin down exact numbers, general expectations for class I REC demand in 2011 are in the range of 2 to 2.5 million. The ISO-NE 2009 Annual Markets Report and the NEPOOL Generator Information System show the 2009 hydro production close to 10 million MWh. If production from just one fuel source were to be 4 to 5 times greater than total class I REC demand, the RPS program would be reduced to a simple exercise in paperwork, serving no role in promoting renewable generation. Furthermore, the class II RPS obligation can be met by load serving entities through the delivery of class I RECs if desired. In this hypothetical situation, even though the class II RPS still has hydro eligibility standards for age, size, and water flow, the class II market would also be overwhelmed by the oversupply of class I RECs.

Survey of Other States

While the actions of other states are not always relevant to the debates in Connecticut, a quick survey of hydro eligibility in other New England RPS is instructive. Note that the only other New England state that allows all types of hydro for eligibility in an RPS is Maine class II. Not surprisingly, the Maine class II (despite a 30% obligation standard) REC pricing is routinely very close to zero due to substantial over-supply. The result is that no growth in renewable generation will come due to the Maine II standard.

Conclusion

Again, Boralex is not testifying for or against the majority of Senate Bill 1. Our comments are limited to the critical changes in the definition of "Class I renewable energy source." Our recommendation is for the bill to return the class I definition back to the current language so that the Connecticut RPS can continue to function as a market and an incentive for renewable energy development.

Thank you for the opportunity to participate in the discussion of Senate Bill 1.

A handwritten signature in black ink, appearing to read 'Nathan Hebel', written in a cursive style.

Nathan Hebel
Director, Energy Trading
Boralex Inc.