

Seeking Safe Harbor Markets & Policy

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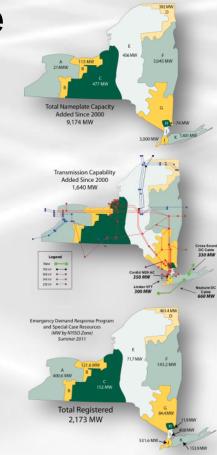
Navigating Energy Waves: Exploring the Convergence of Competitive Markets & Public Policy IPPNY Annual Fall Conference Saratoga Springs, NY September 13, 2012

Today's Topics

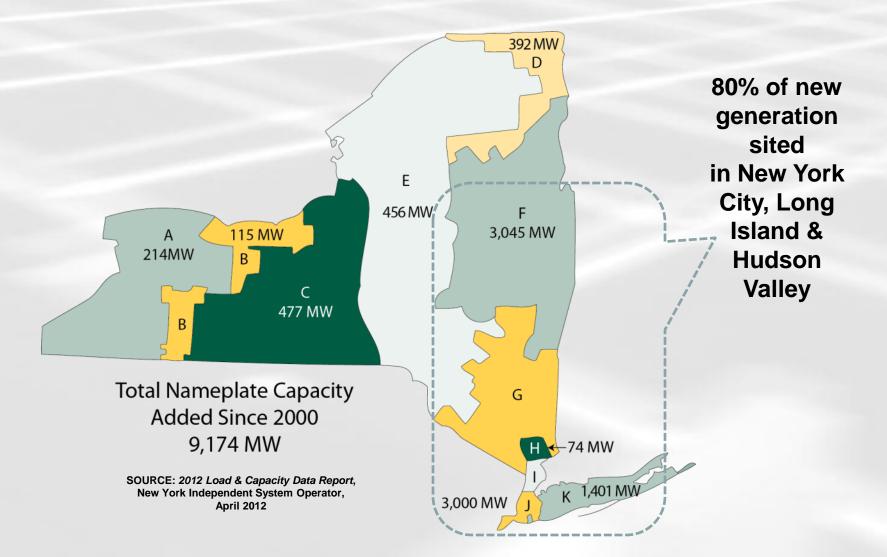
Market Outcomes Economic Tides Political Tides Lighting the Way

Market Outcomes

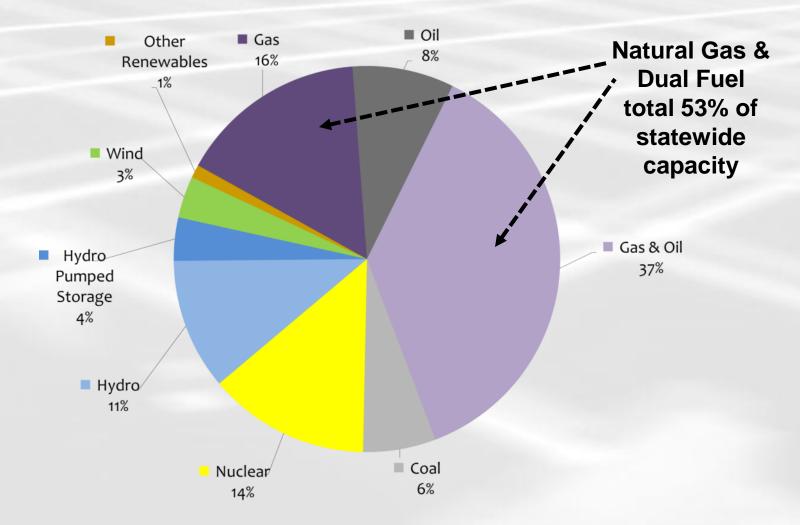
- Since 2000, New York State has added:
 - 9,000+ MW of new generation
 - 1,600+ MW of new transmission
 - ~ 2,000 MW of demand response



New Generation



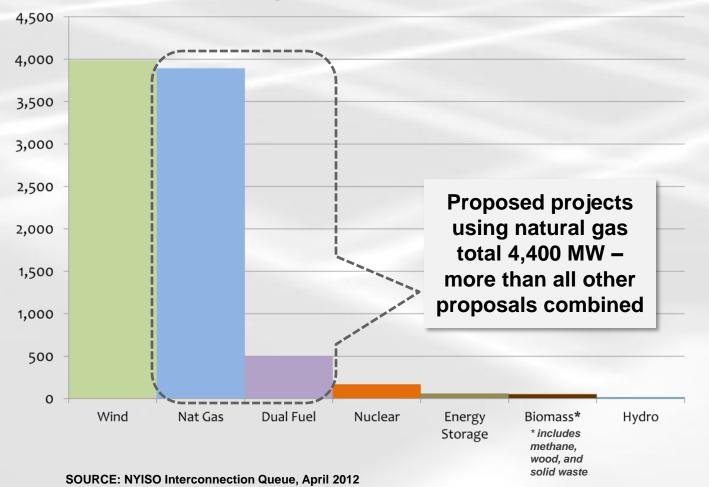
Statewide Fuel Mix



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

Proposed Additions

Proposed Power Projects (Megawatts by Project Type)



