

LETTER TO THE EDITOR

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WIND POWER LOWERS THE AVERAGE PRICE OF ELECTICITY IN THE REGIONAL MARKET

TO THE EDITOR:

Being a proponent of anything these days is challenging. Proponents often spend millions to conduct detailed studies and generate facts. Opponents often spend pennies and make wild accusations and unsubstantiated claims. Some opponents represent themselves as experts on subjects they know little about. For example, opponents of wind power often make unsubstantiated claims like “wind power is the most expensive form of energy.” However unfounded this may be, simple, direct statements like this, often delivered with great passion as a call to action against bloated government and bad policy, make an impact on listeners. Is wind power really just a boondoggle sponsored by big business and bad politicians? After all, I heard it from an “expert”.

In the Internet age, every conceivable viewpoint on any issue is just one click away, and it can be tempting to accept a simple answer. It takes time to check facts and check credentials, and while most of us have little time for this, check we must. Here is the real story: WIND POWER LOWERS THE AVERAGE PRICE OF ELECTRICITY IN THE REGIONAL MARKET. It’s a little complicated, but if you want to know how this really works, read on.

Every day, all electricity generators in New England submit bids into the daily market to win the right to generate power. Every day, the market selects the lowest priced generator first, followed by the next lowest, and the next lowest, until consumer demand is fully satisfied and the lights stay on. Because the market can produce more generation than is needed to meet consumer demand, the highest priced generators are not selected. All of the winning bidders receive the same price—the market clearing price—which is set by the highest winning bid. To summarize: (1) the market buys enough power every day to meet demand, (2) the highest priced bids are out, and (3) the winning bids all get the same price for their power.

This bidding structure works to the advantage of the lowest cost generators because they can bid low prices and be assured of being selected. Now we all know that coal and gas generators need to burn fuel to operate, so they must bid a price high enough to at least cover their fuel costs; otherwise they’ll lose money every second they generate power. And the fuel cost for wind generators? ZERO - the wind is FREE! So wind generators can actually bid zero, ensuring a winning bid and (here is the important part) knocking out a higher-priced generator. The math is actually simple: the more projects

with low prices, the lower the market clearing price. Therefore, as more wind and other low cost energy enters the market, more high cost generators will be unable to compete, resulting in lower market clearing prices for electricity.

If you have read this far, thanks for your diligence. I hope this explanation was helpful. If you have any other questions about wind power, please email me at tcarroll@patriotrenewables.com. I look forward to our ongoing discussion.

Tom Carroll, Patriot Renewables