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NYISO Issues 2008 Reliability Needs Assessment

Initiates NYISO's third cycle of comprehensive planning

Rensselaer, NY -- The Board of Directors of the New York Independent System Operator (NYISO) has approved the *2008 Reliability Needs Assessment (RNA)*, which begins the NYISO's third cycle of comprehensive planning for the state's bulk electricity grid. The first round commenced with the December 2005 issuance of the *2006 RNA*.

The RNA is the first part of the NYISO's Comprehensive Reliability Planning Process (CRPP), which annually analyzes, identifies and addresses New York's generation adequacy and transmission reliability needs over a 10-year span.

"The RNA is based on conservative assumptions to identify a wide range of potential resource adequacy shortcomings long before such future concerns become present problems," said Mark S. Lynch, the NYISO's President & CEO. "It initiates a comprehensive process involving solicitation of market-based solutions and regulatory responses to the reported reliability needs and development of a plan addressing those needs over the next decade."

According to the *2008 RNA*, generation and transmission resources in New York State are expected to be adequate through 2011. The study finds that a reliability need will occur in 2012, primarily in the state's southeastern region, and will become acute by 2017 if expected electricity demand increases are not met with additional resources.

"The previous RNA had forecast that generation and transmission resources were expected to be adequate through 2010. The new 2011 estimate is a result of upgrades and additions made by generation and transmission owners in response to the NYISO's planning process, as well as the development of demand response resources," Lynch noted.

The NYISO will now ask developers to submit market-based solutions to the reliability needs identified in the *2008 RNA*, and request the Transmission Owners to submit proposed regulatory solutions that would be called upon if market-based projects are not available to meet the needs on a timely basis. The submissions will be evaluated as part of the *2008 Comprehensive Reliability Plan (CRP)*, scheduled to be issued in the summer of 2008. The *2008 CRP* will ascertain if the RNA-identified reliability needs can be met through market-based solutions, or if regulated backstop projects should be called upon to maintain system reliability.

Report findings

The *2008 RNA* reports that an equivalent of 500 megawatts (MW) in Zone J (New York City), or a total of 750 MW with 250 MW each in Zones F (Capital), G, H, or I (Hudson Valley, Millwood, or Dunwoodie), and J is required to meet anticipated power needs in 2012.

By 2017, the equivalent of 2,750 MW of resources should be available to the state's bulk electricity grid to accommodate the anticipated retirement of some existing capacity and increased electricity demand, and to meet federally mandated reliability guidelines. About half of those megawatts should be located in the southeastern part of the state, according to the report.

The updated load forecast used for the *2008 RNA* represents a demand increase of more than 1,000 MW at the end of the Study Period when compared to the *2007 RNA*.

The *2008 RNA* notes that the added generation or transmission capacity would not be necessary if Gov. Eliot Spitzer's "15 by 15" Clean Energy Strategy is successfully implemented. The initiative, which calls for a 15 percent energy use reduction by 2015, would eliminate the need for new resources to be added to the bulk electricity grid through 2017 under the assumptions used in the study.

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Reliability needs: 2012-2017

New York's reliability need in 2012 will be primarily driven by load growth, generator retirements, and the physical limits of transmission systems serving the lower Hudson Valley, New York City and Long Island. Load growth of more than two percent per year in Zones G through K will cause increased demands on the bulk system in those areas.

By 2012, load forecasts estimate that about two-thirds of the New York Control Area system load will be located in southeastern New York; 52 percent of that will be in New York City and on Long Island.

The retirement of several generation units, including the planned 2010 retirement of New York Power Authority's Charles A. Poletti generating facility in Queens, plays a significant role in the 2012 reliability need – despite the addition of 455 MW of new generation expected by that date. The Poletti unit and the other generators set to retire – Mirant Corporation's Lovett 5 and Rochester Gas & Electric's Russell Station – account for about 1,300 MW scheduled for shutdown between 2008 and 2010.

In October, the Long Island Power Authority (LIPA) Board of Trustees approved a long-term capacity contract, beginning in 2010, with a resource located in the PJM control area to be delivered to Long Island using the Unforced Delivery Capacity Rights (UDR) associated with the Neptune Regional Transmission facility, a high voltage direct current (HVDC) line between Long Island and New Jersey. A sensitivity analysis, modeling firm capacity available at Zone K (Long Island) with the Neptune project, moves the first year of need, on a statewide basis, from 2012 to 2013.

Environmental standards

The 2008 RNA also offers several alternative scenarios that assess the reliability impacts of certain proposed state regulatory programs presently under consideration to increase environmental standards:

- The reliability need date would advance to 2009 under a scenario gauging the potential impacts of the Department of Environmental Conservation (DEC) proposal to regulate nitrogen oxide emissions from certain designated generating units on High Electric Demand Days (HEDD). These days occur in the summer when demand for electricity is high at the same time air quality degrades. The reliability criterion violations would increase more than threefold by 2017 if no action is taken.
- A scenario that evaluated reliability impacts of the proposed Regional Greenhouse Gas Initiative (RGGI) program showed the system can comply with the reliability criterion in 2010, provided that sufficient emission allowances (a minimum of 52 million tons) remain available to New York generators.

The NYISO is continuing to work with the state agencies involved in these proposed programs to determine how New York's environmental priorities can be achieved with essential bulk electricity grid reliability sustained.

Other analyses and scenarios

The 2008 RNA also analyzed scenarios that yielded the following results:

- The addition of 500 MW in Zone J, in response to request for proposals (RFP) by the New York Power Authority, would satisfy system resource adequacy requirements in 2012. That would make 2013 the first year of need.
- Under the RNA's "External Capacity Scenario," the addition of 800 MW of additional firm capacity from outside the NYCA to New York's ICAP market would improve system reliability, but not enough to satisfy 2012 system resource adequacy requirements.
- The system would need additional resources by 2010 under a scenario accounting for stronger-than-expected economic growth and extreme weather conditions.
- Adding the Besicorp-Empire power project (now known as the Empire Generating Project) in upstate Rensselaer, New York (635 MW net generation) would not eliminate the need for additional resources in 2012.

The RNA was developed within the NYISO's joint stakeholder process, which provides input from regulators and those who supply, use, transmit, and trade energy in New York's wholesale electricity markets. The studies were conducted in accordance with reliability criteria of the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, and the New York State Reliability Council.

A copy of the 2008 RNA is available on the NYISO website – www.nyiso.com.

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