

TECHNOLOGY

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Construction of power plants topic of energy buyers forum

At a seminar on ways to encourage construction of power plants in New York City, experts from various sides of the issue agreed on one thing: If reliability is to be maintained and power price are ever to become competitive, the present system is not working and needs to be fixed.

Sponsored by the New York Energy Buyers Forum (NYEBF), a coalition of commercial energy customers and energy service companies, the panel included representatives from the Federal Energy Regulatory Commission (FERC), Standard & Poor's, energy marketers and consultants.

Opening the event, forum executive director Judith Mondre pointed out how New Yorkers are paying nearly a billion dollars a year through installed capacity (ICAP) charges that are four times higher in the city than elsewhere in the state.

Such charges are supposed to motivate investors to build new plants, but she but questioned if that investment was really occurring. ICAP accounts for about 20% of a typical retail commercial/industrial electric bill and is paid to power generators to sustain and develop sufficient generation to keep the lights on and create competitive power pricing.

FERC's Derek Bandera, an economist in its Division of the Chief Economic Advisor, reviewed a recent white paper suggesting ways to change the system, but indicated that FERC is looking to the marketplace for ideas and direction on how to proceed. The FERC paper can be accessed at the Forum's web site, www.nyebf.org. Jeffrey Wolinsky, a director in Standard & Poor's utility stock ratings group, pointed out

how "a crisis of confidence" resulting from the Enron bankruptcy, followed by the first "bust" cycle in the deregulated power market, has essentially dried up capital expenditures for new plants, despite the guaranteed revenue from ICAP charges.

Steven Wemple and Mike Swider, respectively representing Con Edison Energy and Strategic Energy LLC, both major suppliers of power in the city, sparred over how far to fix the system, but agreed that it "did not work well" and that changes were needed.

Among the possible changes suggested by panelists were:

- replacing the present ISO-sponsored auction system that determines the ICAP charge with a completely open system for pricing of generation reserves
 - establishing a cost-based rate, much as done when utilities were still regulated
 - building the cost of generation reserves into long-term retail power contracts
 - creating an options market for generating capacity
 - allowing a state agency to collect and allocate ICAP charges to those firms actually constructing new plants
 - having the NY Power Authority build new plants and then lease or sell them to power suppliers.
- Lindsay Audin, president of Energywiz, Inc., an energy procurement consulting firm, summarized the urgency of the issue by stating that "time is running out: We need to build (new generation plants) now!"