



**Written Testimony  
of the  
New York Independent System Operator**

**Senate Standing Committee on Investigations  
And Government Operations  
Senate Standing Committee on Corporations, Authorities  
And Commissions**

**Public Hearing  
“The Future of the Long Island Power Authority”  
February 27, 2013  
Albany, NY**

## **I. Welcome and Introductions**

Good afternoon Chairman Marcellino, Chairman Ranzenhofer, and Members of the Senate Committees on Investigations and Government Operations and on Corporations, Authorities and Commissions. Thank you for the opportunity to participate in today's hearing.

My name is Tom Rumsey. I serve as Vice President of External Affairs for the New York Independent System Operator (NYISO). With me today is Rick Gonzales, Senior Vice President and Chief Operating Officer of the NYISO. He and his team are responsible for New York State's grid reliability, market operation, and system planning.

## **II. Maintaining Grid Reliability is Our Primary Focus and Remains a Collaborative Effort**

The NYISO is an independent not-for-profit corporation that carries out three key functions for the State of New York. Our primary focus is to reliably operate New York's bulk electric system in accordance with all national, regional, and state reliability requirements. With the exception of our control center, the NYISO does not own any physical electric assets (e.g. – generation, transmission, or distribution). Additionally, we administer competitive wholesale electricity markets to satisfy New York's electrical demand. In conjunction with our stakeholders, we also conduct extensive planning processes to determine power demands of the future and allow market solutions time to meet identified needs. Finally, we participate as a technical, non-voting member of the New York State Energy Planning Board and have provided technical assistance to the Governor's Energy Highway Task Force.

The NYISO is governed by an independent Board of Directors and a committee structure comprised of representatives from every market sector -- transmission owners, generation owners, other suppliers, end-use consumers, public power and environmental parties. The Long Island Power Authority (LIPA) is among the market participants participating in the shared governance as part of the public power/environmental sector.

LIPA is an owner of high voltage power lines, the operation of which the NYISO coordinates with LIPA's local power system control center on Long Island. Although LIPA meets most of its power needs through contracted agreements with power plants on and off Long Island, it also buys and sells a portion of its electrical needs through the NYISO's wholesale electricity markets. LIPA participates in the NYISO's short term planning processes, such as determining the amount of generating capacity that must be located on Long Island to reliably serve its forecasted peak demand. LIPA also participates in the NYISO's long-term transmission system planning for the needs of the state power grid over a ten-year horizon.

The NYISO operates under federal tariffs and agreements approved by the Federal Energy Regulatory Commission (FERC), and is also regulated by the New York State Public Service Commission (PSC). We conduct our grid operations and system planning functions in compliance with national, regional, and state reliability standard organizations that oversee and audit our operations.

Federal law requires that we provide non-discriminatory open access to the power grid, allowing any resource to interconnect, provided that it does not harm system reliability. In addition to carrying out these functions, the NYISO serves as an independent, objective source of data and analysis on New York's energy needs.

At this point, I would like to turn things over to the NYISO's Chief Operating Officer, Rick Gonzales to give an overview of the State of the Grid.

### **III. State of the Grid**

Grid reliability is our primary focus at the NYISO and is a responsibility that we share with New York stakeholders and policy makers.

Our most recent reliability analysis indicates New York's power grid reliability is secure. Over the past several years, growth in the demand for electricity has diminished due to the recession and the state's energy efficiency programs, contributing to a surplus of supply in the near term. With the planned addition of new resources, New York State has sufficient reserves

to meet reliability requirements, and existing supply is expected to meet the forecasted demand until 2019.

Together with New York State policy initiatives, New York's wholesale electricity markets are continuing to encourage new investments in cleaner and more efficient generation. More than 1,400 megawatts of generation – power plants with an average age of more than four decades -- retired or suspended operations last year. However, since NYISO's inception in 1999 nearly 9,200 MWs of new generation have been added to the power grid. More than 760 megawatts of that new generation came online in 2012, with most of those megawatts being powered by natural gas or wind. Since 1999, New York has also added 1,640 megawatts of new transmission capability; and approximately 2,000 megawatts of demand response that is available to reduce power consumption on peak demand days. Currently, New York State has more than 43,000 megawatts of available resources to meet an anticipated 2013 summer system peak demand of 33,279 megawatts. To reliably serve load at all times New York State requires seventeen (17) percent more supply than the forecasted peak load level.

