



For Immediate Release

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APPA, NRECA, NYAPP RELEASE NEW STUDY SHOWING NYISO CAPACITY MARKET NOT PRIMARY FACTOR DRIVING NEW ELECTRICITY GENERATION

Albany, NY, September 20, 2012 - The American Public Power Association (APPA), National Rural Electric Cooperative Association (NRECA) and the New York Association of Public Power (NYAPP) today released a new study of the capacity market operated by the New York System Operator (NYISO). In the study, Dr. Matthew Morey and Dr. Laurence Kirsch, both economists at Christensen Associates Energy Consulting, found that there are numerous drivers of the construction of new generation other than the NY ISO capacity market, including utility obligations to serve, reliability standards, renewable portfolio requirements and environmental regulations. Moreover, a significant portion of the new generation has been financed not by volatile market revenues, but by bilateral contracts, utility ownership, or New York State Energy Research and Development Authority (NYSERDA) renewable energy programs. For example, 77 percent of the new generation planned through 2016 is being constructed under long-term bilateral contracts or utility ownership.

"The study is a welcome addition to the discussion in New York about whether to fundamentally change how utilities are able to meet the power supply needs of consumers, and we thank APPA and NRECA for helping sponsor it," said Paul J. Pallas, President of NYAPP.

In contrast to the mandatory capacity markets operated by the neighboring regional electricity markets in the mid-Atlantic and New England, the NY ISO operates a voluntary capacity market that the study finds "provided a workable complement to the bilateral market, utility-owned supply, and NYSEERDA and federal tax-supported renewable resources."

The study, entitled *New York State Capacity Market Review*, provides a comprehensive review of electricity generation built in the state between 2000 and 2012, and new generation construction planned through 2016. Based on this detailed analysis, Drs. Morey and Kirsch conclude that New York has succeeded in "providing generation capacity where it is most highly valued, using diverse fuels and meeting a variety of renewable resources and environmental policy goals. This success has been achieved without resorting to a mandatory forward market such as those used by PJM and ISO New England."

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“This study demonstrates that the optimal means to obtaining new cleaner generation supply is through long-term contracts or utility ownership. Unfortunately, incumbent merchant generators have sought and obtained rule changes in the other capacity markets that greatly restrict such non-market avenues,” said Mark Crisson, APPA President and CEO.

“Municipal utilities' and rural electric cooperatives' ability to supply affordable power to their consumers has been adversely impacted by recent changes forcing utilities into the PJM and ISO New England markets for new capacity,” said NRECA CEO Glenn English. “This study demonstrates the wisdom of retaining a voluntary market in New York that allows for other more effective means of obtaining necessary new generation.”

The study is available on APPA's website at:

http://www.publicpower.org/files/PDFs/CAEnergy_NY%20Capacity%20Market%20Study_120919_Final.pdf.

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Based in Washington, D.C., APPA is the national service organization for the nation's more than 2,000 community- and state-owned not-for-profit electric utilities serving 46 million customers.

The National Rural Electric Cooperative Association is the national service organization that represents the nation's more than 900 private, not-for-profit, consumer-owned electric cooperatives, which provide service to 42 million people in 47 states. More information on NRECA can be found at www.nreca.org.

NYAPP is an association of nine municipal electric utilities and four rural electric cooperatives located throughout New York State, founded in 2005 in response to emerging opportunities and challenges on both the national and state levels in the electric utility industry. More at www.nyapp.org.