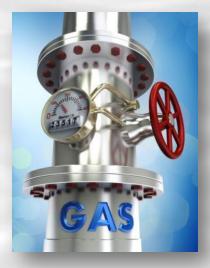
Economic Tides

Natural Gas
Reliability & Retirements
Capacity Market

Natural Gas

Nationwide

 <u>Over 80%</u> 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 <u>more than 50%</u> of NY generating capacity
- Proposed gas and dual fuel projects in NYISO interconnection queue total <u>more than 50%</u> of all proposed capacity

Electric-Gas Connection

 NYISO Electric and Gas Coordination Working Group

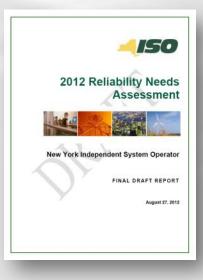


 New regional natural gas study with neighboring electric grid operators



Reliability Needs

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

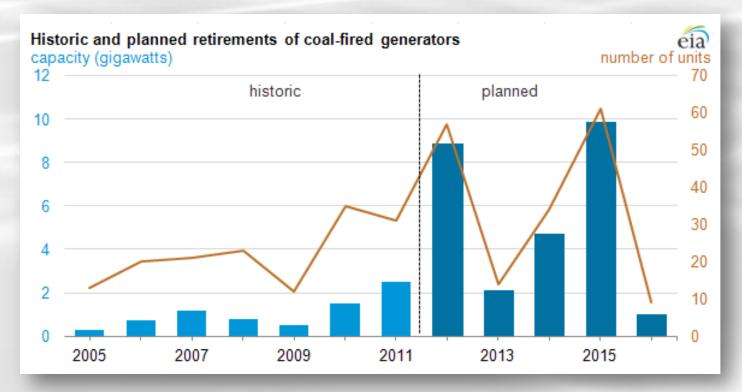


- Lower generating capacity (~1,000 MW decline)
 - Slightly higher baseline load forecast for 2020 (200 MW increase)
- Slightly lower projections of demand response resources for 2020 (~100 MW decline)

Additions/Retirements

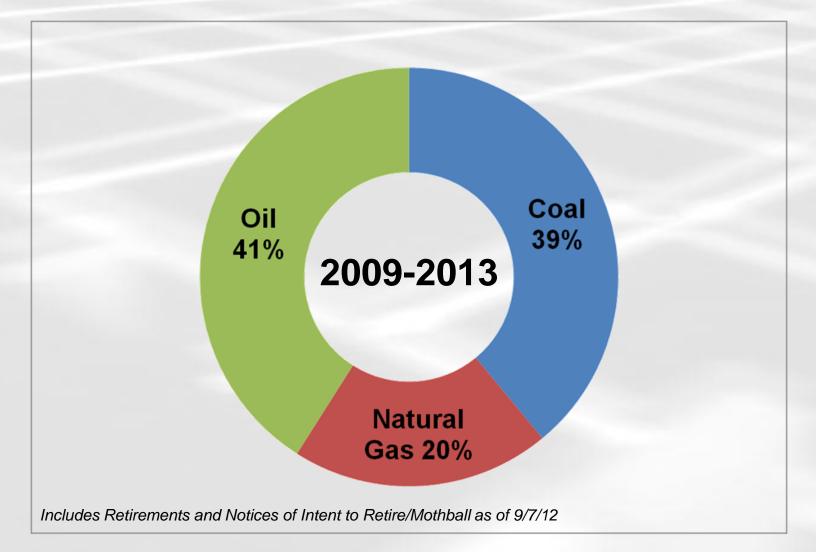
- Included in the Draft 2012 RNA base case:
 - New generating units and uprates totaling 818 MW
 - Retirements and notices of intent to retire/mothball existing facilities totaling 1,792 MW

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



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

Evaluation of the New York ISO Capacity Market: Summary of Draft Report

Prepared by Scott M. Harvey, William W. Hogan, and Susan L. Pope New York ISO ICAP Working Group Albany, NY September 11, 2012



Political Tides



2012 Presidential Election impacts:

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

FERC Order 1000

136 FERC ¶ 61,051 UNITED STATES OF AMERICA FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 35

[Docket No. RM10-23-000; Order No. 1000]

Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities

(Issued July 21, 2011)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Final Rule

SUMMARY. The Federal Energy Regulatory Commission is amending the transmission planning and cost allocation requirements established in Order No. 890 to easure that Commission-jurisdictional services are provided at just and reasonable rates and on a basis that is just and reasonable and not unduly discriminatory or preferential. With respect to transmission planning, this Final Rule: (1) requires that each public utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan; (2) requires that each public utility transmission provider amend its OATT to describe procedures that provide for the consideration of transmission planning processes; (3) removes from Commission-approved tariffs and agreements a federal right of first reflueal for certain new transmission folities; and (4) improves coordination between neighboring transmission planning regions for new 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

1-7.0

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.

www.nyiso.com

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