



July 8, 2005

Mr. William M. Flynn  
Chairman  
New York State Public Service Commission  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, NY 12223-1350

Ms. Denise M. Sheehan  
Acting Commissioner  
New York State Department of  
Environmental Conservation  
625 Broadway  
Albany, NY 12233

Mr. Peter R. Smith  
President  
New York State Energy Research and  
Development Authority  
17 Columbia Circle  
Albany, NY 12203-6399

Dear Chairman Flynn, Ms. Sheehan and Mr. Smith:

On April 22, 2005 the New York State Reliability Council (“NYSRC”) submitted comments for your consideration related to the Regional Greenhouse Gas Initiative (“RGGI”) process. The NYSRC’s comments raised issues related to the potential impact of RGGI standards on bulk power system reliability, and urged the RGGI participants to give careful consideration to the need to maintain the current high level of electric reliability in New York State and the RGGI Region.

It is our understanding that the RGGI participants have decided to undertake a two-phase plan to assess the potential effects by a RGGI program on the reliability of New York electric system. The first phase will analyze zonal level outputs of the Integrated Planning Model (IPM) for New York for the reference case and a number of potential RGGI policy scenarios. The analysis of zonal IPM modeling output is expected to provide an assessment of the reliability of the New York system criteria identified by the New York Department of Public Service as indicators of reliability (*e.g.*, energy and capacity pricing, plant retirements, build schedules and energy flows between zones). The first phase analysis also is expected to determine the potential impact of the RGGI program on any generating units that may be critical to the bulk transmission system or individual load pockets, and the costs that may need to be incurred to mitigate those impacts. Completion of the first phase analysis is expected prior to finalization of a regional model rule, which is anticipated in the fall.

The second phase analysis would involve more extensive modeling to determine more precisely the impact of the retirements and generating unit additions projected by IPM on the reliability of the bulk power system. A power flow analysis would be conducted to identify potential violations of thermal and voltage criteria under pre-and post-contingency conditions. Stability studies would be conducted to evaluate the impact of those system changes on system reliability. If needed, studies

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would be performed to verify whether the minimum installed reserve margins, assumed for the IPM, are reasonable considering the modifications to the bulk power system configuration.

Subsequent IPM studies may be required to re-evaluate the costs associated with implementation of the final cap-and-trade program. The second phase would be done concurrently with New York's formal rule-making procedures (*i.e.*, post model-rule) and would require approximately 9-12 months of analysis.

The NYSRC appreciates the extensive two phase analysis of potential reliability impacts of a RGGI program that the RGGI participants have agreed to undertake. This analysis will help ensure that any RGGI program adopted will be compatible with the maintenance of system reliability in New York State. It is important that the results of phase one and phase two of the reliability analysis be made available to the NYSRC and other interested parties.

The NYSRC, however, does have a concern with respect to the timing of the second phase analysis. We suggest that it would be preferable if the analysis were conducted prior to the commencement of New York's formal rule-making procedures, so that the results of the analysis would be available when the proposed regulations are drafted. The NYSRC is concerned that conducting the second phase of the reliability analysis after proposed regulations are issued may result in the issuance of proposed regulations that are not compatible with New York State reliability requirements.

However, if it is not feasible to complete the second phase of the reliability analysis prior to the commencement of the rule-making process, the NYSRC urges the RGGI participants to ensure that any proposed regulations issued for comment are expressly made subject to revision based on the results of the pending second phase reliability analysis. The NYSRC further recommends that any final regulations adopted include provisions to allow the prompt modification of the RGGI program if during the course of its implementation it appears that the program is having an adverse impact on system reliability.

Your consideration of the NYSRC's concerns and comments is greatly appreciated.

Sincerely,

Bruce B. Ellsworth  
Chairman, Executive Committee  
New York State Reliability Council

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