

Seeking Safe Harbor

Markets & Policy

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**Navigating Energy Waves:
Exploring the Convergence of
Competitive Markets & Public Policy**

IPPNY Annual Fall Conference

Saratoga Springs, NY

September 13, 2012



Today's Topics

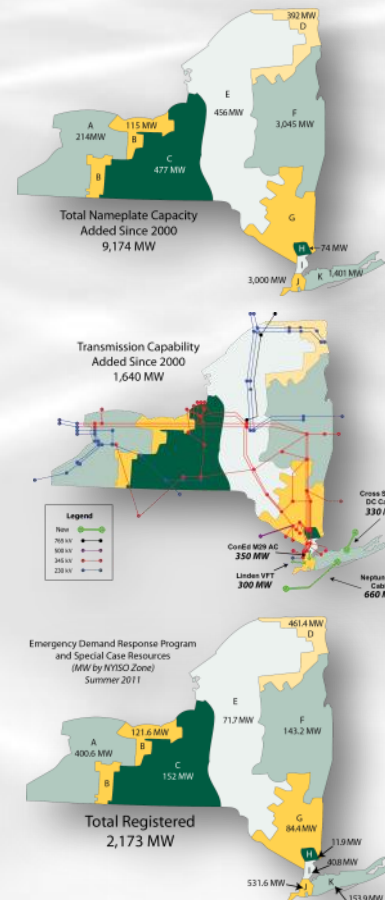
- ◆ **Market Outcomes**
- ◆ **Economic Tides**
- ◆ **Political Tides**
- ◆ **Lighting the Way**



