

For Immediate Release:

July 1, 2008

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NYISO: Electricity Markets Offer Platform to Address Future Energy Challenges

NYISO Board Chair Karen Antion testifies at FERC Conference on Wholesale Electricity Markets

Washington, D.C. – The success of the New York Independent System Operator (NYISO) in its efforts to “develop efficient competitive markets, maintain the highest standards of reliability, and plan for the future” offers positive prospects for the ability of organized electricity markets to address future energy challenges.

“As we enter a new era of policy making on energy and climate change, the market structures we have created for wholesale electricity can be the platform to further policies such as integrating green and renewable resources, reducing emissions, and moving vehicles from the pump to the plug,” said Karen Antion, NYISO Board Chair and interim Chief Executive Officer in testimony to the Federal Energy Regulatory Commission (FERC).

Ms. Antion remarks were delivered on July 1 at the FERC Conference, *Review of Wholesale Electricity Markets* in Washington, DC. The Commission invited senior management and market monitors from the nation’s Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs) to provide a review of the current and future state of regional wholesale electricity markets.

“Restructuring in New York has allowed us to maintain system reliability and permit customers to enjoy higher value from existing resources,” Ms. Antion stated.

Among the array of positive developments since the inception of the NYISO:

- Improvements in power plant efficiency and availability that facilitated reduced reserve requirements equivalent to “over 1000 megawatts (MW) of generating capacity that consumers did not have to purchase in order to meet reliability standards.”
- New investments in the New York markets, including over 6,000 MW of generation and two new merchant transmission lines that can carry 990 MW.
- Non-discriminatory grid access that has encouraged development of renewable resources. Of the over 23,000 MW of proposed generation in the NYISO’s interconnection queue, just under 8,000 MW are wind resources.
- Growth of innovative demand response mechanisms that provide conservation as a reliable alternative to generating more power during peak periods. During summer heat waves in 2006, the NYISO recorded a new peak of almost 34,000 MW on August 2 and its demand response programs delivered the equivalent of 1,000 MW of power that did not have to be produced by power plants.
- Development of a Comprehensive Reliability Planning Process that has effectively met the state’s reliability requirements without having to resort to regulatory backstop solutions.

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Ms. Antion noted that grid operators and electricity markets will need to address a variety of challenges in the future, including:

- Integrating sizeable amounts of renewable resources and developing the necessary transmission facilities to deliver output from those assets.
- Increasing fuel diversity while complying with increasingly stringent environmental regulations.
- Fostering interregional initiatives to optimize the flow of power between control areas.
- Examining the competitive market signals and incentives for developing infrastructure, whether transmission, demand response or generation.
- Developing market structures that will be a catalyst for introducing and expanding new technologies such as plug-in hybrid electric vehicles, energy storage, communications, and smart grid technologies.

“It is clear that significant work remains to be done. The good news is that we have made meaningful progress since our inception in 1999 to develop efficient competitive markets, maintain the highest standards of reliability, and plan for the future. We have furthered the competitive agenda formulated by federal and state policy makers,” Ms. Antion said.

A copy of the complete testimony is available on the NYISO's website, www.nyiso.com.

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The New York Independent System Operator (NYISO) – www.nyiso.com – is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and performs comprehensive reliability planning for the state's bulk electricity system.