

Levelized Cost of New Electricity Generating Technologies

The Energy Information Administration (EIA) produces forecasts of energy supply and demand for the next 20 years using the National Energy Modeling System (NEMS)[1]. These forecasts are updated annually and published in the Annual Energy Outlook (AEO).[2] All sectors of the energy system are represented in NEMS, including the electric power generation, transmission, and distribution system.

To meet electricity demand, the EIA represents existing generating plants, retires those that have come to the end of their economic life, and builds additional plants to meet projected demand from the residential, commercial, industrial, and transportation sectors. As a result, EIA must represent a slate of technologies, their capital and operating costs, their availability and capacity factors, the financial structure and subsidies, the time to construct the plant, the utilization of the plant, and expected future cost changes, including fuel input for fossil and nuclear plants.

To determine the most economic technology for the type of demand (base, intermediate, or peaking load) for which new capacity is needed, NEMS compares the technologies using their levelized costs as one measure of competitiveness. Levelized costs represent the present value of the total cost of building and operating a generating plant over its financial life, converted to equal annual payments and amortized over expected annual generation from an assumed duty cycle.

The first table below provides the average national levelized costs for the generating technologies represented in the AEO2013 reference case.[3] The values shown in the table do not include financial incentives such as state or federal tax credits, which impact the cost and the competitiveness of the technology. These incentives, however, are incorporated in the evaluation of the technologies in NEMS based on current laws and regulations in effect at the time of the modeling exercise, as well as regional differences in the cost and performance of the technology, such as labor rates and availability of wind or sun resources. Due to the regional differences in the cost of labor, fuel, and other factors that affect the levelized generation cost, a second table is provided below that gives the range of levelized costs based on these differences.

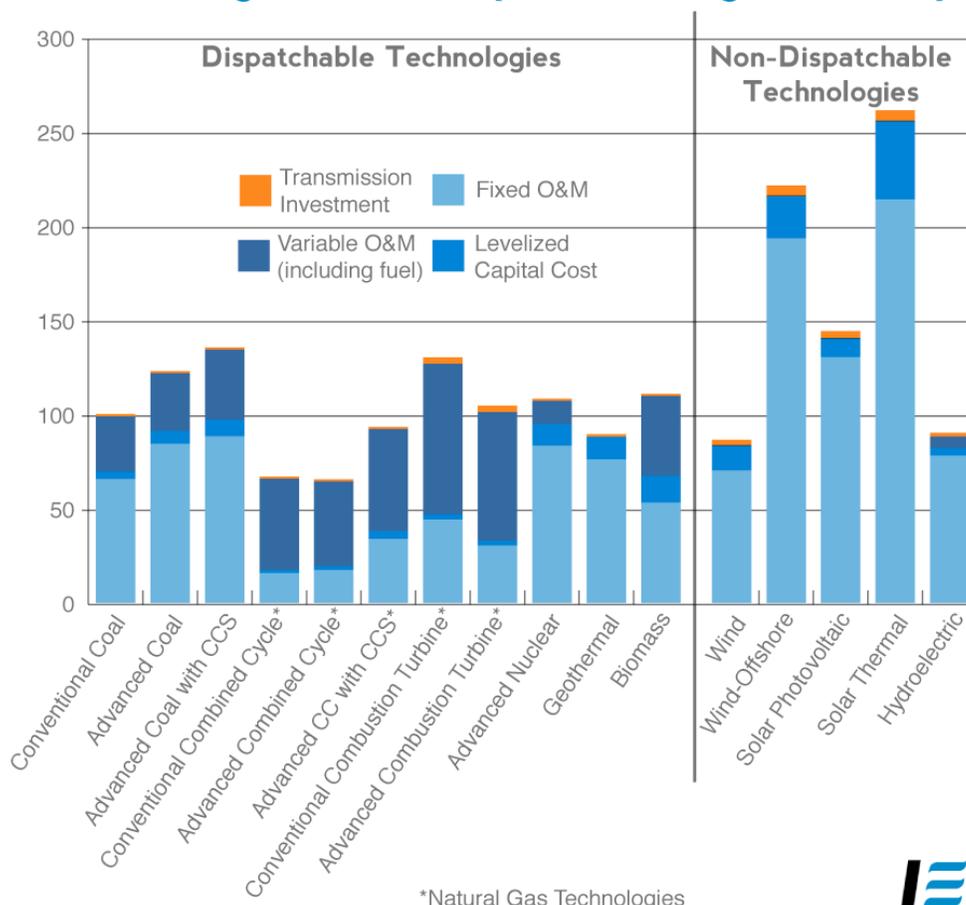
The levelized cost for each generation technology are calculated based on a 30-year cost recovery period, using a real after tax weighted average cost of capital of 6.6 percent. In the AEO2013 reference case, a 3-percentage point increase in the cost of capital is added when evaluating investments in greenhouse gas intensive technologies such as coal-fired power plants without carbon capture and sequestration (CCS) technology and coal-to-liquids plants. The 3-percentage point adjustment is similar to a \$15 per ton carbon dioxide emissions fee when investing in a new coal plant without CCS technology. This adjustment represents the implicit hurdle being added to greenhouse gas intensive projects to account for the possibility that they may need to purchase allowances or invest in other greenhouse gas emission-reducing projects that offset their emissions in the future. Thus, the levelized capital costs of coal-fired plants without CCS are likely higher than most current coal project costs.