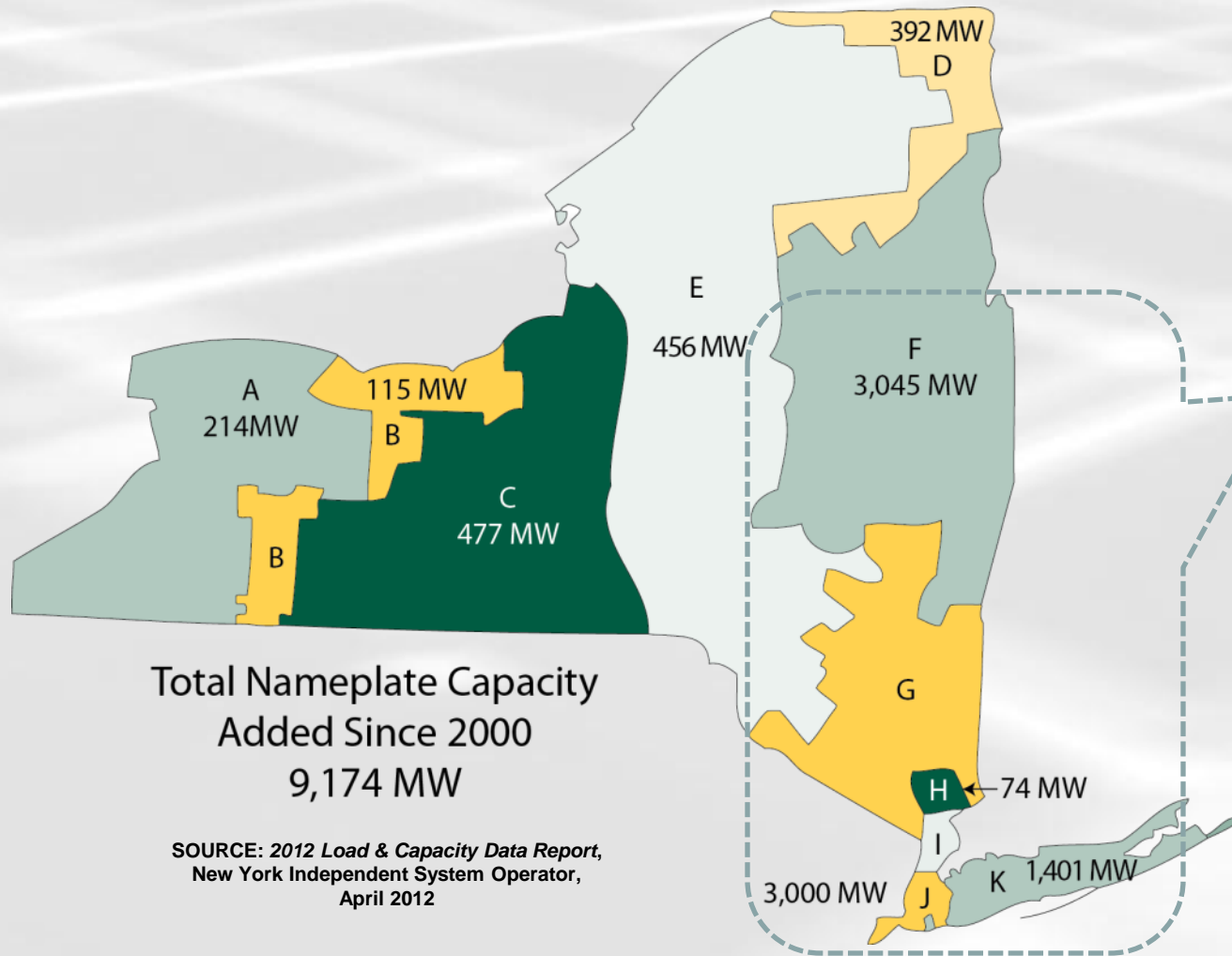
Market Outcomes

Since 2000, New York State has added:

- **9,000+ MW of new generation**
- **1,600+ MW of new transmission**
- **~ 2,000 MW of demand response**

