

New York Independent System Operator
ENVIRONMENTAL ADVISORY COUNCIL MEETING

Thursday, November 18, 2004

The Desmond
660 Albany-Shaker Road
Albany, New York 12211

Meeting Notes

I. Introductions

Ms. Mollie Lampi of the NYISO called the meeting to order, presented the agenda and initiated introductions of council members, presenters and NYISO staff in attendance. Mr. Bill Museler of the NYISO provided a welcome to council members and introductory comments. Mr. Museler indicated to the council that the NYISO has an environmental responsibility to serve as an information resource to policy makers regarding the effects of legislation and regulation on system reliability and the markets.

II. Market Participant Concerns

Mr. Garry Brown of the NYISO presented an overview of the mission of the Environmental Advisory Council, which had been previously distributed. He outlined several environmental policies and regulations that may present issues for the ISO:

- Air permit restrictions on generator upper and lower operating limits
- SPDES permit requirements for generator outages during the fish-spawning season.
- Implications of environmental policies on generation fuel mix and availability.
- Renewable portfolio standard requirement that 25% of the power generated in NY be from renewable sources.
- Article X siting laws.
- Generating plant retirement vs. retrofit due to environmental regulations.
- Plant re-powering projects that resulted in a reduction in plant generating capacity.

He also reviewed NYISO market participant concerns regarding the environmental advisory council. It was decided to open the information sharing portions of future meetings to any interested person.

III. Current Issues

Mr. Joe Visalli of NYSERDA, provided a presentation and overview of NYSERDA environmental projects:

- Water quality monitoring in the Adirondacks and development of new air sampling equipment.
- Evaluation of the environmental impacts of wind power on aesthetics, migratory birds, bats, etc.
- Determining the environmental impacts of kinetic hydro turbines on aquatic species.
- Emissions testing and modeling of distributed generation.
- Involvement with the renewable portfolio standard and regional greenhouse gas initiative programs. Developing an acquisition mechanism with the pool of mandatory collected charges from distribution companies.

Mr. Jim Gallagher of the Public Service Commission (PSC) presented the Commission's renewable portfolio standard program. The goal of the renewable portfolio standard program is for 25% of the generation mix to be from renewable sources by 2013. Currently, the renewable level is about 18%, and 4,000 MWs of additional renewable generation will be needed by 2013. The PSC is evaluating the following issues regarding the RPS:

- Implementation costs.
- Ability of the system to accommodate renewable technologies.
- Eligibility of different resources (waste-to-energy and mercury emissions and hydro units limited to 35MW run of river).
- Mandatory wire charge of 1.4 mils/kW-h to develop renewable technologies and the transfer of funds to NYSERDA.
- Location of resources outside the New York control area.

Mr. Garry Brown of the NYISO discussed reliability issues related to intermittent resource generation in the New York control area:

- About 42 MWs are bid in the real time market.
- Most wind facilities are located upstate.
- GE study indicates that the 28% capacity factor for wind power may overstate actual availability to meet peak load requirements.
- Expected rule changes related to intermittents: imbalance charges, regulation penalties, and capacity valuation in the next year.
- Wind power operational issues.

IV. Power Plant Regulation

Ms. Lisa Wilkinson of NYSDEC gave a presentation entitled the "Regulatory Developments Affecting Power Plants" which provided an overview of air quality regulatory requirements including the following topics:

- Title V permit changes.
- Status of the equipment replacement rule.
- NSR reform issues including pollution control projects, "clean units" exemption, plant-wide applicability limits, equipment replacement rule.
- Regional Greenhouse Gas Initiative (RGGI) program principals and progress.

- Acid Deposition Reduction NOx Budget Trading Program Part 237 which applies to all electric generating units 25MW and larger for the non-ozone season (October to April).
- Acid Deposition Reduction SO2 Budget Trading Program Part 238 which applies to all Title IV generating units. Implementation begins in January 2005.
- EPA proposed rulemaking for the regulation of mercury emissions.
- Clean Air Interstate Rule.

Mr. Mark Sanza of NYSDEC gave a presentation entitled the “DEC’s Regulation of Power Plants Via the SPDES Permit Program” which provided background of the SPDES program and emerging issues:

- Phase I applies to new facilities that withdraw more than 2 MGD.
- Phase II applies to large existing power plants that withdraw more than 2 MGD.
- “Wholly disproportionate” cost test for Phase I and “Costs significantly greater than” test for Phase II.
- Restoration option is being challenged and NYSDEC will probably not accept this option.
- Fish protection outages scheduled between April and September.
- Installation of cooling towers may be required at some power plants.

V. Impacts on Operations

Mr. Mike Calimano of the NYISO spoke briefly on the impacts of environmental issues on operations at the NYISO. Mr. Calimano discussed NOx bubbles in New York City. Due to NOx requirements, certain steam units must be online in order to provide enough credits for some GT units to operate. Some dual fuel generating units have air quality permit restrictions on the number of hours that they can operate using a particular fuel type. Other generating units have limitations in their air quality permits on the total number of hours that the unit can operate. Mr. Calimano also explained that some steam generating plants do not have enough physical space onsite to accommodate SCR retrofits.

VI. Closing Issues

Ms. Mollie Lampi of the NYISO initiated a discussion regarding the frequency of Environmental Council meetings and the time frame of the next meeting. The Council agreed to open portions of future meetings to market participants and to post presentations and documents used during the session on the NYISO website. It was determined that the agenda for the next meeting will be focused on RGGI and renewable portfolio standard issues. Ms. Lampi will share proposals with the Council that the NYISO develops for market participant discussions and asked council members to review and provide guidance on the proposals. The Council will also be briefed on the NYISO’s ongoing involvement in RGGI and its implications for planning and operations.