



Regional Perspectives

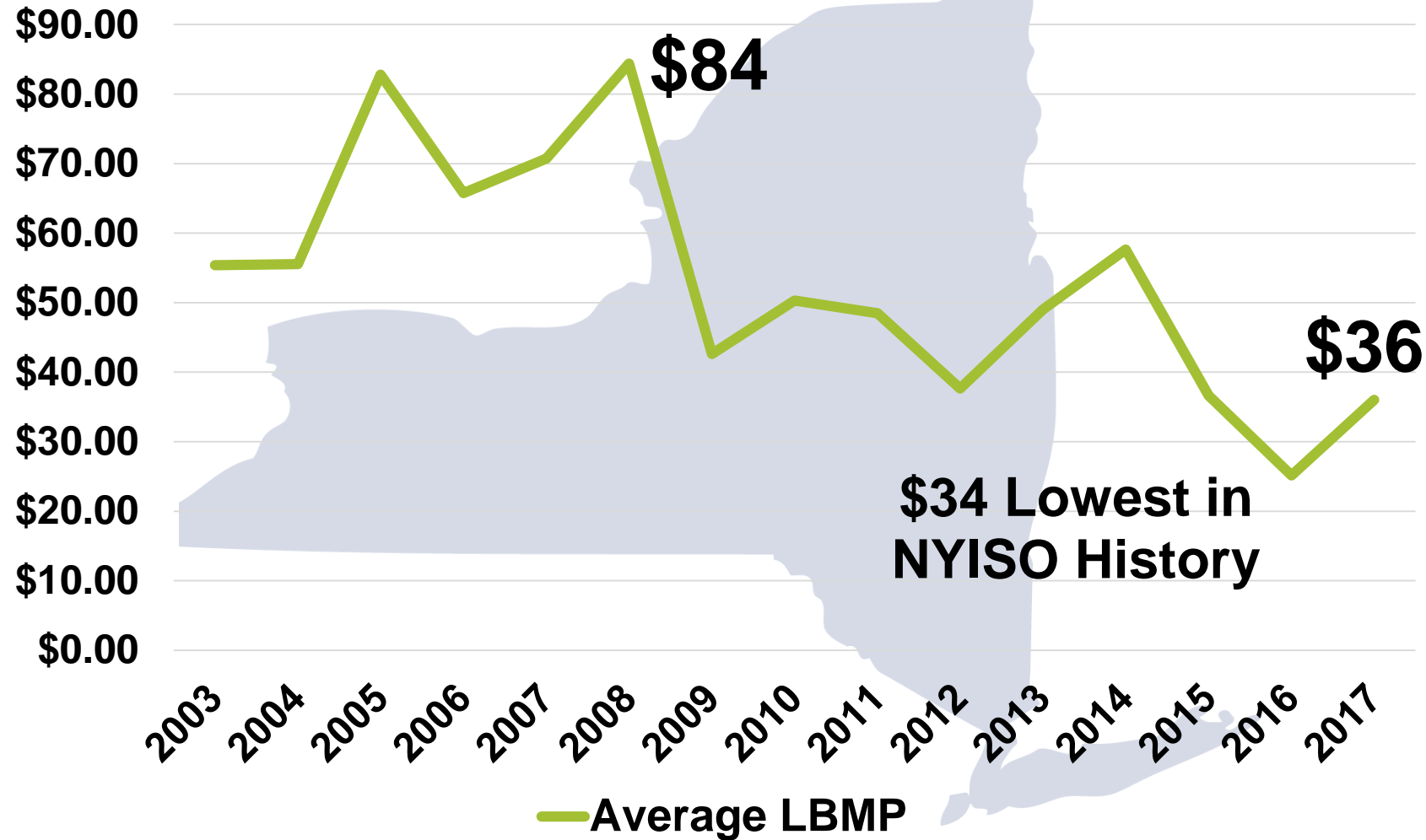
IPPNY Spring Conference 2018

GAVIN J. DONOHUE
INDEPENDENT POWER PRODUCERS OF NEW YORK
MAY 8, 2018

Who We Are

- ❖ **First established in 1986, the Independent Power Producers of New York, Inc. (IPPNY) is a trade association representing companies involved in the competitive power supply industry in New York State.**
- ❖ **IPPNY Members generate more than 75 percent of New York's electricity using a wide variety of generating technologies and fuels.** Our Members have invested over \$10 billion in their facilities and employ over 10,000 people. Annually, they pay over \$600 million in taxes and invest more than \$55 million in their communities.
- ❖ **It is our mission to assist our member companies in becoming the premier providers of electricity in New York through competitive markets.**