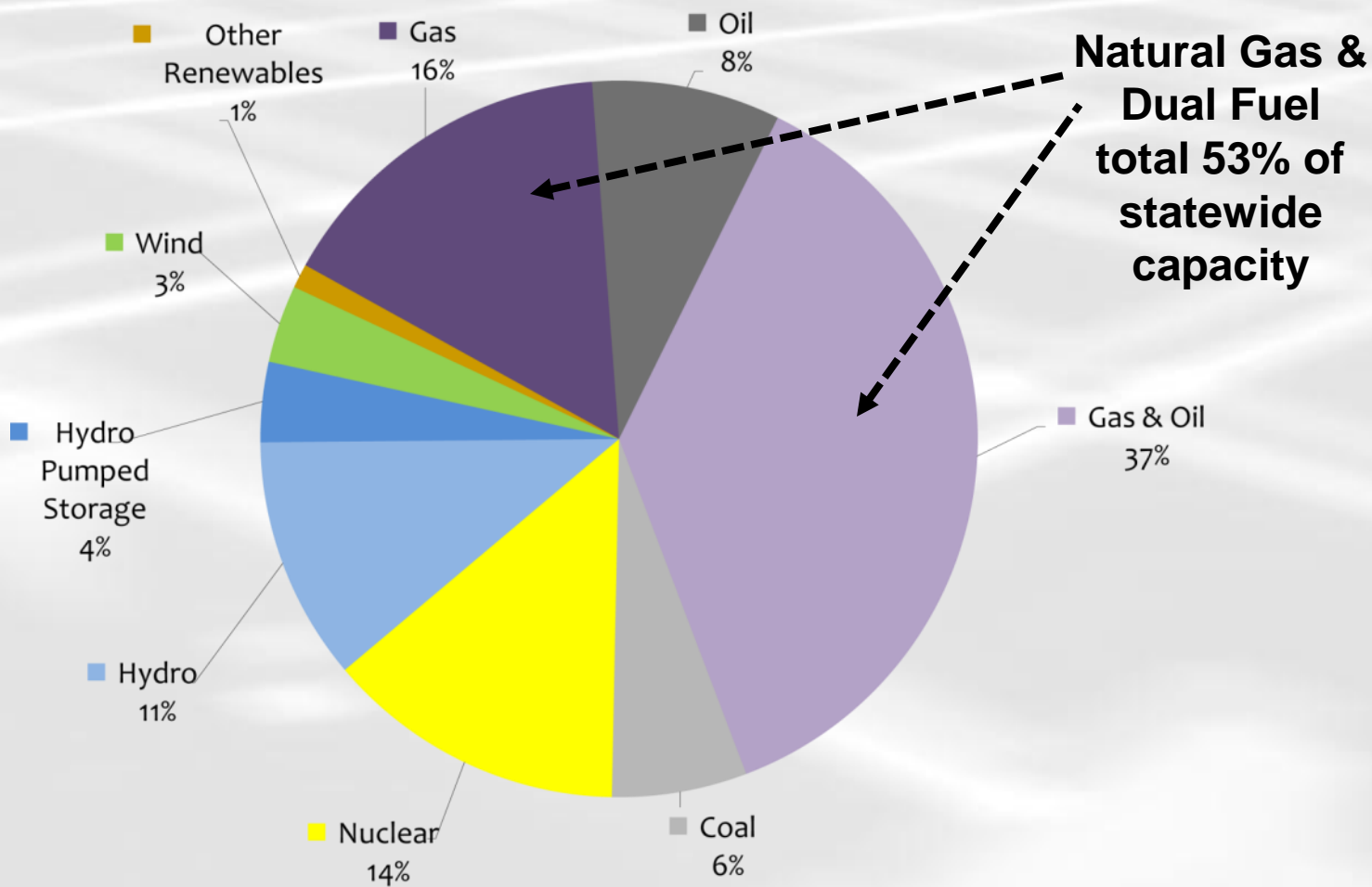


New Generation



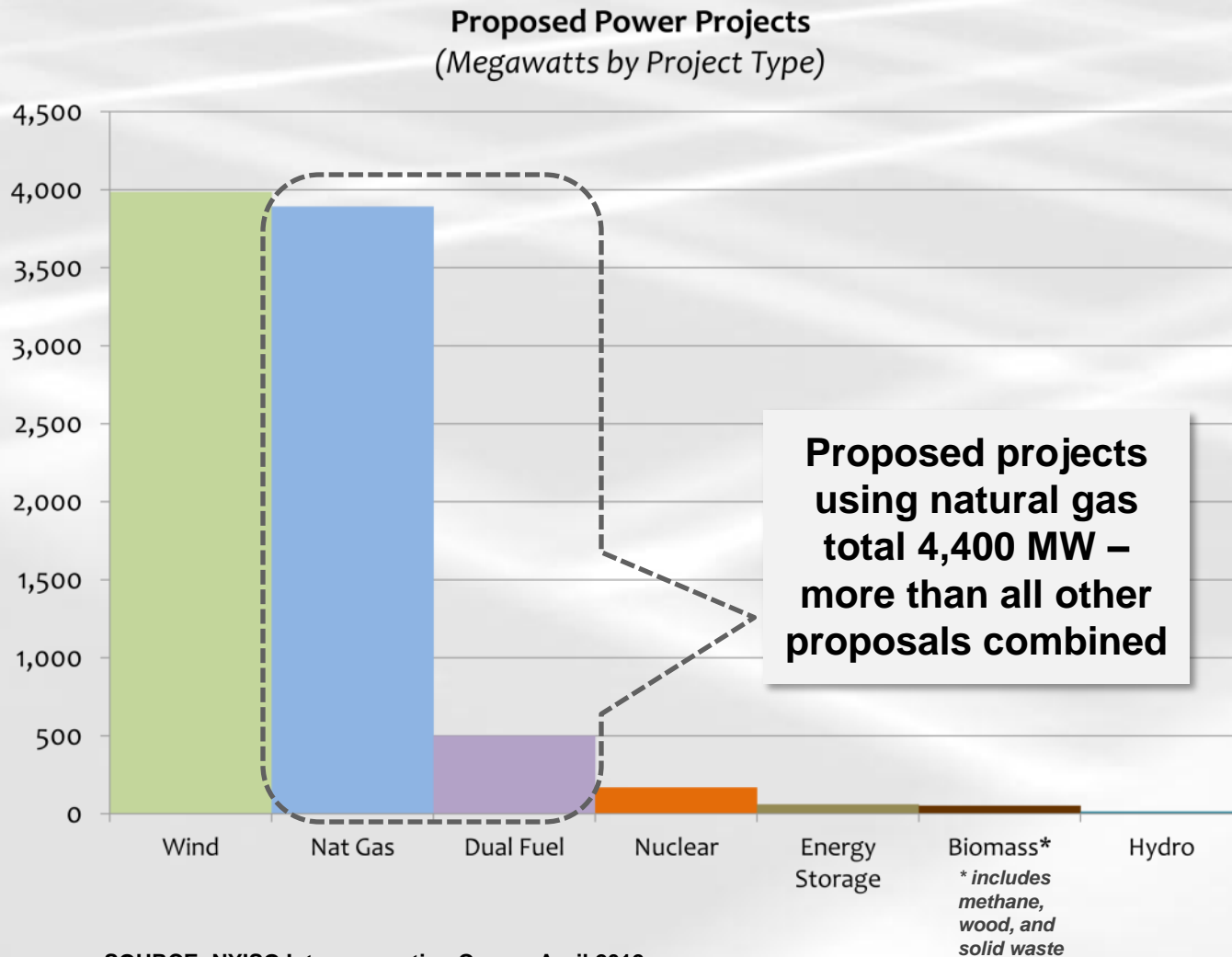
**80% of new
generation
sited
in New York
City, Long
Island &
Hudson
Valley**