The levelized cost for each technology is evaluated based on the capacity factor indicated, which generally corresponds to the maximum availability of each technology. However, some technologies, such as a conventional combined cycle turbine, that may look relatively expensive at its maximum capacity factor may be the most economic option when evaluated at a lower capacity factor associated with an intermediate load rather than base load facility.[4]

Simple combustion turbines (conventional or advanced technology) are typically used for peak load, and are thus evaluated at a 30 percent capacity factor. Intermittent renewable resources, e.g. wind and solar, are not operator controlled, but dependent on the weather or the sun shining. Since the availability of wind or solar is dependent on forces outside of the operator’s control, their levelized costs are not directly comparable to those for other technologies although the average annual capacity factor may be similar. Because intermittent technologies do not provide the same contribution to system reliability as technologies that are operator controlled and dispatched, they may require additional system investment as back-up power that are not included in the levelized costs shown below.

EIA warns against the direct comparison of the levelized costs across technologies as the sole measure of economic competitiveness because of differences in resource mix, capacity values, and utilization rates across regions. Rather, the agency suggests that the levelized avoided cost, which measures the cost to the grid to generate the electricity that is being displaced by the new generation project, also be used, but is not provided. According to EIA, “The economic decisions regarding capacity additions in EIA's long-term projections reflect these concepts rather than simple comparisons of levelized project costs across technologies.”

Estimated Levelized Cost of New Electric Generating Technologies in 2018 (2011 \$/megawatthour)



Source: Energy Information Administration, *Annual Energy Outlook 2013*, http://www.eia.gov/forecasts/aeo/er/electricity_generation.cfm

Estimated Levelized Cost of New Dispatchable Generation Resources, 2018

Plant type Dispatchable Technologies	U.S. average levelized costs (2011 \$/megawatthour) for plants entering service in 2018					
	Capacity factor (%)	Levelized capital cost	Fixed O&M	Variable O&M (including fuel)	Transmission investment	Total system levelized cost
Conventional Coal	85	65.7	4.1	29.2	1.2	100.1
Advanced Coal	85	84.4	6.8	30.7	1.2	123
Advanced Coal with CCS	85	88.4	8.8	37.2	1.2	135.5
Natural Gas-fired						
Conventional Combined Cycle	87	15.8	1.7	48.4	1.2	67.1
Advanced Combined Cycle	87	17.4	2	45	1.2	65.6
Advanced CC with CCS	87	34	4.1	54.1	1.2	93.4
Conventional Combustion Turbine	30	44.2	2.7	80	3.4	130.3
Advanced Combustion Turbine	30	30.4	2.6	68.2	3.4	104.6
Advanced Nuclear	90	83.4	11.6	12.3	1.1	108.4
Geothermal	92	76.2	12	0	1.4	89.6
Biomass	83	53.2	14.3	42.3	1.2	111



