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NYSERDA and NYISO Studying Interaction of Gas and Electric Systems

Albany, NY – The New York State Energy Research and Development Authority (NYSERDA) and the New York Independent System Operator (NYISO) announced today that they have initiated a study to examine the impact of increased demand for natural gas on the State's electric system and natural gas infrastructure.

Virtually all of the 22 proposed new power plants currently applying for permits under the State's Article X siting process are expected to be fueled by natural gas. While not all of the proposed power plants are likely to be approved by the State Siting Board, those that are, will increase demand for natural gas. In addition, when gas prices escalate, many of these proposed power facilities may switch to petroleum fuels, impacting the market and supplies for these fuels and thus, the system as a whole.

To conduct the study, NYSEDA and the NYISO selected Charles River Associates, Inc. through a competitive bidding process. Charles River Associates will develop an integrated computer modeling system of the electric and natural gas infrastructure serving the Northeast. This modeling system will have the capability to assess the operation of the electric and gas systems serving New York State under a range of varying conditions and various contingencies that could impact service reliability or energy supplies.

"This study represents an important piece of research to the State as we go about updating the Energy Plan and evaluating the transition to a competitive market for electricity," said NYSEDA President William M. Flynn. "While natural gas is clearly the fuel of choice for new power plants in terms of providing power with minimal environmental emissions, it is important that we understand what implications the increased use of natural gas has on the reliability of our energy infrastructure, as well as the adequacy and diversity of our fuel supplies."

Some of the factors to be considered by the modeling system include whether adequate supplies of natural gas exist to meet present demand for heating purposes as well as for the growing demand for electricity; what happens to the market for petroleum fuels if electric generating facilities switch to petroleum fuels for a period of time; can the existing natural gas infrastructure handle the increased flow of natural gas that the proposed new power plants would require; and how does the increased reliance on natural gas affect the diversity of fuels used to generate power in the State as well as the ability to transition to a more competitive electricity marketplace.

"From super-efficient, combined cycle co-gen electric plants, right down to basic fuel cells, natural gas is the premier fuel powering our future. It is affordable, clean burning and found in abundance right here in our own hemisphere," said William J. Museler, NYISO's President and CEO. "However, because natural gas has so many attributes, demand for it is increasing significantly. Add to this, the fact that New York State is situated toward the end of most gas transmission pipelines and we could run into a situation where demand begins to outpace supply. This study is intended to assess that risk and provide us with the information we need to effectively manage our fuel supplies long into the future."

The cost of the study is about \$738,500, with NYSERDA and NYISO each providing half the funding. NYSERDA's portion of the cost is being provided by its **New York Energy \$martSM** program as part of NYSERDA's focus on identifying and evaluating barriers to a transition to a competitive electricity generation market.

*NYSERDA is a public-benefit corporation established by the State Legislature in 1975 to address the State's energy and environmental challenges in ways that also benefit the economy. NYSERDA's **New York Energy \$martSM** program is financed by a System Benefits Charge established by the New York State Public Service Commission on the State's investor-owned utilities to ensure that important research and development and energy efficiency services continue during the utilities' transition to competition.*

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. Last year, the NYISO's market volume (including energy, ancillary services, ICAP and TCC auctions) exceeded \$5.2 billion, more than all of the other Northeast markets combined. For more information about the NYISO, visit www.nyiso.com.