NM project to link power grids lines up partners

SUSAN MONTOYA BRYAN - Associated Press - Associated Press

A $1.5 billion effort to link the nation's three major electricity grids is getting a boost from Japanese investors and a European company well versed in integrating power markets.

The partnerships with Mitsui and Co. and the European Power Exchange will ensure access to a large talent pool and funding for the next three phases of development for the Tres Amigas SuperStation in eastern New Mexico, said Tres Amigas president and chief executive Phillip Harris.

Harris has spent the last week meeting in Santa Fe with Mitsui officials about details of the project. Construction is set to begin this summer, and officials expect the transmission hub to be operational in 2015.

"There's massive excitement about it," Harris said Wednesday, following one of his meetings. More meetings were planned Thursday and again next month.

Harris said there is international interest in the success of a U.S. hub that would allow electricity to flow more freely between grids, and in the development of a trading system that could work seamlessly in a global market.

"With the technology that we have today, the communications we have and the environmental issues we need solved ... you've got to have a way to trade on all the derivatives and all of the other environmental constraints. There's definitely a huge need for us to find a worldwide platform," he said.

First announced in 2009, the Tres Amigas project includes building a hub across 22 square miles of rangeland near Clovis. It would serve as the meeting point for interconnections that serve the eastern and western halves of the U.S. and a separate grid that supplies Texas.

Such a hub would provide more opportunities for buying and selling electricity across the three grids. The transmission infrastructure around the project, if developed and expanded, could allow large-scale wind and solar projects in the Southwest and the Great Plains to access large power markets.

While developers see Tres Amigas as a step toward making the nation's power system more reliable, experts say avoiding massive power outages like the one that hit Southern California and parts of Arizona and Mexico last year will require a combination of modernization and more smart-grid technology throughout each of the three interconnections, especially given the scale of the grids involved.

The western grid, for example, depends on more than 150,000 megawatts of generation to meet its load. Tres Amigas will initially be capable of transferring 750

megawatts between the eastern and western grids.

"In the grand scheme of things, even a project like this is dwarfed by the need of each of these interconnections to continue to pursue modernization and expansion of their grids," said Abraham Ellis, a Sandia National Laboratories scientist who works on renewable energy grid integration.

In addition to infrastructure, Tres Amigas is planning for its own power exchange that would allow for the buying, selling and trading of power across all three U.S. interconnections and potentially beyond, Harris said.

Mitsui has agreed to invest $12 million in exchange for an equity interest in the project. The European exchange plans to share the expertise it has gained while coupling power markets in France, Germany, Austria and Switzerland. That exchange operates spot markets that account for more than one-third of Europe's electricity consumption.

With construction only months away, Tres Amigas is grappling a location for its trading operations.

"Ultimately what it's boiling down to is taxes," Harris said. "It looks like it's going to be a pretty heavy tax penalty to locate in New Mexico and that very well could be a deal-killer for the state."

Tres Amigas officials said they would pay 4 to 6 percent higher taxes in New Mexico than if they were to locate in neighboring Texas, which has a number of power exchanges already in operation.

Former Gov. Toney Anaya is working with Tres Amigas to develop legislation that would offer an abatement of the gross receipts taxes related to the trading.

Supporters of the project are facing a time crunch. The Legislature begins its 30-day budget session on Tuesday and Tres Amigas plans on making a decision on where to locate its headquarters and trading floor by March.

Anaya and Harris said there's a possibility the Legislature will address the issue since the spin-off opportunities of having both the hub and power exchange in New Mexico are so great.

"This is a way for New Mexico to get into the energy game in a big way," Harris said. "It's hard to estimate the peripheral and derivative businesses that will come in as a result of where it's located."

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