

## **Carbon Reduction Reshapes a Regional Electricity Market**

**By**

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Earlier this year, Massachusetts passed legislation that will require the state's distribution utilities to purchase carbon-free electricity from hydropower and on and offshore wind farms under long-term contracts for up to 30% of the state's electricity supply. Despite opposition from incumbent generators and large consumers over concerns that the bill would interfere with market competition, Democratic legislators found common ground with Republican Governor Charlie Baker to enact historic "clean energy" legislation that will transform the fuels used to generate the state's power while significantly reducing its carbon-footprint.

In addition, these new power supplies will reduce the amount of natural gas used to generate electricity for Massachusetts consumers, particularly in the winter months when demand is high. This in turn will most likely lower winter-time prices for natural gas and reduce the chances that consumers will be slammed by unavoidable price spikes.

The legislation also has the potential to instigate profound changes to the design and operation of the region's wholesale electricity market. Incumbent generators now seem resigned to needing to dramatically reduce their carbon emissions. They are now searching for ways to establish their own, market-based competitive process for doing so. They are considering such unprecedented notions as putting a price on carbon emissions that will favor the development and dispatch of low-carbon power generation. Taken together, these initiatives would begin to fill the void left by lack of federal carbon reduction legislation. State governments would likely welcome the opportunity to avoid more legislation to achieve their carbon goals if they could shift responsibility to the competitive marketplace. To read more about this clean energy legislation and how it developed, please read the full article from the Natural Gas and Electricity Journal [here](#).