
For Immediate Release:

August 2, 2010

NYISO Markets Spur Reliability and Innovation *Meeting Summer Demands and Planning for Future Needs*

Rensselaer, N.Y.— As New York heads into August and the remainder of the summer, the New York Independent System Operator (NYISO) today reported that the system performed well during the early July heat wave and that the state's competitive power markets are driving innovation and working to sustain and enhance system reliability.

"Thanks to the significant private investment of resources in our system over the past 10 years and the innovative, market-driven demand response programs now in place, our system was well prepared to meet the near record peak demand during the early July heat wave," said NYISO President and CEO Stephen Whitley. "The competitive marketplace for electricity provides strong incentives for the innovation and investment that hold the key to reliably meeting our current and future electricity needs."

On July 6 of this year, demand for electricity reached 33,452 megawatts (MW)—the third highest peak in state history. New York was ready to meet and effectively manage that demand by using a combination of in-state generation resources, demand response programs and imports of power from neighboring states.

Largely a result of effective market signals, the reliability of New York's electric system has been strengthened over the past 10 years. Specifically, since 2000 New York has added:

- more that 7,600 MW of new, more efficient generation capacity, with 80 percent of that capacity sited in the southeastern region of the state where electricity demand is greatest;
- nearly 1,300 MW of new transmission capability that plays a critical role in meeting demand in New York City and Long Island;
- over 2,200 MW of market-driven demand response resources that help the NYISO manage system peaks through the efficient use of customer resources; and
- more than 1,200 MW of renewable wind generation with another 7,000 MW proposed for connection to the grid.
- Discounting fluctuations in the cost of fuel used to generate electricity, the NYISO estimates that—since 2000—wholesale electricity costs dropped by 18 percent, representing over \$2.0 billion in savings on a current annual basis.

New York's wholesale electricity prices reached historic lows in 2009—nearly 50 percent lower than in 2008—driven by lower electricity use and drops in the price of natural gas, one of New York's primary generating fuels. New York's electricity market is highly responsive to changes in fuel prices, particularly natural gas. As the price of natural gas came down during 2009, the price of electricity followed it closely. The average price of natural gas in New York was \$4.87/MMBtu (one million BTUs) in 2009, down over 50 percent from \$10.13/MMBtu in 2008. The average cost of a megawatt-hour (MWh) of electricity was \$48.63, 49 percent below the previous year's cost of \$95.31 per MWh.

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.

In addition, New York's competitive market is driving greater efficiency as seen in the improved performance of power plants. The system-wide heat rate of fossil-fueled power plants improved by 21 percent, meaning that less fuel is needed to produce power. Using less fuel to produce the same amount of electricity contributes to reduced air emissions. Power plant availability increased from approximately 86 percent in 1992-1999 to nearly 95 percent in 2000-2007. Reduced electric outages and increased availability provide the equivalent of 2,400 MW in additional generating capacity—with no additional air emissions.

As the NYISO constantly strives to improve its performance, the vision for tomorrow's grid and markets includes the continuing development of smart grid technologies, broader regional market cooperation and expanded interregional planning.

- **Smart Grid**—The use of digital information will enhance the ability to monitor and control the transmission grid. The NYISO was awarded \$37.8 million from the U.S. Department of Energy to deploy smart grid technologies on New York's power grid. The federal funds, provided under the Smart Grid Investment Grant (SGIG) program, will support a \$75.7 million smart grid project by the NYISO and the utilities owning New York's transmission facilities to enhance the reliability and efficiency of the New York State power grid.
- **Broader Markets**—The NYISO is leading efforts to expand regional markets with neighboring control areas to address limitations that currently exist where our markets and systems connect. A preliminary analysis of the benefits of the Broader Regional Markets initiatives estimates regional annual savings of at least \$368 million. Estimated savings associated with New York are \$211 million a year.
- **Expanded Planning**—The NYISO conducts an open planning process to assess the future needs of New York's electric system, publicly solicit market responses to those needs and evaluate proposed responses. In addition, the NYISO was instrumental in the creation of the Eastern Interconnection Planning Collaborative (EIPC). EIPC will benefit consumers and power system stakeholders by providing modeling and analysis for the entire Eastern Interconnection, which ranges from the Rocky Mountains to the Atlantic Ocean and from the Canadian Northeast to the Gulf of Mexico.

"The NYISO markets are at the forefront of market design and have been a model for market development in other areas," said Whitley. "However, reliable operation of the grid and effective administration of our markets require constant vigilance. Each of these initiatives will help to improve the reliability of our system and extend and expand the benefits of competitive markets."

###

For more information, please contact:

David Flanagan (518) 356-7325 [office] / (518) 727-1569 [mobile] / dflanagan@nyiso.com

Ken Klapp (518) 356-6253 [office] / (518) 461-3564 [mobile] / kklapp@nyiso.com

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.