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NEW YORK STATE, NYISO AND UTILITIES JOIN FORCES TO BEAT SUMMER HEAT THROUGH ELECTRICITY CONSERVATION PROGRAMS

Cooperative Effort Between Sectors Highlights Power of "Demand Response"

(New York, NY, June 20, 2002)—A press conference in mid-town Manhattan today highlighted steps that New York State government, businesses and residents can take to help beat the heat this summer. The coordinated campaign among energy agencies, New York's electricity market and grid operator and large electric utility companies is expected to enable the Empire State to reduce demand for electricity by at least 1,300 megawatts (MW), enough electricity to power 1.3 million homes, should the need arise this summer.

Among the programs being highlighted are three administered by the New York Independent System Operator, Inc. (NYISO), the not-for-profit organization that runs New York State's electricity markets and manages its high voltage transmission system. The three programs include the Emergency Demand Response Program (EDRP), the Day-Ahead Demand Response Program (DADRP) and the Special Case Resources Program (SCR).

All three programs provide payments to large-scale electricity consumers, or aggregated groups of consumers, for reducing electricity consumption during times of peak demand. Each of the programs has been developed in concert with the New York State Energy Research Development Authority (NYSERDA), the State Public Service Commission, the State's electric utilities, and other market participants.

"New York State's efforts in helping develop and promote the NYISO's various demand response programs have been instrumental in making New York the acknowledged leader in the demand response field among competitive energy markets," said William J. Museler, NYISO President and CEO. "However, given the tight margin we face between electricity supply and peak demand in this state, we must do all that we can to build upon these successes and expand participation in these groundbreaking programs. As New York's wholesale market operator, we are here today to urge more businesses to become involved in this effort."

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New York State government has also assumed a leadership role in developing demand response and energy efficiency initiatives through the inter-agency task force for the Coordinated Electricity Demand Reduction Initiative (CEDRI). The task force consists of representatives from the New York State Energy Research & Development Authority (NYSERDA), New York Power Authority (NYPA), Long Island Power Authority (LIPA), and the State Public Service Commission (PSC).

CEDRI is part of New York State's comprehensive energy policy that incorporates improving energy efficiency and demand management, promoting competitive energy markets to meet the state's growing energy needs and increasing the ability of customers to choose the energy products and services that best suit their needs. CEDRI will use enhanced load management and demand response programs, distributed generation and public awareness campaigns to sustain the reliability of New York State's electricity supplies during the peak demand periods caused by summer heat.

Under the aegis of CEDRI, the New York State Public Service Commission has been working with the state's utilities and energy services companies to encourage increased private sector participation in demand reduction programs administered by the NYISO. Last summer, these programs successfully provided a statewide average reduction in electricity demand of approximately 600 MW during the period of extreme peak demand in early August.

New York State Public Service Commission Chairman Maureen O. Helmer said, "Effective electricity demand response and energy efficiency initiatives, as well as increasing available generating capacity, are absolutely critical to system reliability and to establishing a balanced wholesale market that responds to supply and demand signals. CEDRI fosters a unified statewide approach to peak load reduction that will enhance the effectiveness and efficiency of the various state agency and authority programs."

Another large portion of the State's reductions will come from peak load management programs run by the Long Island (LIPA) and New York Power Authorities (NYPA). Each authority has arrangements with large industrial and commercial customers to reduce demand when requested on critical peak days. These load control programs, combined with long-term energy efficiency improvements, the use of on-site generation and public appeals, will enable LIPA and NYPA to reduce customer demand by approximately 340 MW and 250 MW, respectively.

"New York has become a national leader in promoting cost-effective energy efficiency and demand reduction programs," NYSERDA President William Flynn said. "Whether it's a homeowner trading in an old air conditioner for a new, more energy efficient model, or a factory owner participating in one of the state's demand reduction programs, we all can pitch in to save energy, save money, keep the electricity flowing and help preserve the environment."

Eugene R. McGrath, Chairman and CEO on Con Edison, said: "Last summer businesses and the public were great in responding to requests to reduce their electric consumption when power demands soared on the hottest days. We encourage consumers to build on these achievements by using energy wisely. Customers can lower their energy bills and help maintain a more reliable electric system by enrolling programs to manage electricity usage, especially on peak summer days."

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"A commitment to demand side management is perhaps more critical for businesses than ever before," says Robert B. Catell, Chairman and CEO of KeySpan Corporation. "As demand continues to outpace supply, taking pressure off the electric system, helps reliability, air quality, and helps businesses cut costs. It offers high returns with minimal risk."

"Conservation, on demand-side management, is the first leg of the three-legged stool. The long-term solution must incorporate conservation, new technologies, like distributed generation, and new high-efficiency, state of the art base load plants," Catell said.

"New York City narrowly averted power outages during last August's heat wave thanks in part to the real estate and business community's program to reduce electricity consumption at peak times," said Rudin Management C.O.O. John Gilbert, who Co-Chairs the New York Building Congress' Energy Committee. "Similar efforts should be sufficient this summer, but we cannot conserve our way out of our energy problems. We must build new power plants in New York City."

James Rouse, Associate Director, Energy Policy, for Praxair, Inc. and Chairman of Multiple Intervenors, the leading association of the large electricity consumers in New York, stated, "Large customers are the principal participants in these demand response programs, yet all New Yorkers benefit from reduced transmission congestion, higher system reliability and the environmental bonus of reduced need for peakers during the hottest summer period."

President of the Real Estate Board of New York (REBNY) Steven Spinola said, "NYSERDA and REBNY have partnered in an effort to provide apartment owners, managers, and tenants with solutions to help lower their energy costs through energy saving programs offered by NYSERDA. Earlier this week, NYSERDA and REBNY sent out a letter to apartment owners and managers with information on ways to reduce their energy costs. We want this market of people to take advantage of this significant opportunity to help control their energy use and lower their energy bills, as well as reduce the energy demand of the State."

According to projections by the NYISO, this summer's forecasted statewide peak demand for electricity will be 30,475 MW. New York State has a total forecasted requirement of 35,960 MW this summer when adding the 18 percent reserve requirement. This is roughly equal to the state's installed generating capacity and any differences will have to be made up through external purchases or demand reduction. New York City has a total requirement of 8,532 MW and a total available supply of 8,707 MW. For Long Island, the total forecast requirement is 4,442 MW with an available supply of 4,545 MW. All of these projections are based upon a normalized weather pattern. If New York experiences extreme weather—as it did last year—the peak demand figures could be significantly higher.

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