



EVA Power: Special Report – Summer’s Gone Cold

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Overview

On Monday, July 31st, 2017, Santee Cooper and SCANA announced their intention to halt the construction of two new 1,100 MW units at the existing V.C. Summer nuclear station in South Carolina after the project’s costs continued to balloon.

According to the utilities, the latest estimate for the project was \$25 billion (more than \$11,000/kW), up from the previous estimate of about \$14 billion. Falling electricity demand, issues with the new AP1000 reactor design, Westinghouse’s recent Chapter 11 bankruptcy filing, and significant construction delays all contributed to the project’s demise. V.C. Summer was expected to achieve commercial operation in the early 2020s.

No Forecasted Reliability Concern

According to the Southeastern Electric Reliability Council’s (SERC) 2017 Summer Reliability Assessment, the region will boast a healthy reserve margin above 25 percent during this year’s expected peak. Despite its size, EVA does not forecast the halt of construction to threaten local reliability thanks to weak load growth and limited retirements.

The Decision is likely to Drive Higher Fossil Fuel Burn

Because nuclear plants dispatch near the front of the generation stack, the removal of V.C. Summer likely will boost capacity factors for coal and gas generators in the region. At a normal capacity factor, the completed plant would have generated roughly 18 TWh annually. EVA performed scenario analysis to estimate the potential impact of Santee Cooper and SCANA’s decision to abandon the project on coal and natural gas demand in the Southeast. The scenarios are as follows:

1. With Summer: V.C. Summer units 2 & 3 enter service at the end of 2020 and 2021, respectively.
2. Without Summer: V.C. Summer 2 & 3 are abandoned and no replacement capacity is installed.

Results

Results of the scenario analysis are provided in Exhibit 1.

With the utilities abandoning V.C. Summer, an average of 0.11 BCFD of incremental natural gas is expected to be required between 2021 and 2030 as gas-fired units run harder than previously forecasted. Annual coal burn is projected to average nearly 2 million tons higher during that same period as coal units capacity factors receive a boost. Because SCANA and Santee Cooper source the majority of their coal from Central Appalachia, the utilities’ decision is positive news for coal producers in that region.

Charts showing the annual fuel demand impact are provided in Exhibits 2 and 3.

Loss of Nuclear Reduces Export, Boosts Generation in Neighboring Markets

The cancellation of the nuclear units also limits SERC's role as a net exporter of electricity. Between 2021 and 2030, average annual exports from SERC drop 60 percent without V.C. Summer. The sharp decline in exports is the result of a slightly tighter supply-demand picture in the region.

The decline in exports boosts domestic generation in neighboring power markets, especially in competitive market such as PJM and MISO where generators are sensitive to the price signal and inter-regional power flows.

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