Estimated Levelized Cost of New Non-Dispatchable Generation Resources, 2018

Plant type Non-Dispatchable Technologies	U.S. average levelized costs (2011 \$/megawatthour) for plants entering service in 2018					
	Capacity factor (%)	Levelized capital cost	Fixed O&M	Variable O&M (including fuel)	Transmission investment	Total system levelized cost
Wind	34	70.3	13.1	0	3.2	86.6
Wind-Offshore	37	193.4	22.4	0	5.7	221.5
Solar PV ¹	25	130.4	9.9	0	4	144.3
Solar Thermal	20	214.2	41.4	0	5.9	261.5
Hydro ²	52	78.1	4.1	6.1	2	90.3



Regional Variation in Levelized Cost of New Dispatchable Generation Resources, 2018

Range for total system levelized costs (2011 \$/megawatthour)
for plants entering service in 2018

Plant type	Minimum	Average	Maximum
Dispatchable Technologies			
Conventional Coal	89.5	100.1	118.3
Advanced Coal	112.6	123	137.9
Advanced Coal with CCS	123.9	135.5	152.7
Natural Gas-fired			
Conventional Combined Cycle	62.5	67.1	78.2
Advanced Combined Cycle	60	65.6	76.1
Advanced CC with CCS	87.4	93.4	107.5
Conventional Combustion Turbine	104	130.3	149.8
Advanced Combustion Turbine	90.3	104.6	119
Advanced Nuclear	104.4	108.4	115.3
Geothermal	81.4	89.6	100.3
Biomass	98	111	130.8



Regional Variation in Levelized Cost of New Non-Dispatchable Generation Resources, 2018

Range for total system levelized costs (2011 \$/megawatthour)
for plants entering service in 2018

Plant type	Minimum	Average	Maximum
Non-Dispatchable Technologies			
Wind	73.5	86.6	99.8
Wind-Offshore	183	221.5	294.7
Solar PV ¹	112.5	144.3	224.4
Solar Thermal	190.2	261.5	417.6
Hydro ²	58.4	90.3	149.2



¹Costs are expressed in terms of net AC power available to the grid for the installed capacity.

²As modeled, hydro is assumed to have seasonal storage so that it can be dispatched within a season, but overall operation is limited by resources available by site and season.

Note: The levelized costs for non-dispatchable technologies are calculated based on the capacity factor for the marginal site modeled in each region, which can vary significantly by region. The capacity factor ranges for these technologies are as follows: Wind – 30% to 39%, Wind Offshore – 33% to 42%, Solar PV- 22% to 32%, Solar Thermal – 11% to 26%, and Hydro – 30% to 65%. The levelized costs are also affected by regional variations in construction labor rates and capital costs as well as resource availability.

[1] Energy Information Administration, NEMS documentation,
<http://www.eia.doe.gov/oiaf/aeo/overview/index.html>

[2] Energy Information Administration, *Annual Energy Outlook 2013*,
<http://www.eia.doe.gov/oiaf/aeo/index.html>

[3] Energy Information Administration, *Annual Energy Outlook 2013*,
http://www.eia.gov/forecasts/aeo/er/electricity_generation.cfm

[4] Base load plants are facilities that operate almost continuously, generally at annual utilization rates of 70 percent or higher. Intermediate load plants are facilities that operate less frequently than base load plants, generally at annual utilization rates between 25 and 70 percent. Peaking plants are facilities that only run when the demand for electricity is very high, generally at annual utilization rates less than 25 percent.