

to the transmission system operated by PJM Interconnection, Inc. (“PJM”) and Linden VFT, a merchant transmission line under the operational control of PJM that provides 315 MW of bi-directional electricity transfer capability between PJM and Con Ed’s Goethals substation on Staten Island in NYISO Zone J.⁴ The Linden Complex is interconnected with the transmission grids operated by NYISO and PJM and has reliably provided capacity, energy and ancillary services to New York for more than twenty years (since 1992) and to PJM for more than ten years (since 2002).

Comments

Linden Cogen agrees that it is prudent for the New York Public Service Commission (the “Commission”) to work with stakeholders to develop a “reliability contingency plan” to address issues which may arise upon the closure of the Indian Point Energy Center (“IPEC”) in the 2015-2016 time frame.⁵ We read with interest the Compliance Filing which Con Ed and New York Power Authority (“NYPA”) submitted in this case on February 1, 2013 (the “Compliance Filing”). Linden Cogen also notes that there are several other proceedings in New York which relate to the matters described in the Compliance Filing, including the New York Energy Highway Request for Information, which also solicited proposals to upgrade and modernize the New York bulk electric system (the “NY Energy Highway”) and the proposal of several New York State transmission owners, including Con Ed, to create a transmission consortium to upgrade the bulk power system as initially proposed in Commission Case 12-T-0502

⁴ Customers may presently use Linden VFT to schedule the economical transfer of 315 MW of capacity and energy from PJM to NYISO and 315 MW of energy from NYISO to PJM. Interconnection studies have been completed and an interconnection service agreement is presently being negotiated pursuant to which 315 MW of capacity may be economically scheduled from NYISO to PJM upon the completion of certain PJM transmission expansion project by June 2015.

⁵ The Commission’s decision was announced in its November 30, 2012 *Order Instituting Proceeding And Soliciting Indian Point Contingency Plan* in this case (Case 12-E-0503, *Proceeding on Motion of the Commission to Review Generation Retirement Contingency Plans*)

(“Transmission Docket”). Linden Cogen submitted a proposal to the NY Energy Highway on May 30, 2012 and would request that any action of the Commission provide for the coordination of all such ongoing efforts to avoid duplication or inadvertent omission of appropriate solutions. Our specific comments on the Compliance Filing follow.

Importance of Regional Planning

As noted in the Compliance Filing, IPEC is located in Westchester County, in Con Ed service territory, south of the Pleasant Valley substation and the UPNY/SENY interface. In the event that IPEC’s two nuclear-powered units are not relicensed by the Nuclear Regulatory Commission, deliverable, baseload capacity of over 2000 MWs will be lost to Southeastern New York, where much of NYISO load is concentrated. In particular, New York City (Zone J) would stand to lose approximately 30% of its baseload resources.⁶ Adding to area concerns is the recent retirement of the Dynegy Danskammer facility (approximately 800 MWs), located north of IPEC on the Hudson River at Newburgh, on the eastern side of the constrained NYISO Central East Interface.

While many commentators agree that IPEC, if shut down, would have to be replaced, there is less consensus on whether replacement capacity should be local to load or sited at the end of long-haul transmission lines. Southeastern New York has successfully enhanced reliability and reduced energy costs through access to approximately 3250 MWs of generation capacity located in ISO-NE and PJM directly into Zones J and K since the Plant came on line in 1992.⁷ Although these capacity additions originate from generation located physically outside

⁶ See *The Economic Impacts of Closing and Replacing the Indian Point Energy Center*, Jonathan A. Lesser, September 2012 Manhattan Institute for Policy Research at http://www.manhattan-institute.org/pdf/eper_11.pdf.

⁷ Cross Sound Cable 330MW (ISO-NE - Zone K); Neptune Regional Transmission System 660 MWs (PJM-Zone J), LindenCogen/Linden VFT – 1110MWs (PJM - Zone J); Bayonne Energy Center 500 MWs (PJM- Zone J); and

NYISO, “as the crow flies”, these regional projects are actually located much closer (physically and electrically) to most of New York’s constrained load than projects near the UPNY/SENY Interface and, as such, may provide a simpler, less expensive way to address loss of IPEC for Zones J and K. Con Ed’s proposed “Staten Island Unbottling Project” (“SIU”) reflects this analysis. The Compliance Filing states that “[t]he Plan calls for Con Edison to begin the work on the SIU Project because it helps to address the reliability need associated with the closure of IPEC.”⁸

