



The Changing Climate for Investment: NY's Power Supply Situation

***Kathy Whitaker
Manager Customer Relations
New York Independent System Operator***

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One Year Ago... New York at a Crossroads



- ✓ Power Alert recommended:
- ✓ New York State approve 4,000-5,000 MW of new generation during 2001;
 - *2,000-3,000 MW of this capacity should be approved within New York City;*
- ✓ By 2005, 8,600 MW of new generating capacity would provide significant economic and environmental benefits.

Power Alert II Recommendations

March 2002 NY Still Needs Supply Additions



- ✓ Even with the economic downturn and the effects of Sept. 11, New York State still needs an additional 7,100 MW of generating capacity built by 2005.
- ✓ 2,000-3,000 MW of this new capacity must be located in New York City.
- ✓ Given the time it takes to construct new plants once they have been permitted, approvals for an additional 3,000 MW of capacity are needed by Spring 2002.
- ✓ Long Island needs 750-1,000 MW approved as soon as possible to alleviate severe reliability risks and high prices.

New York Article X Power Projects

■ - Recently CANCELLED or put on indefinite hold

Project	Size	Location	Estimated Earliest In-service date
Astoria Energy LLC	1,000	Queens	3Q 2005
Athens Generating Plant	1,080	Greene	3Q 2003
Bethlehem Energy Center	750 total (350 net increase)	Albany	3Q 2004
Bowline Unit	750	Rockland	2Q 2006
East River Repowering	360 Total (200 net increase)	Lower Manhattan	4Q 2004
Heritage	800	Oswego	N/A
Ravenswood Cogeneration Plant	250	Queens	4Q 2003
Brookhaven	580	Suffolk	2004
Empire State Newsprint Project	505	Rensselaer	3Q 2004
Glenville Energy Park	520	Schenectady	3Q 2005
Kings Park	300	Suffolk	1Q 2004
Poletti Station Expansion	500	Queens	3Q 2004
Ramapo Energy Project	1,100	Rockland	2Q 2004
Reliant Energy Astoria Project	1,816 (562 net increase)	Queens	2007
Spagnoli Road Energy Center	250	Suffolk	2004
Sunset Energy Fleet, LLC	520	Brooklyn	N/A
Sithe Sentry Station (formerly Torne Valley Station)	300 (827 formerly)	Rockland	N/A



New England Power Projects

Recently CANCELLED or put on indefinite hold

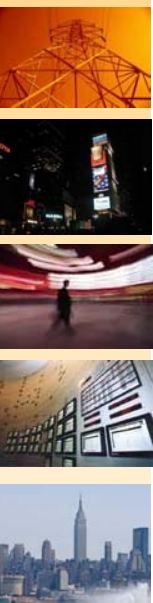
New England Grid Interconnection Queue

Total Applications in MW	66,144
Total Projects in Commercial Operation in MW	3,842
Total Withdrawn in MW	29,991
Total Withdrawn %	45.3%

PJM Power Projects

Recently CANCELLED or put on indefinite hold

PJM Grid Interconnection Queues A,B and C-F			
Queue	A	B	C-F
Total (MW)	28,258	19,899	22,875
Withdrawn (MW)	16,519	11,223	10,815
Withdrawn (%)	58.5%	56.4%	47.3%
Notes: (1) To be considered "Withdrawn", Feasibility Study must have been completed. (2) Project MWs for "Withdrawn" projects based on Feasibility Study MW.			



Proposed Solutions (Offered by Developers)

- ✓ Provide incentives for Load Serving Entities (LSEs) to enter into long-term ICAP contracts with suppliers;
- ✓ Create incentives for LSEs to enter into multi-year bilateral energy contracts with suppliers;
- ✓ Let shortages take effect and prices skyrocket;
- ✓ Others?

Summary

- ✓ NY’s demand for power continues to grow
- ✓ Power projects are now being approved through the Article X process
- ✓ The problem now is financing
- ✓ Ironically, lower prices being delivered by competition are one of the primary factors impeding investment
- ✓ The Enron collapse and market scrutiny of bookkeeping is another significant factor
- ✓ Unless this situation changes, NY will lose out on cost, reliability and environmental benefits of new supply