

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on January 17, 2013

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
James L. Larocca
Gregg C. Sayre

CASE 12-E-0577 - Proceeding on Motion of the Commission to
Examine Repowering Alternatives to Utility
Transmission Reinforcements.

ORDER INSTITUTING PROCEEDING AND
REQUIRING EVALUATION OF GENERATION REPOWERING

(Issued and Effective January 18, 2013)

BY THE COMMISSION:

DISCUSSION

Repowering existing generation facilities can produce significant benefits in terms of enhanced system reliability, electric market competitiveness, and emissions reductions. Citing these potential benefits, the New York Energy Highway Task Force Blueprint provided to Governor Cuomo recommends that electric utilities be required to analyze repowering as an alternative to transmission system upgrades when a facility needed for reliability proposes to retire.¹ As we have noted in

¹ New York State Energy Highway Task Force, New York State Energy Highway Blueprint, (2012), p. 77.

other proceedings, careful planning for generator retirements is important for the maintenance of reliability at reasonable cost.²

The Energy Highway Task Force Blueprint correctly identifies two coal plants whose planned retirements raise reliability concerns as appropriate candidates for studying the option of repowering.³ These are the generating stations known as Dunkirk and Cayuga.⁴ In both cases, the utilities responsible for local reliability, National Grid and New York State Electric and Gas (NYSEG), have entered into short-term Reliability Support Services (RSS) agreements with the generators to keep them available in order to avoid reliability issues associated with the shutdown of the plants. The utilities are also pursuing transmission reinforcements or other alternatives that can be put in place quickly and would be an alternative to an RSS for some or all of the generation capacity in the intermediate-term (1-4 years). To the extent that these reinforcements or alternatives do not address the entire impact of the plant retirements, the utilities have proposed transmission solutions that will address the associated reliability impacts in the long-term but that will take four or more years to be completed. While we have urged the utilities to continue developing their transmission proposals, we have also required them to consider other solutions as part of their planning processes.

² Case 12-E-0503, Proceeding on Motion of the Commission to Review Generation Retirement Contingency Plans, (issued November 30, 2012).

³ New York State Energy Highway Blueprint, p. 77.

⁴ Both generators have announced plans to retire or mothball the facilities. See Case 12-E-0400, Petition of Cayuga Operating Company (filed July 20, 2012) and Case 12-E-0136, Notice of Intent of Dunkirk Power LLC (filed March 14, 2012).

With this Order, we direct the utilities to evaluate repowering as an alternative outcome for these two retirements over a long-run horizon of at least ten years. We will require National Grid and NYSEG to examine the relative costs and benefits of repowering the plants at their existing sites, and to compare those costs and benefits to the costs and benefits of alternative transmission upgrades over the long term. The benefits to be evaluated must include, but may not be limited to, the reliability, environmental, and customer impacts associated with the repowering and transmission solutions.

In order to develop an informed evaluation, we direct the utilities first to file with Department Staff the projected costs of the transmission alternatives that they propose to evaluate. We also direct the utilities to solicit bids from the current owners of the Dunkirk and Cayuga plants for the level of out-of-market support each would require in order to finance the repowering of their respective facilities, within the limitations described in this Order. The utilities may consider bids that involve alternative plant capacities but the reports must include assessments of the minimum capacity level needed to maintain reliability.

The reports of the repowering analyses should explain how the alternatives were compared against one another and should be addressed in terms of reliability and other impacts, as follows:

- 1) Reliability - Each alternative (transmission upgrade or repowering) should be evaluated on how effective it is expected to be in alleviating the identified reliability problems, and in reducing load shed risk, over the long run.
- 2) Other Impacts -Each alternative should be evaluated in terms of its potential impacts on: (a) ratepayer

costs; (b) the environment; (c) the economy (e.g., temporary and permanent jobs, economic development, and tax revenue); (d) electric market competitiveness; and (e) any other factors the reporting utility believes should be considered in weighing the costs and benefits of the alternatives.

NYSEG and National Grid are further directed to provide their recommendations for Commission action with the submission of their reports. We will then analyze the reports.

The Commission orders:

1. A proceeding is instituted to examine repowering alternatives to utility transmission reinforcements.

2. Within thirty (30) days of the issuance of this Order, National Grid and NYSEG shall request bids from the owners of the Dunkirk and Cayuga plant as contemplated herein.

3. Within thirty (30) days after issuance of this Order, the utilities shall file information with the Commission showing the anticipated costs of the transmission upgrades they proposed to implement, in the form requested by Department Staff.

4. The deadline for generators' submission of bids to the soliciting utilities shall be sixty (60) days after the issuance of this Order.

5. Within ninety (90) days of the issuance of this Order, the utilities shall file their reports and recommendations with the Commission.

6. The Secretary is authorized to extend the deadlines set forth in this order.

7. This proceeding is continued.

By the Commission,

(SIGNED)

JEFFREY C. COHEN
Acting Secretary