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Contact:

Ken Klapp

518-356-6253

NYISO Issues 2007 Comprehensive Reliability Plan

Planned upgrades and market-based solutions will address reliability of New York's bulk electricity grid through 2016.

RENSELAER, N.Y. – The New York Independent System Operator's (NYISO) Board of Directors has approved the 2007 Comprehensive Reliability Plan (CRP) for New York's bulk electricity grid. According to the CRP report, planned transmission system upgrades and proposed market-based solutions, if built, will meet or exceed reliability requirements through 2016.

"The CRP is an integral element of the NYISO's ongoing efforts to address the dynamic needs of New York's bulk electricity power system and to maintain reliable supplies of electricity to New York residents," said NYISO President and CEO Mark S. Lynch.

The CRP report is the culmination of the NYISO's Comprehensive Reliability Planning Process (CRPP), which provides a plan for meeting the reliability needs of the state's bulk electricity grid over a 10-year planning horizon.

In response to its 2007 Reliability Needs Assessment (RNA), released in March as the first stage of the CRPP cycle, the NYISO has received viable proposals for market-based solutions to the reliability needs set forth in the RNA.

Following its evaluation of all proposed solutions, the NYISO's 2007 CRP consists of the following actions:

- Deferring retirement of the New York Power Authority's Charles A. Poletti generating facility in Queens from 2009 to 2010;
- Implementing updated plans submitted by the Transmission Owners, including the addition of a 240 megaVar capacitor bank at the Millwood substation, and a breaker replacement at the Gowanus substation;
- Developing 1,800 megawatts (MW) of market-based resources from the 3,007 MW of proposed merchant generation and transmission projects. At least 1,000 MW should be located in or have unforced capacity delivery rights into New York City. Another 500 MW should be located in the lower Hudson Valley area. The remaining 300 MW could be located anywhere in the state.

The CRP report states that other configurations of resources, such as locating more resources in the Hudson Valley, could also satisfy the reliability needs.

The report also states that, at this time, New York need not implement "regulated backstop solutions" offered by Transmission Owners or "alternative regulated solutions" submitted by other developers.

While noting that it has received market-based proposals that are over 1,000 MW in excess of the minimum requirements, the CRP report notes that the NYISO does not choose which of the proposed market-based solutions will be built. The developers offering these proposals, along with state siting and permitting agencies, will make those determinations.

The NYISO has identified a number of risk factors that could adversely affect the plan, including the absence of a "one-stop" siting process, the preference of many market-based generation developers for long-term contracts, fuel diversity concerns, dependence on capacity from neighboring regions, and the potential for additional plant retirements due to pending changes in environmental rules and regulations. The NYISO will closely monitor all risk factors through its planning process.

The development status of proposed market-based solutions are monitored and updated twice a year by the NYISO. If it is determined that the proposed generation and transmission projects will not be available when needed, the NYISO will make that finding in the next RNA, and again will seek market-based and regulated solutions to assure reliability for inclusion in the next CRP.

Background information on the NYISO 2007 Comprehensive Reliability Plan follows.

A full copy of the report is available on-line at www.nyiso.com.

BACKGROUND INFORMATION

2007 COMPREHENSIVE RELIABILITY PLAN

Introduction

The New York Independent System Operator's (NYISO) Board of Directors, on September 18, 2007 approved the 2007 Comprehensive Reliability Plan (CRP) for New York's bulk electricity grid.

The report is the culmination of the NYISO's **Comprehensive Reliability Planning Process (CRPP)**, which provides a plan for meeting the reliability needs of the state's bulk electric power system over a 10-year planning horizon.

The CRPP is conducted in accordance with current reliability criteria established by the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, Inc., and the New York State Reliability Council.

The CRPP consists of two reports:

- the **Reliability Needs Assessment (RNA)**, which identifies potential reliability needs, and
- the **Comprehensive Reliability Plan (CRP)**, which evaluates the viability of proposed solutions and presents a plan for maintaining reliability for the next 10 years.

The 2007 CRP report was developed by NYISO staff in collaboration with industry stakeholders and in compliance with the NYISO's Open Access Transmission Tariff (OATT), which is regulated by the Federal Energy Regulatory Commission (FERC).

In approving the 2007 CRP, the NYISO's independent Board of Directors relied upon its members' extensive experience in the power industry, environmental organizations, and the fields of finance, academia, technology, and communications. Prior to Board approval, the CRP was also reviewed by the NYISO's Operating Committee and Management Committee, each composed of Market Participants from the five major sectors of the marketplace: Transmission Owners, Generation Owners, Other Suppliers, End-Use Consumers, and Public Power and Environmental Parties.

2007 Reliability Needs Assessment

The 2007 Reliability Needs Assessment (RNA), which was issued on March 19, 2007, found that generation and transmission resources on New York's bulk electricity grid were expected to be adequate through 2010. However, a reliability need was identified in the state's southeast region (Hudson Valley, New York City and Long Island), in 2011. Based on projected growth in electricity consumption, the RNA determined that statewide reliability needs will increase from 2012 through 2016.