Record Low Energy Prices

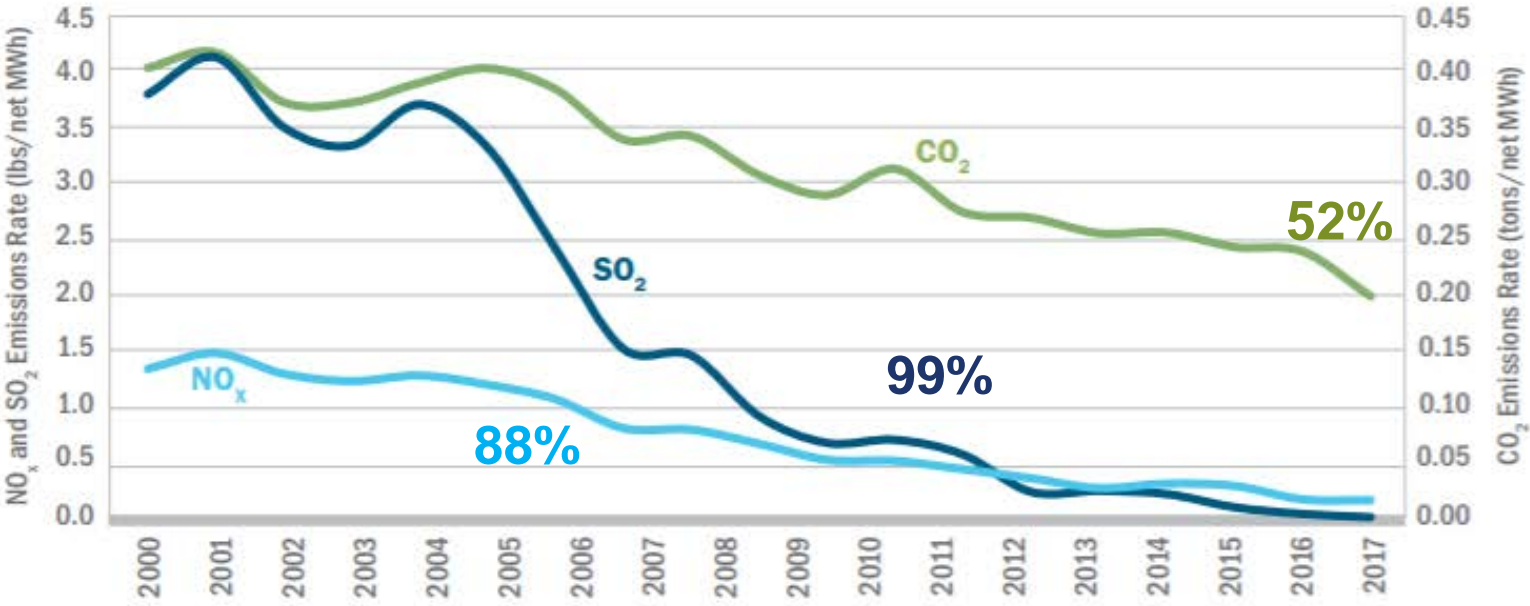


Record Low Emissions

NY energy sector emissions have decreased dramatically, while transportation sector emissions have increased by more than 22%.

