Electric Co-op TODAY
PUBLISHED BY THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
COVER STORY • MAY 4, 2009

English Says Auction Would Hurt Co-ops

■ NRECA CEO urges House subcommittee to account for costs in crafting bill.

By Steven Johnson


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NRECA CEO Glenn English voices reservations about a draft climate change bill that he says could leave the door open to speculation in newly created energy markets.

Using an auction system to distribute emissions allowances as part of a climate change program is a bad idea that would empower Wall Street speculators to set the price of electricity, NRECA CEO Glenn English told a congressional subcommittee.

"In just the last decade, we've had a technology bubble, an oil bubble and a housing bubble, not to mention the Enron fiasco and California's electricity crisis, each of which was at least partly caused by speculators and manipulators trying to make a buck at the expense of consumers," English testified April 23 before the House Energy and Environment Subcommittee. "Have we not learned our lesson?"

English's testimony came as part of three days of hearings on a draft bill that the panel intends to use as the basis for comprehensive climate change legislation.

Rep. Henry Waxman, D-Calif., chairman of the House Energy and Commerce Committee, wants the full committee to pass a bill by Memorial Day.

However, the draft bill requires major revisions to ensure that electricity remains affordable while realizing long-term emissions reductions goals, English said.

While it calls for a cap-and-trade system of allowances to cut greenhouse gas emissions by 83 percent by 2050, the measure is silent on how those allowances would reach utilities that need them to meet emissions targets. The Obama administration has called for a full auction of allowances, which it estimates would raise about $80 billion annually, starting in 2012.

In an exchange with Rep. Greg Walden, R-Ore., English said that not-for-profit co-ops lack the capital to compete in an auction against large multinational firms or hedge funds that might corner the market on emissions credits and drive up electric bills.

"We don't think even our largest members could compete in that kind of an environment," English said. "It would be extremely difficult for us to do so."

Instead, English suggested the subcommittee enact a cost-effective system of allocating allowances freely to local distribution cooperatives.

"Co-op consumers will still face higher costs resulting from efforts to reduce emissions to the cap levels, and those costs will grow over time as the emissions cap declines," he said. "However, consumers can be protected from unnecessary higher costs that would result if co-ops are required to bid on allowances against for-profit entities."

Specifically, NRECA recommended that the allowances should be apportioned to local distribution utilities, based upon the carbon content of the fuel mix used to produce the electricity they sell, English said.

English also said a standard that would require utilities to derive 25 percent of their fuel mix from renewables by 2025 needs to be overhauled because it would impose a major burden on small utilities that lack resources to comply with the mandate.

The standard should only apply to utilities with more than 4 million megawatt-hours in annual retail sales, and include a broader definition of renewables, such as hydropower, he said.

Even then, the emphasis on renewables is unlikely to succeed without expanded authority for governments to site new transmission projects that would carry the power, he said.

"We needed the siting yesterday, not tomorrow, not two years from now," English said. "We cannot build renewable energy that is going to even approach 15 percent or 20 percent, much less 25 percent, unless that siting is done within the next two years." □