The RNA concluded that those needs would not be met in the absence of new resources. Accordingly, in March 2007, the NYISO issued a request for solutions to address the reliability needs identified in the RNA Report. The NYISO sought all types of resources, including transmission, generation, and demand response. Although the CRPP prefers market-based projects to solve reliability needs, the NYISO also asked the Transmission Owners to submit regulated backstop solutions.

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2007 Comprehensive Reliability Plan

In response to its RNA, the NYISO has received viable proposals for market-based solutions to the reliability needs set forth in the RNA. Combined with planned transmission system upgrades by New York's transmission-owning utilities, the market-based solutions, if built, are more than sufficient to meet or exceed reliability requirements through 2016.

Accordingly, the CRP report states that, at this time, New York need not implement "regulated backstop solutions" offered by the Responsible Transmission Owners¹ or "alternative regulated solutions" submitted by other developers. The CRP report cautions, however, that if market-based solutions do not proceed as anticipated, New York may need to implement regulated backstop projects in the future.

The development status of proposed market-based solutions are monitored and updated twice a year by the NYISO. If it is determined that the proposed generation and transmission projects will not be available when needed, the NYISO will make that finding in the next RNA, and again will seek market-based and regulated solutions to assure reliability for inclusion in the next CRP.

Market-based proposals -- In response to its request, the NYISO received eight market-based proposals that were evaluated by the NYISO and found to be viable:

- 250 MW Spagnoli Energy Center,
- 500 MW Astoria Repowering Project (375 MW net new capacity),
- 600 MW Arthur Kill Combined Cycle Unit,
- 660 MW Hudson Transmission Project,
- 500 MW Red Oak, NJ Combined Cycle Generating Unit,
- 550 MW Harbor Cable Project and Generating Portfolio,
- 300 MW Linden Variable Frequency Transformers, and
- 300 MW Indian Point Peaking Facility.

Regulated backstop solutions -- The CRP includes regulated backstop solutions proposed by the Responsible Transmission Owners to meet reliability needs between 2012 and 2016. They are:

- Adding 1,000 MW of generation and demand side management in Zone J (New York City), with 500 MW by 2012, 250 MW by 2014, and 250 MW by 2015.
- Adding 300 MW of new generation with demand side management in Zone B (Genesee region) in 2013.
- Adding 500 MW of new generation and demand side management in Zone G (Hudson Valley), with 100 MW in 2015 and 400 MW in 2016.
- The construction of a 345-kilovolt (kV) transmission line between Zones F (Capital) and G (Hudson Valley) to permit generation and demand reduction projects to locate in upstate zones rather than in Zone G.

Alternative Regulated Proposals -- Three alternative regulated proposals were also submitted:

- Continued operation of Lovett Units No.4 and 5 beyond May 1, 2008 (365MW)
- New York Regional Interconnect, which would add a 1,200MW High Voltage Direct Current transmission line from Marcy to Rock Tavern
- Additional demand response measures in southeastern New York (250MW)

¹ Responsible Transmission Owners include Central Hudson Gas and Electric Company (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), Long Island Power Authority (LIPA), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (National Grid), Orange & Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation (RG&E).

Action and Findings

Following its evaluation of all proposed solutions, the NYISO's 2007 CRP consists of the following actions:

- Deferring retirement of the New York Power Authority's Charles A. Poletti generating facility in Queens from 2009 to 2010;
- Implementing updated plans submitted by the Transmission Owners, including the addition of a 240 megaVar capacitor bank at the Millwood substation, and a breaker replacement at the Gowanus substation;
- Developing 1,800 megawatts (MW) of market-based resources from the 3,007 MW of proposed merchant generation and transmission projects. At least 1,000 MW should be located in or have unforced capacity delivery rights into New York City. Another 500 MW should be located in the lower Hudson Valley area. The remaining 300 MW could be located anywhere in the state.

The CRP notes that other configurations of resources, such as locating more resources in the Hudson Valley, could also satisfy the reliability needs.

While noting that it has received market-based proposals that are over 1,000MW in excess of the minimum requirements, the CRP report states that the NYISO does not choose which of the proposed market-based solutions will be built. The developers offering these proposals, along with state siting and permitting agencies, will make those determinations.

Risk Factors

The NYISO has identified a number of risk factors that could adversely affect the plan. These include the absence of a "one-stop" siting process in New York State that could impede construction and operation of new generating facilities. New York State's streamlined siting process for large power plants (Article X of the Public Service Law) expired at the end of 2002. The State Legislature is deliberating the issue, but has not yet reached agreement on a new power plant siting law.

The CRP report also notes that many of the market-based generation projects prefer long-term contracts for the sale of their output rather than relying exclusively on revenues available in New York's bulk power markets. The NYISO will consider this factor when monitoring the progress of these merchant power plant additions.

Other risk factors identified by the CRP report include fuel diversity concerns, dependence on capacity from neighboring regions, and the potential for additional plant retirements due to pending changes in environmental rules and regulations. The NYISO will closely monitor all risk factors through its planning process.

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The New York Independent System Operator (NYISO) – www.nyiso.com – is a nonprofit corporation that began operations in 1999 to facilitate the restructuring of New York's electric industry. The NYISO operates the Empire State's bulk electricity grid and administers New York's wholesale electricity markets. The NYISO's market volume was \$8.6 billion in 2006.