Figure 23:
Emissions Rates
from Electric
Generation in
New York:
2000-2017

- CO₂
- SO₂
- NO_x



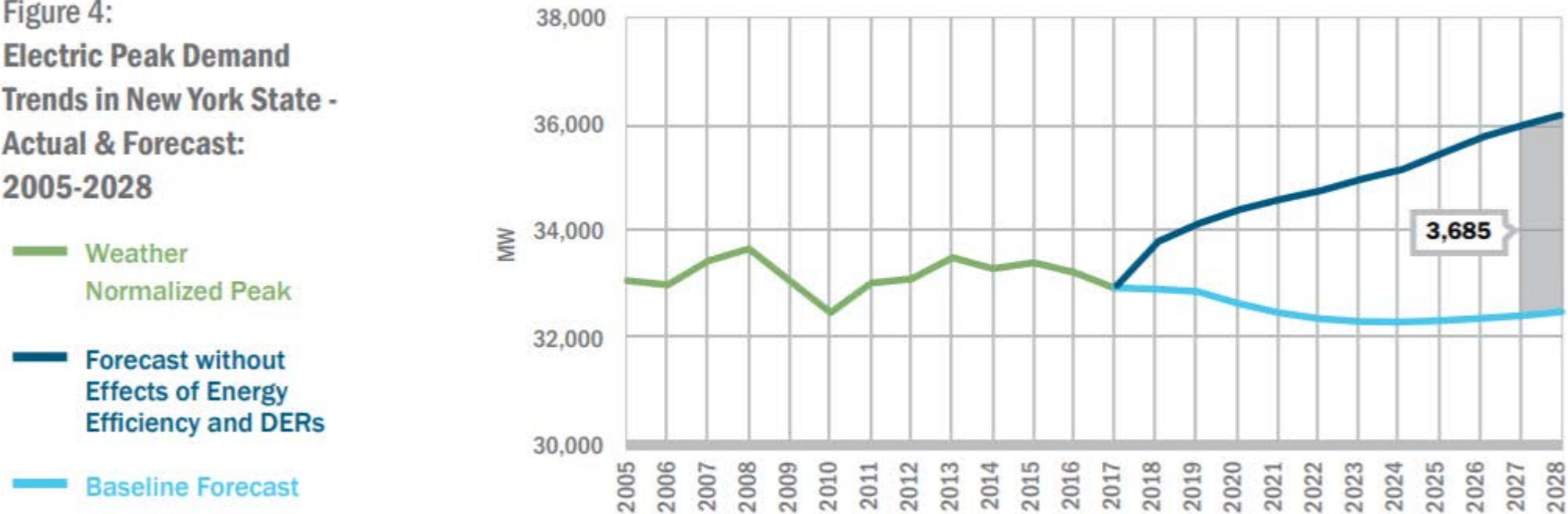
Sources: U.S. EPA, U.S. EIA

*NYISO Power Trends 2018: New York's Dynamic Power Grid

Energy Efficiency is Eating Demand

- ❖ Electric demand is either stagnant or declining due to energy efficiency programs and behind-the-meter generation.

Figure 4:
Electric Peak Demand
Trends in New York State -
Actual & Forecast:
2005-2028



*NYISO Power Trends 2018: New York's Dynamic Power Grid

Aging & Retiring Energy Infrastructure

- ❖ **Nationally, the average power plant is 29 years old. In New York, it's 36!**
- ❖ **By 2028, more than 8,300 MW of gas- and steam-turbine based capacity in NY will reach an age beyond which 95% of these types of capacity have deactivated.**
- ❖ **Currently 2,700+ MW of proposed deactivations in the NYCA.**
 - **Includes Indian Point Energy Center and Ravenswood units in NYC.**
- ❖ **Increasingly stringent environmental regulations may result in the retirement of 3,000 MW of peaking units in the NYC area.**
- ❖ **80% of New York's transmission system went into service before 1980.**
- ❖ **No significant transmission line from upstate to downstate sited since 1987 – Marcy South.**

*Based on data from NYISO Power Trends 2017 & 2018.

Where are the Investment Opportunities?

Investment is happening, just not based on market signals, which is crushing competition.

❖ Public policies supporting current and future new-entry:

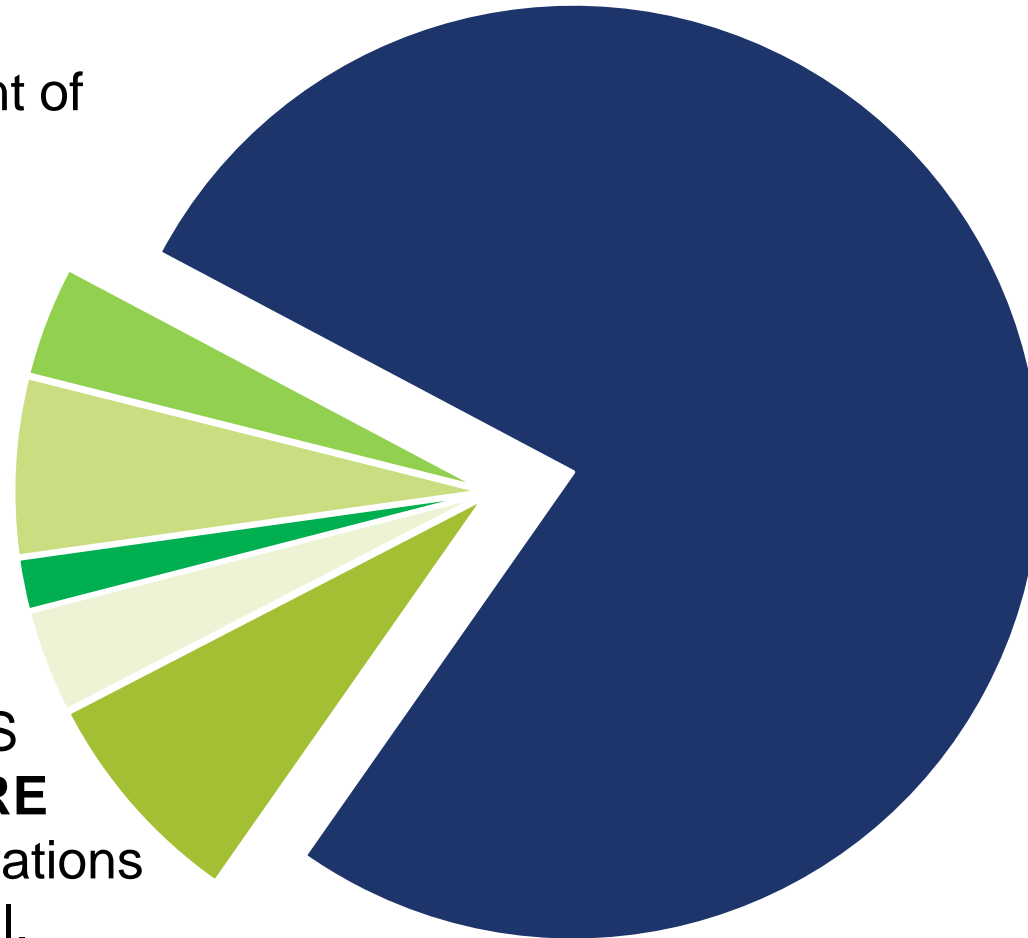
- Clean Energy Standard – 50% renewables by 2030
 - ✓ 1,400 MW Tier 1 RECs Procured
 - ✓ Solicitation for another 700 MW* by end of 2018
- 3,000 MW of ZECs
- Offshore Wind Goal of 2,400 MW by 2030
- Energy Storage Goal of 1,500 MW by 2025

