Peak Power & Climate Change

Thoughts on a Win/Win Strategy for Addressing the 8-Hour Ozone Standard

Ozone Transport Commission

Dulles Hilton

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ENVIRONMENTAL DEFENSE

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Peak Power: Key Issues

- System Reliability – keep lights on
- Reduce Pollution – NO_x, CO_2 , others
- Reduce Cost – drive down peak demand
- Avoid Unintended Outcomes – avoid perverse incentives for coal, dirty DG

Facts

- Aging turbine fleet
  - Comparatively high emission rates, low efficiency
  - Costly to retrofit
  - Environmental dis-benefits associated with retrofits
- Rising peak demand
- High/volatile natural gas price driving rising retail energy price
- Coal seeking to capture margin created by rising energy price

TXU: Nightmare on the Door Step

- In Texas:
  - 11 units, 9 GWs, $1,100/KW, $11 Billion Non-Recourse Financing
  - 78 Million tons of CO2 annually
- In PJM:
  - "Immediately begin building a business outside of Texas by filing environmental permits for three to five GW of new solid-fuel power generation capacity in PJM and the Northeast power markets before the end of 2006" (TXU News Release to Investors, June 8, 2006).
  - Between 9,800 and 14,000 tons of new NOx, annually
  - Over 39 million tons of additional CO2 annually

Building Blocks For Reducing, Addressing Peak

- Demand Response
  - Commercial/Industrial
  - Residential
- Energy Efficiency
- Retire and Replace High Emitting Peak Capacity

Contact:

Mark Brownstein, Managing Director
Climate & Air Business Partnerships
mbrownstein@environmentaldefense.org
www.environmentaldefense.org

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