

Opportunity to lower long-term electric rates

By Matt Turer

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Nantucket residents are currently sitting in what could be a small window to lock down long-term electrical rates at a price 35 percent below what was previously forecasted by the Nantucket Energy Office.

According to Nantucket energy coordinator Lauren Sinatra, the lower prices are due to the unseasonably warm weather creating a natural gas surplus.

"When gas prices fall, the impact on electricity prices tends to follow suit, to a large degree," Adam Teff, general manager at Titan Energy, the town's electricity supply broker, said. "The answer as to why has to do with the general composition of fuel sources that create electricity in New England."

In 2014, 39.4 percent of power generated in New England came from gas-fired power plants, but Teff said that number will increase as nuclear use shrinks and renewable-energy sources continue to grow.

However, that will present a challenge in the state due to New England's limited physical space in its gas pipeline infrastructure.

"This creates bottlenecks in the distribution system and drives prices to astronomical levels when both power producers and heating customers all want the same gas at the same time," Teff said.

Last year, high natural gas prices and even higher electricity premiums pushed prices for both up as power

plants and heating companies fought over pipeline usage. This decreased natural gas availability for heating customers and electric providers at a time of peak demand in the midst of a harsh winter, constricting electric supply and resulting in a price increase.

"These days, the natural gas market is oversupplied, and, given the warmer-than-average start to this winter, the average customer is seeing prices fall, though still lingering above average because of New England's pipeline constraints," Teff said.

Currently, Nantucket rates have fallen from \$0.16273/kWh at the same time last year to \$0.13038 this year, approximately a 20 percent decrease.

Sinatra reports that the most competitive long-term rates currently available to Nantucket residents come from Ambit Energy (\$0.0925/kWh for 12 months), ConEdison (\$0.095/kWh for 12 months) and Think Energy-Suez (\$0.084/kWh for 12 months).

"Customers on Nantucket have two options (to take advantage of the lower prices)," Teff said. "Use less power when possible and find a low-cost supply option from a reputable provider of such products."

Teff said that even if temperatures stay above average throughout the winter, that doesn't mean prices will stay lower than projected.

"Volatility is more the rule, rather than the exception," he said. "Advantageous gaps are created when supply and demand forces work in the cus-

tomers' favor, though we find those opportunities to be fewer and fewer, despite temporarily low gas prices. Surpluses (like this) come and go."

Even so, Teff estimates that National Grid's prices will fall an additional 15 percent below its current prices for residential customers, going on to say that the electric company gains no advantage from the price decrease.

"Market forces set the ultimate price," he said. "In fact, I would argue that competitive suppliers of gas and electricity would prefer to see higher prices."

Sinatra also announced Tuesday that the Massachusetts Department of Public Works approved a National Grid filing request to reduce the Nantucket cable surcharge.

The request was done in an effort that will ultimately provide more electric rate stability to island residents.

"This reduction in rates is important since the company is seeking increased distribution rates in the near future, as well as rate payer funds for the "Non-wires Alternative" project," Sinatra said.

The non-wires alternative project is part of an effort between National Grid and the town's energy office that will reveal whether or not enough load relief during peak hours can be created through energy efficiency initiatives to continue to push off the third undersea electric cable to the island, estimated at upwards of \$100 million.