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Expedited Power Plant Development & More Customer Choices Needed To Avoid California-Type Energy Crisis in NY, Says NYISO Report

- "Power Alert" Cites Key Problems and Suggests Solutions -

In the most authoritative and detailed report yet published on New York State's electric capacity needs, the New York Independent System Operator (NYISO) today called for immediate State approval early this year of 4,000-5,000 megawatts (MW) of new generating capacity in order to avoid serious electricity shortages, improve air quality, continue New York's economic growth, and avert strong upward pressure on prices.

The report, *Power Alert: New York's Energy Crossroads*, says that 2,000-3,000 of these megawatts need to be located in New York City and that an additional 1,000 MW of capacity must be approved statewide for the next three to four years, with more than half of it being in New York City and on Long Island. If the State fails to act accordingly, the report says New Yorkers can expect a decrease in electric system reliability, higher prices and increased environmental degradation.

"New York is headed toward a very serious situation unless it acts immediately to get new supply sited within its borders and embarks on substantial customer choice programs," said William J. Museler, President and CEO of the NYISO. "This report is essentially a caution light at New York's energy crossroads."

As with California, the current situation is being caused by a growing disparity between electricity demand—fueled by strong economic growth—and supply. Between 1995 and 2000 in New York, statewide demand for electricity rose by 2,700 MW, while generating capacity increased by only 1,060 MW. If this trend continues and no new generation is added in New York State, the report projects that by 2005, statewide prices could be expected to increase by 14 percent.

Conversely, if, as the report recommends, 8,600 MW are added to the State's supply, statewide prices can be expected to decrease by 20-25 percent (27-28 percent in New York City) during that same period from what they otherwise would have been. For the State as a whole, the report estimates, this would amount to approximately \$1.4 billion in annual savings by 2005.

"The NYISO is focused on developing the most advanced, efficient and reliable electricity markets in the world. These markets will accelerate the growth of New York's economy and deliver an enhanced quality of life for all New Yorkers," said Museler. "But without enough electricity supply, New York's advanced markets are like a fancy sports car without any gas; it might be designed to perfection, but it still isn't going anywhere."

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Since 1999, the growing disparity between supply and demand has meant that the state has been unable to cover its 18 percent installed capacity requirement from in-state generating sources. Moreover, reliability rules limit the total installed capacity of power secured from outside New York State to a maximum 2,750 MW. If this disparity is allowed to continue, the probability of blackouts and a general reduction in reliability is also likely to grow, says the report.

With regard to New York's environment, the report projects that the State could expect a 28 percent reduction in sulfur dioxide (SO₂) emissions and a 43 percent reduction in nitrogen oxide (NO_x) emissions through the displacement of older oil and coal plants by new, clean, natural gas-fired generation if recommendations for additional capacity are followed. These reductions amount to a total reduction of 88,000 tons of SO₂ and 45,000 tons of NO_x, a significant reduction in air emissions produced in New York State.

To address the current situation, the NYISO recommends the following policy initiatives:

- 1) Streamline New York's Article X electric power plant siting laws and establish single point accountability for meeting the law's statutory deadlines. The State should take a pro-active "ombudsman" approach towards working with applicants to complete applications. (No diminution of New York State's strict environmental standards is advocated or required.)
- 2) Accelerate New York's customer options programs including conservation, real-time metering and price-sensitive load programs;
- 3) Upgrade New York's and the Northeast region's transmission infrastructure; and
- 4) Support more integrated electricity markets in the Northeast.

"We believe if these measures are taken immediately, New York can establish itself as the pre-eminent electricity market in the country and the State will enjoy all the accruing benefits," said Museler. "However, if we fail to act, and end up in a dire situation like California, then we will only have ourselves to blame. Right now is a crucial time. We currently stand at the crossroads."

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The NYISO is a not-for-profit corporation established in 1999 to facilitate the restructuring of New York State's electric industry. In addition to administering the State's wholesale energy markets, the NYISO operates the State's high-voltage electric transmission system.