

Report: Power Grid Upgrade May Cost \$100 Billion

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By Chris Baltimore

WASHINGTON (Reuters) - U.S. consumers would have to foot a \$100 billion bill to upgrade the nation's rickety electric transmission grid but could reap five-fold savings from cheaper power costs, according to an industry report released on Monday.

The Electric Power Research Institute, a utility-funded group based in Palo Alto, California, said sizable investment is needed to prevent a repeat of the massive Aug. 14 blackout which left more than 50 million people without power and exposed the dilapidated state of the nation's power grid.

The root of the problem is longtime institutional neglect of the nation's transmission grid, which could only be reversed by hefty spending, the group said. The \$100 billion price tag to fix the problem is "the best estimate that we can do at present," said Stephen Gehl, director of strategic technology for the group. "It's an approximate number -- we would be the first to say that."

"The pressures of cost containment have essentially stifled and deferred needed infrastructure investment in the electricity sector for at least two decades," the report said. It said the investment deficit is now running at about \$20 billion a year.

The Edison Electric Institute, the biggest U.S. utility lobbying group, has pegged the cost of needed long-distance transmission projects at \$56 billion over the next nine years, not including local distribution projects.

Long-haul transmission lines transport high-voltage electricity from generation plants to central hubs, where it is funneled through local utilities' distribution networks to homes and businesses at a lower voltage.

Transmission projects have suffered at the same time as companies have invested in new power generating plants.

While the cost of upgrading transmission lines would be large, the potential payoff would be huge, the industry group said. Power grid bottlenecks and system glitches cost the U.S. economy an estimated \$100 billion a year -- 1 percent of total U.S. gross domestic product, it said.

The average U.S. consumer would see annual power bills rise by less than \$100 to pay for new transmission projects but would save \$500 a year from lower power costs, the group said.

Activist groups said consumers shouldn't be stuck paying the bill.

Mark Cooper, an economist at the Consumer Federation of America, said the upgrades would be a raw deal for ratepayers, saying billions of dollars in hidden costs were needed to finance new grid projects.

"The billion dollar benefits don't materialize tomorrow," Cooper said. "If you match the stream of costs to the stream of benefits, this is a terrible deal for the American consumer."

The Federal Energy Regulatory Commission (FERC), which has proposed rules to boost incentives for utilities that build new transmission capacity, said consumers would clearly benefit.

Transmission accounts for only 10 percent of a consumer's power bill, but new grid projects could return rewards far greater than their cost, FERC spokesman Bryan Lee said.

"We're confident these improvements will eliminate bottlenecks, improve grid access and help reduce the commodity cost of the delivered bill," Lee said.

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