Statewide Fuel Mix



SOURCE: 2012 Load & Capacity Data Report, New York Independent System Operator, April 2012

Proposed Additions



SOURCE: NYISO Interconnection Queue, April 2012

Economic Tides

- ◆ **Natural Gas**
- ◆ **Reliability & Retirements**
- ◆ **Capacity Market**



Natural Gas

◆ Nationwide

- *Over 80% of generating capacity added in the U.S. between 2000 and 2010 was natural gas-fired generation*



◆ New York State

- *Current natural gas and dual fuel generation accounts for more than 50% of NY generating capacity*
- *Proposed gas and dual fuel projects in NYISO interconnection queue total more than 50% of all proposed capacity*

Electric-Gas Connection

- **NYISO Electric and Gas Coordination Working Group**
- **New regional natural gas study with neighboring electric grid operators**



Reliability Needs

- ◆ **Draft 2012 RNA finds reliability needs related to resource adequacy by 2020, due to:**

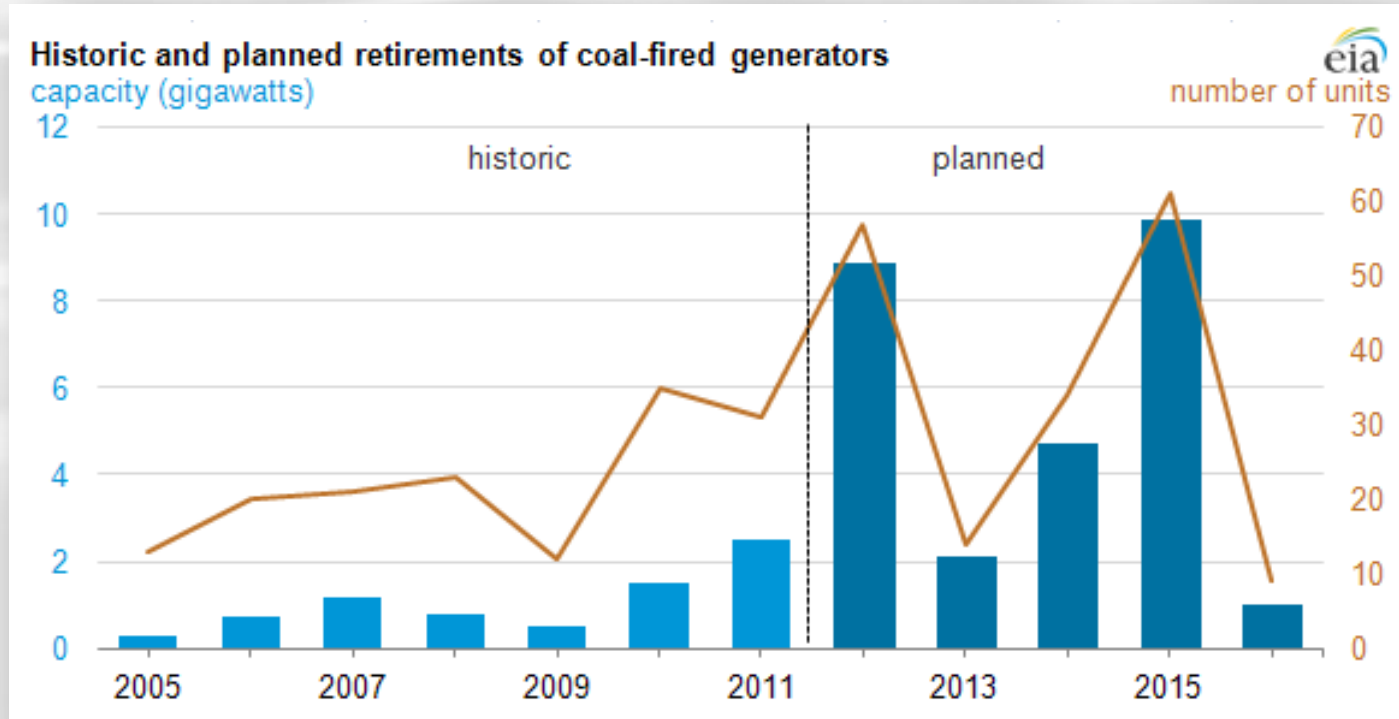


- *Lower generating capacity (~1,000 MW decline)*
- *Slightly higher baseline load forecast for 2020 (200 MW increase)*
- *Slightly lower projections of demand response resources for 2020 (~100 MW decline)*

Additions/Retirements

- ◆ Included in the Draft *2012 RNA* base case:
 - *New generating units and uprates totaling 818 MW*
 - *Retirements and notices of intent to retire/mothball existing facilities totaling 1,792 MW*

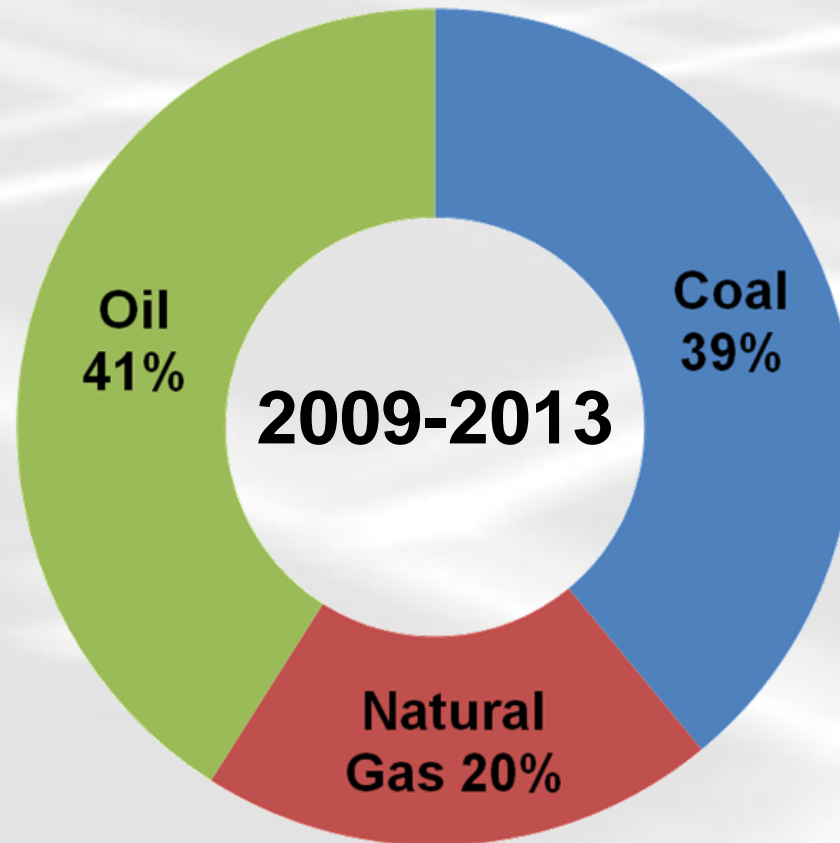
Coal Retirements in U.S.



