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## **Electric Industry Report Shows Steady, Significant Progress in NY**

*“Power Trends: New York’s Success and Unfinished Business” Released Today.*

New York, N.Y. – The New York Independent System Operator (NYISO), in partnership with its Market Participants, and federal and state regulators, has made significant progress to ensure the fairness of New York’s wholesale electric markets and the safety and reliability of the state’s energy supply, according to an annual state-of-the-grid report by the NYISO. The NYISO was created in 1999 to oversee the restructuring of New York’s electric industry.

*Power Trends: New York’s Success & Unfinished Business* examines industry conditions in the core categories of generation, transmission, regional planning, environmental stewardship and the markets. Formerly known as *Power Alert*, *Power Trends* confirms that since the creation of the NYISO in 1999, significant steps have been taken to identify and resolve important industry issues. These range from planning for adequate electric generation, encouraging demand side management, breaking down barriers to the regional trade of electricity, and developing renewable resources.

The report stresses, however, that though considerable progress has been made, more work is needed to address the hot-button issues that continue to impact the electric industry in New York, regionally and nationwide.

“The overarching theme in this first issue of *Power Trends* is to point out the great deal of success that has been achieved since 1999, while reminding the public that we can’t let our guard down,” said William J. Museler, President and CEO of the NYISO. “In other words, the sky is not falling, but all involved parties – the New York State Public Service Commission, Federal Energy Regulatory Commission, our Market Participants and the NYISO – must remain committed to the swift and fair resolution of the unfinished business we’ve identified.”

These substantial gains have been recorded since *Power Alert* was first issued in 2001:

- **Generation:** In 2001 the NYISO recommended that between 5,000 and 7,000 megawatts (MW) of in-state generation was needed by 2008 to maintain reliability. More than 3,000 MW have been installed since then.
- **Transmission:** Improvements include the Cross Sound Cable (330 MW), which serves Long Island. Two other projects – Neptune (600 MW), which connects New Jersey to Long Island, and the Empire Connection (2,000 MW), which feeds New York City from the north – are in the permitting process.
- **Environmental Stewardship:** The NYISO recognizes the need to enhance fuel diversity and pursues policies and market development that provide for a level playing field for investment in renewable technologies. The NYISO Board of Directors, with support from a special internal environmental committee, strives to adopt policies and initiatives that accomplish the state’s environmental objectives.

- Markets: New York's wholesale markets have improved steadily, highlighted by the soon-to-be-deployed Standard Market Design (SMD2) that, among many enhancements, will provide a common platform for the Day-Ahead and Real-Time markets. Additional market improvements include the establishment of initiatives such as Demand Response Programs. Addressing "seams" issues – or those market conditions that act as barriers to trade across regions – continues as an organizational priority.

The report concludes with these **"Big Four"** recommendations:

1. The Blackout of 2003 highlighted problems that can occur when just one area of an interconnected electric system malfunctions because of a failure to follow reliability standards. Last August proved that Congress must step in to make compliance mandatory, and grant regulators the authority to assess penalties for noncompliance.
2. Of the many reports issued since the Blackout, none indicated New York operators could have taken preventative steps. However, the NYISO continues to review its own stringent standards while it heeds the 46 recommendations outlined in the most comprehensive study – the final report of the U.S.-Canada Power System Outage Task Force. NYISO's unfinished business includes the continued evaluation and enhancement of New York's grid.
3. The State's Article X power plant siting law, which expired December 31, 2002, provided a streamlined process to review, approve and locate new generation facilities. While demand has flattened in Upstate New York, New York City and Long Island remain areas where demand is outpacing the construction of new supply sources. We urge the State Legislature to help recognize New York's unfinished business and reinstate Article X.
4. The NYISO must continue to aggressively achieve its two primary functions – operate fair and equitable electric markets and ensure a safe and reliable electric system for New Yorkers – by working to institute a Comprehensive Planning Process. By the end of 2004, the NYISO will have in place a process to identify and resolve the major energy issues affecting New York today and in the future, such as resource and transmission adequacy, and congestion costs.

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*The New York Independent System Operator (NYISO) – [www.nyiso.com](http://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. The NYISO's market volume was nearly \$7 billion in 2003.*