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New York State Electricity Supply Adequate for “Normal” Summer Weather

***-- Outlook for Additional Supply is Hurt by Expiration of State’s
Siting Law and Negative Impact on Financing from Enron Collapse; Expanding Transmission
Capacity and Demand Response Programs Also Key --***

(New York, NY – May 22, 2003) – Electricity supplies in New York State are adequate to meet power demand for “normal” summer weather, the New York Independent System Operator (NYISO) said today in releasing its third report on the State’s electricity capacity needs. The report, *Power Alert III: New York’s Energy Future*, calls for the approval of 5,000 – 7,000 megawatts (MW) of new generating capacity in the next five years to maintain a reliable supply of electricity and keep prices competitive. New plants would also benefit the environment by improving air quality as they replace older less efficient facilities.

NYISO’s report states that in order for new capacity to come online as soon as possible, the State Legislature must immediately reauthorize Article X, a statute that streamlines the process for siting new power facilities. The report also offers key recommendations for increasing transmission capacity and expanding the demand response programs.

A not-for-profit corporation established in 1999 to facilitate the restructuring of New York State’s electric industry, the NYISO administers the State’s wholesale energy markets and operates New York’s high-voltage electric transmission system.

“New York has made great strides in creating a fair, efficient, and competitive energy market, but we still have a long way to go to resolve what remains a serious, ongoing energy shortage,” said William J. Museler, President and CEO of the NYISO. “In order to have a truly economic and reliable energy infrastructure in New York State, we need to get additional capacity built as quickly as possible.”

The new report, an update of NYISO’s *Power Alert I: New York’s Energy Crossroads* (2000) and *Power Alert II: New York’s Persisting Energy Crisis* (2001), warns that the outlook is dim for an adequate supply of efficient and environmentally friendly electrical power due to “a confluence of factors, which combine to produce market uncertainty and paralysis.”

According to the report, the greatest impediment to the building of new power plants is the expiration of the State’s Article X power plant siting law. In addition, the Enron debacle, which affected many energy companies and their investors, has discouraged investment in power facilities in New York and elsewhere.

“New York’s siting law was a model of how to streamline the process of reviewing and making decisions on siting new power plants. While the law was in effect, 5,000 MW of new generating capacity was approved,” Museler said. “NYISO has achieved considerable success in operating the State’s energy markets, but the failure to renew the siting legislation, in combination with national events [the Enron collapse and the California energy crisis], has rendered New York State less attractive to potential investors.”

The report recommends re-examining New York's three-decade-old reliability criteria in light of today's more power-intensive, high-tech business environment and recommends that an open, transparent process to plan New York State's electricity infrastructure (generation, transmission, demand response, and distribution generation) be initiated as soon as possible. Security considerations must also come into play; the NYISO notes that it is essential "to continue to evaluate how outside forces might try to sabotage New York's electric system – and take appropriate steps to prevent any harm."

On the power-supply front, *Power Alert III* poses two questions: "Where are we now?" and "Where should we be going?" It answers these questions by segmenting the future of the State's power system into the three "legs" of the energy system stool: 1) *supply*, 2) *transmission*, and 3) *demand response and conservation*.

In addressing New York's *electricity supply*, the report states that while the economy may have softened, New York's power consumption has not. But because relatively little new capacity has been added, "system conditions were so tight during 2002 that the NYISO was forced to invoke the Emergency Demand Response program on two occasions." For the summer of 2003, New York City is expected to have just enough supply for normal summer weather.

NYISO projects that in the next five years, the statewide load should increase from about 31,450 MW to 33,800 MW, prompting the need for an additional 2,360 MW. However, to "maintain reliability and security, keep prices competitive, and benefit the environment," 5,000-plus MW of additional capacity needs to be developed in the next five years with a majority built in downstate New York and Long Island. (Approximately 2,500 MW is under construction, but beyond that, only another 1,000 MW is realistically on the horizon.)

Electric system congestion has cost New Yorkers \$2.75 billion in the last three years, the report states. To resolve the bottlenecks in the State's *transmission system* (the second leg of the energy "stool") – and in a relatively low-cost way – NYISO recommends expanding transfer capability between Marcy, near Utica, and Pleasant Valley, near Poughkeepsie. Transmission capability also needs to be increased in New York City and Long Island.

Three programs NYISO has developed – including real-time electricity pricing – harness the power of the market to encourage consumers to use energy wisely. To increase *demand response and conservation*, the third leg of the "stool," the report recommends expanding and enhancing these programs: "In the longer term, the greatest source of demand response will occur when retail customers see and are able to react to wholesale spot market prices."

"Because of the unique national and regional vantage points the NYISO enjoys, we believe we have identified some important recommendations in this report," Museler said. "Market participants, federal and state regulators, and neighboring electric system operators working together can be a catalyst for improvement."

Note:

- A downloadable Adobe Acrobat PDF version of *Power Alert III* is available by visiting the homepage of the New York ISO website at: www.nyiso.com.
- If you would like a full printed copy of the *Power Alert III* report, please contact Ken Klapp at 518-356-6253 or Victoria Streitfeld at 212-686-4551.

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The New York Independent System Operator ("NYISO")—www.nyiso.com-- is a not-for-profit corporation established in 1999 to facilitate the restructuring of New York State's electric industry. Based in New York's Capital Region, 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 exceeded \$5.2 billion.