Source: U.S. Energy Information Administration, *Form EIA-860, "Annual Electric Generator Report."*

Note: Data for 2005 through 2011 represent actual retirements. Data for 2012 through 2016 represent planned retirements, as reported to EIA. Data for 2011 through 2016 are early-release data and not fully vetted. Capacity values represent net summer capacity.

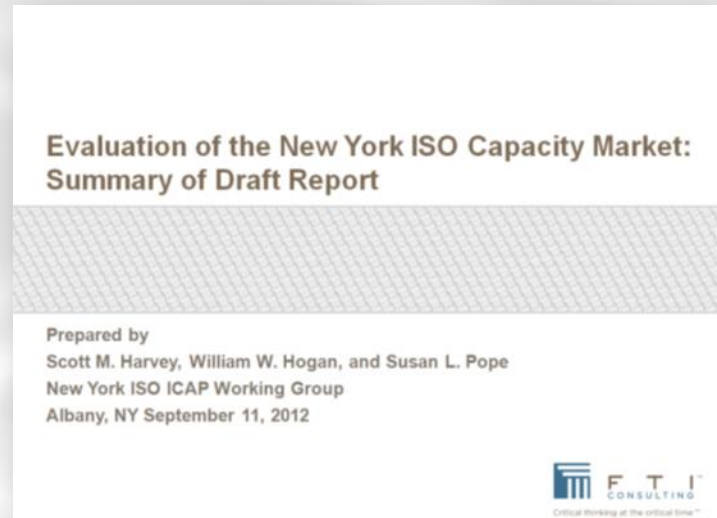
Retirement/Mothball in NY



Includes Retirements and Notices of Intent to Retire/Mothball as of 9/7/12

Capacity Market Study

- ◆ **FTI study scope**
 - *Evaluate Current Capacity Market Design Features*
 - *Examine Portability of Capacity across NYISO, ISO-NE and PJM*
 - *Evaluate a Forward Capacity Market in NY*



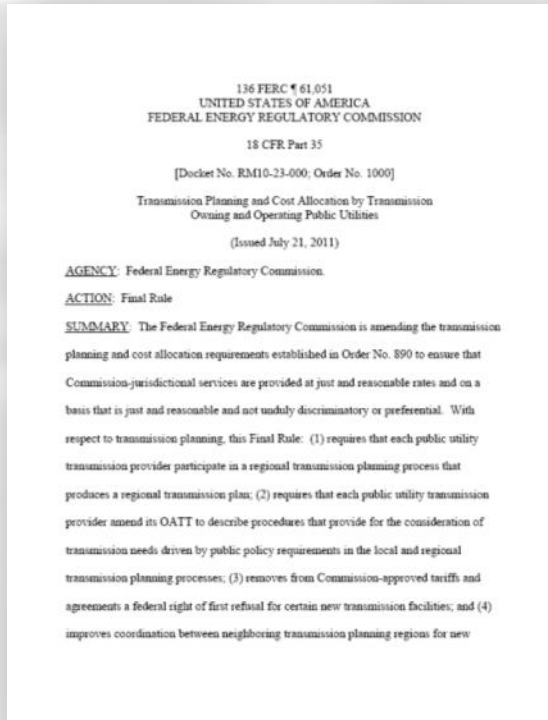
Political Tides



2012 Presidential Election impacts:

- *Federal Energy Regulatory Commission (FERC)*
- *Environmental Protection Agency (EPA)*
- *Department of Energy (DOE)*

FERC Order 1000



- **FERC Order 1000 includes requirements for planning processes to study transmission expansion proposals driven by public policy**
- **NYISO shared governance process reviewing tariff changes**

Energy Highway

- Initiative informed by NYISO planning and STARS data
- Not intended to replace established reliability planning process
- Develop measures in a manner consistent with a competitive market system



Lighting the Way

- ◆ **Sustain focus on reliability**
- ◆ **Keep close watch on market/policy trends**
- ◆ **Working collaboratively to address issues as they develop**
- ◆ **Continue the evolution of the competitive electricity markets**





NEW YORK INDEPENDENT SYSTEM OPERATOR

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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