*Solicitation for 1.5 million MWh

What is Left of NY's Market?

Assuming achievement of these public policies and equal retirements for every MW of state-sponsored new entry, **23% of total NYCA capacity will be receiving out-of-market payments.**

And that's without RPS resources and **BEFORE** additional Tier 1 solicitations to meet the 50x30 goal.




- ZEC Program
- Current Tier 1 REC Contracts
- Second Tier 1 REC Solicitation
- Offshore Wind
- Energy Storage
- Remaining NYCA Capacity*

*Based on 2018 total NYCA summer capacity.

What's the Harm?

- ❖ **Out-of-market payments to select resources suppresses market prices, is discriminatory, and harms ratepayers by raising costs and stifling competition.**
- ❖ **Valuing resource attributes outside of the market effectively replaces the investment function of the market and subverts the FERC-approved market signals that are necessary to ensure the maintenance of existing, and construction of new, resources to meet system needs at just and reasonable prices.**
 - **In other words, it freezes market based investment in favor of government-induced investment.**

Stop the Bleeding

- ❖ IPPNY has a long-standing protest before FERC that would subject all NYCA resources receiving out-of-market payments to a Minimum Offer Price Rule via the NYISO's buyer-side market power mitigation process (Docket No. EL13-62) – January 19, 2016
- ❖ IPPNY/EPISA also has a protest that would limit the NYISO's proposed renewables exemption from mitigation measures to an amount far lesser than 1,000 MW a Class Year (Docket No. ER16-1404) – May 31, 2016
- ❖ FERC should rule immediately in these dockets.
- ❖ **BUT OTHER MARKET ENHANCEMENTS ARE NEEDED!** 

Market Enhancements Needed

- ❖ **NYISO must adopt a Forward Capacity Market**
 - **Forward capacity markets provide longer-term price signals to assist resource planning and investment decisions. NYISO's monthly market does not.**
 - **Three-year forward markets are the foundation upon which PJM and ISO-NE have pursued bifurcated capacity auction enhancements so investors are not making investment decisions with stale information that will lead to an inefficient use of money.**

Market Enhancements Needed

❖ Price Carbon in the Energy Market

- **The BEST way to achieve public policy is to identify the attribute that is valuable or necessary to achieve that policy and price it in the market.**
- **Therefore, the emissions attributes of ALL resource types must be valued by pricing carbon dioxide in the NYISO's markets.**
- **This will reduce, if not eliminate, the need for out-of-market payments to achieve New York's public policies.**

Regional Issues



❖ **New York hostile to natural gas infrastructure:**

- **Constitution Pipeline denied Water Quality Certificate**
- **Northern Access Pipeline denied Water Quality Certificate**
- **CPV Valley Energy Center Millennium Lateral contested**
- **Port Ambrose LNG project blocked**

❖ **NIMBYism**

- **Opposition to new energy infrastructure is not limited to natural gas facilities, but also applies to new wind and solar projects seeking local approvals.**



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POWER PRODUCERS
OF NEW YORK**