Participation of Existing Resources

If IPEC retires because it is not relicensed in due course, replacement capacity must be in place by an “In-Service Deadline” of June 2016 in order to meet reliability requirements. Even assuming a “fast track approach” (as does the Compliance Filing), a plan which includes upgrading and repowering of existing resources is more likely to be successful than one that relies heavily on greenfield development. Even with New York’s recent re-enactment of the “Article X” one-stop approval process, it is unlikely that development and construction of new power resources can be completed before the June 2016 in-service date. Existing resources, on the other hand, often have much of the required infrastructure already in place and can more easily extend existing permitting and local relationships for the construction and commissioning of incremental power delivery arrangements. Further, cost savings from the expanded use of existing infrastructure make it more likely that repowered resources can clear NYISO’s “buyer

Hudson Transmission Partners 660MWs (PJM – Zone J). In addition, for more than 30 years Con Ed has wheeled another 1000 MW of capacity and energy from Ramapo (in Zone I) through PJM and into Zone J at Goethals (on Staten Island) and Brooklyn.

⁸ *Compliance Filing of Consolidated Edison Company of New York, Inc. and New York Power Authority with respect to Development of Indian Point Contingency Plan*, Commission Case 12-E-0503, filed February 1, 2013, at page 17. The SIU will expand the locations where deliverable generation may be economically delivered or located within Zone J addressing environmental justice considerations.

side mitigation” rules to allow local ratepayers to net ICAP market capacity payments against NYPA contract costs. Finally, an existing resource is more likely to be able to provide flexibility in its investment timetable to permit a realistic “halting mechanism” that is fair to a generator owner while not unduly burdening ratepayers with stranded costs. However, in order to take advantage of these inherent economies, the contracting mechanism must not exclude capacity and energy purchases from existing resources. Absent contract support, it is unlikely that an existing generation owner would determine it was economically advantageous to repower to create incremental capacity in Zone J. Significant new capacity with contractual subsidies might, in fact, result in all or a portion of existing capacity resources seeking economic opportunities in the adjoining RTOs/ISOs using existing or new interconnections.⁹

Consideration of Natural Gas Availability

According to a U.S. Energy Information Agency release on February 12, 2013, “Cold weather helped drive northeastern natural gas prices up at the end of January. The U.S. Northeast is infrastructure-constrained and the tight supply-demand balance during extreme cold or heat often leads to price spikes. Prices at Transcontinental Pipeline’s Zone 6 delivery point, which serves New York City..., rose above \$30 per MMBtu on January 24 and 25 [, 2013]”.¹⁰ IPEC, as a nuclear facility, did not need to procure natural gas fuel for its operations, but a baseload resource that replaces it likely will need to do so. Linden Cogen believes the Commission should give careful consideration to the availability of natural gas, especially in the metropolitan New York City region including the Hudson Valley, in approving a plan for

⁹ Portions of the Plant are already interconnected to and deliver capacity and energy into PJM. As a result of Con Ed’s decision to forego its option to extend the existing contract, Linden Cogen has initiated interconnection studies to economically expand its delivery of capacity and energy from the existing plant facilities to PJM.

¹⁰ Energy Information Administration, *Short Term Energy Outlook* dated February 12, 2012, available at <http://www.eia.gov/forecasts/steo/report/natgas.cfm>.

replacing IPEC. For example, there are a number of options for procuring natural gas from multiple pipelines at the Linden Complex that could compensate for the over reliance of Zone J resources on pipeline capacity within New York City, providing a hedge against critical infrastructure outages within New York City and allowing New York ratepayers to benefit from the full range of economic opportunities presented by the availability of Marcellus formation shale gas.

Procedural Comments

As the Commission well knows, outcomes of RFPs for generation resources and proposal evaluation often turn on proposal design and assumptions. Linden Cogen favors a transparent process administered by an experienced third party familiar with procurement of power resources. The criteria for evaluation should be as explicit as possible and should include cost to ratepayers over a defined term, certainty of completion, reliability benefits to the State and affected regions, environmental justice benefits, fuel accessibility and value of contract-term price certainty. Because Con Ed has also proposed transmission upgrades, another possible criterion would be the ability of a selected generation project to best utilize the refurbished transmission grid.

Linden Cogen believes RFPs offering contracts structured as “contracts for differences” or more traditional power purchase agreements will both result in numerous attractive proposals. However, it has been our experience that a contract which would allow NYPA to control all the capacity, energy and ancillary services produced by its counterparty, will result in lower costs and more certainty for ratepayers, especially in this case, where IPEC, a baseload resource, must to be replaced for reliability purposes.

In conclusion, Linden Cogen agrees with Con Ed and NYPA that an effective backstop for IPEC retirement requires the Commission to take action with all deliberate speed. Linden Cogen looks forward to assisting in this process as it moves forward.

Respectfully submitted,

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