OLR RESEARCH REPORT

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SALE OF POWER FROM UCONN'S GENERATION FACILITY

By: Kevin E. McCarthy, Principal Analyst

You asked whether UConn is able to sell power from its cogeneration facility on the wholesale market and if not, what are the impediments to its doing so.

UConn is effectively barred from selling the excess power the facility could produce on the wholesale market. The facility provides the Storrs campus with an electric capacity of approximately 24 megawatts and also helps meet the campus's heating and cooling demand. Construction began in 2003 and the facility was completed in 2005 at a cost of about $80 million. In 2006, when the facility went into full operation, the electric bill for the campus fell from approximately $11 million to $2 million per year.

The facility is designed to meet the campus's own needs but there are times when UConn's electric demand is less than the amount of power the facility can generate. According to Tom Callahan, UConn's associate vice president of infrastructure planning, the electric output of cogeneration facilities, such as UConn's, that have been financed with tax-exempt obligations may not be sold to a private user without violating the covenants against private business use made in connection with such financing. The university can sell up to $60,000 worth of power per year, but it is unclear whether this would be more than the associated transaction costs. For example, the Independent System Operator (ISO)-New England, which administers the regional wholesale market, requires market participants to provide financial assurances that they will meet their contractual obligations.

Sandra Norman-Eady, Director
Phone (860) 240-8400
FAX (860) 240-8881
http://www.cga.ct.gov/olr

Connecticut General Assembly
Office of Legislative Research

Room 5300
Legislative Office Building
Hartford, CT 06106-1591
Olr@cga.ct.gov

In addition, generators in New England must enter into interconnection agreements with the electric utility that serves them. These agreements are subject to approval by ISO-New England, which also administers the regional grid. ISO-New England's approval of UConn's 2005 interconnection agreement with Connecticut Light and Power requires the cogeneration facility to be interconnected with the campus distribution system so that it not result in a net export of power to Connecticut Light and Power's transmission system.

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