

For Immediate Release:

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NYISO: Market Developments Postpone Reliability Needs

Added Resources Expected to Reduce Costs by \$400 Million

Rensselaer, N.Y.—Recent market developments encouraging investment in power resources will address pressing electric system reliability needs and will help to reduce electricity costs for consumers, according to the New York Independent System Operator (NYISO). These market developments also demonstrate that the new capacity zone in southeastern New York is playing a significant role in bolstering needed investment in power generation.

“Earlier this year, we identified reliability needs that would begin in 2019. Fortunately, the new capacity zone in southeastern New York encouraged power producers to revitalize significant generating resources in the region. These investments address the identified reliability needs and are expected to produce \$400 million in savings next year,” NYISO President and CEO Stephen G. Whitley said.

The NYISO’s [2014 Reliability Needs Assessment](#) (RNA), issued in September, found that New York’s electric system would violate resource adequacy criteria beginning in 2019 due to inadequate resource capacity located in southeastern New York. The RNA was developed prior to recent developments providing more power resources.

More than 1,900 megawatts (MW) of power resources that were not included in the data used to prepare the 2014 RNA will be added in southeastern New York and elsewhere. Based on these additions, the NYISO has [withdrawn its request](#) to market participants, stakeholders and regulators seeking market-based and regulated solutions to the needs identified in the RNA.

The additional resources include the 495-MW Danskammer Generating Station in Newburgh, New York, and the 557-MW Bowline Generating Facility in Haverstraw, New York.

Resource adequacy, a measure of system reliability, is the ability of the electric system to reliably meet electrical demand based on the expected availability of sufficient resources during periods of peak power use.

New Capacity Zone Spurs Investment, Reduces Costs

In January 2013, Dynegy, the previous owner of the Danskammer Generating Station, announced the retirement of the facility with the intention of transferring the idle power station to a salvage company for dismantling and salvaging. Subsequent to the creation of a new capacity zone, the new owners of the Danskammer facility, Danskammer Energy, LLC, decided instead to invest in refurbishment and return the facility to service.

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.

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The Danskammer refurbishing project converted the former coal-fired plant to a natural gas facility, with fuel oil as a backup. The company expects the facility to be in operation by the end of this year.

NRG, the owner of the Bowline facility, has stated, “The simple fact is that prior to the creation of the Lower Hudson capacity zone, the market was not sending price signals sufficient to justify NRG’s investment in Bowline Unit 2. After the price signal was created, NRG can financially justify the restoration of the Bowline Unit 2 to full service by Summer 2015.”

Several other projects have announced plans to return to service, including the 348-MW Selkirk Cogeneration Project, the 185-MW Astoria 20 Power Plant in Queens and the 435-MW Dunkirk Generating Station in western New York.

In addition to its reliability benefits, the additional power resources are expected to reduce costs associated with bringing power to regions with limited electric power capacity. At a joint technical conference conducted by the New York Public Service Commission and the Federal Energy Regulatory Commission on November 5, [NYISO testimony](#) estimated that capacity costs in New York state will decline by approximately \$400 million in 2015 over costs that had been projected without the new investment in additional power resources.

Bulk Transmission Investment Needed

At the same technical conference, the NYISO emphasized that New York needs new investment in both transmission and generation to maintain system reliability and reduce costs to consumers. New transmission investment also will promote the use of diverse fuel sources, including renewables, and avoid an over-reliance on natural gas.

“We have an aging transmission grid that needs to be upgraded,” Whitley told the commissioners from FERC and the PSC. “Although we are meeting minimum reliability standards, new transmission will enhance reliability and provide operational flexibility.”

“The good news is that we already have a very diverse fleet of resources in New York state,” said Whitley. “In northern and western New York, we have abundant non-gas-fired resources including hydro, wind and nuclear, but we cannot deliver that power to the southeastern New York load center.”

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