Currently, Long Island has 6,268 megawatts of available resources to meet an anticipated 2013 Long Island system peak demand of 5,515 megawatts. Long Island has limited electrical ties to the rest of New York, New England, and New Jersey. Because of these electrical limits, Long Island must have the majority of its supply physically located on the island. Almost ninety-two (92) percent of Long Island supply must be located locally.

Last year, the average New York State Day Ahead electricity price was \$37.64 per megawatt-hour, dropping from \$50.29 per megawatt-hour in 2010 and \$48.47 in 2011. The average Day Ahead Long Island electricity price was \$47.00 per megawatt-hour last year, dropping from \$59.39 per megawatt-hour in 2010 and \$58.53 in 2011.

In New York, the price of natural gas and the cost of electricity are closely related. Power plants with the ability to use natural gas account for more than half of the electric generating capacity in New York State. The cost of procuring fuel for these units is reflected in their offers. As the price of natural gas dropped and remained low over the past three years, the cost of electricity closely tracked those changes.

The close correlation of electricity prices with gas supplies and demand will likely persist. The continued development of new natural gas resources across the nation is expected to keep gas prices low for the near future. In addition, the pace of economic recovery and the persistence of energy efficiency efforts will have a direct influence on electric demand.

#### **IV. Hurricane Sandy**

The effects of Hurricane Sandy were not felt in New York until Monday, October 29<sup>th</sup>. However, preparations for the storm began days earlier when weather forecasts began to indicate the potential severity of the impact on coastal New York.

Working with New York's Transmission Owners, the Northeast Power Coordinating Council, and others, the NYISO began enacting established emergency preparedness plans on Thursday, October 25<sup>th</sup>. This included cancelling all planned transmission line maintenance and scheduling additional units for reliability.

Customer outages started on Long Island by 4 p.m. on Monday, October 29<sup>th</sup>, and in New York City at around 5 p.m. As customers began losing power, the storm impacts also began to take transmission lines and generation facilities out of service.

Outages continued through the night and by Tuesday morning, more than 2 million utility customers in the state were without power. While the entire state was affected, the brunt of the outages occurred near the coast – with over 900,000 without power on Long Island, and over 750,000 without power in ConEd's service territory.

Over 2,000 MW of generation capacity was unavailable on Long Island, along with three of the seven transmission facilities connecting Long Island to New York City, ISO New England, and PJM Interconnection remaining in service. Were it not for the three circuits connecting New York City and Long Island, LIPA's service territory would have electrically separated from the Eastern Interconnection completely.

Wednesday, October 31<sup>st</sup> saw continued improvements in the availability of transmission and generation facilities; however, the external ties between New York City, Long Island, New Jersey, and Connecticut remained out of service.

Even with the vast amount of damage done to the electric transmission and distribution system in the state, the wholesale market and the system as a whole remained operational, allowing the power to be available when restoration was complete. To date, all bulk electric facilities have returned to service except for three transmission facilities and two generators that were damaged by the storm.

#### **IV. Closing**

In closing, I would like to reinforce the fundamental message that maintaining grid reliability -- on Long Island, in New York State, throughout the Northeast, and across the nation -- is job number one. It requires a collaborative effort involving the NYISO, New York Transmission Owners including NYPA and LIPA, other power system stakeholders, and public policy makers. We will continue to work hand-in-hand with state, regional, and federal authorities, to keep the lights on for all New Yorkers.

Electric system planning will play an increasingly important role for grid reliability, economic development, and the integration of public policy objectives. Policy makers need to allow sufficient time for implementation of public policy objectives because changes to the electric system require years to plan and build effectively.

Thank you, Chairmen Marcellino and Ranzenhofer for this opportunity to assist you and your colleagues in examining these important issues. I look forward to your questions.