James P. Laurito
President

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Central Hudson
Gas & Electric Corporation

April 28, 2014

Cheryl A. LaFleur
Acting Chair
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: New York Independent System Operator, Inc., Docket No. ER13-1380-000
New York Independent System Operator, Inc., Docket No. ER14-500-000

Dear Commissioner LaFleur,

I am writing to respectfully request the Federal Energy Regulatory Commission to give prompt attention to two related petitons pending in the captioned proceedings that are critically significant to the implementation of the New York Independent Transmission System Operator, Inc.'s ("NYISO") capacity markets in the upcoming capability period. The petitions concern the formation of a new capacity zone for NYISO rate zones G through J, and the NYISO's proposal to phase-in the sharp capacity price increases imminently faced by consumers in those load zones. Central Hudson Gas and Electric Corp. ("Central Hudson") serves many of these customers and, therefore, has a particular interest in seeing that the economic hardship faced by its customers is considered in a fair and timely manner by the Commission.

Central Hudson has maintained throughout these proceedings that there is no convincing need for the new capacity zone in its service area because other solutions—most notably planned new transmission investments—will fully address capacity adequacy issues. Even if a new capacity zone is required, there is no compelling reason to inflict the full brunt of anticipated higher prices on Central Hudson's customers immediately. As the record in the proceedings now before the Commission showed, Central Hudson's customers may see capacity prices increase from about $19 million annually to as much as $89 million annually—an increase of 475%. The New York Public Service Commission estimated an annual $350 million impact over capacity prices in 2013. Whatever the number turns out to be, there is little doubt the new capacity zone will come at a substantial cost to Central Hudson's customers who just experienced substantially higher energy prices due to the recent unusually cold winter season.

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NYISO has proposed a three-year phase-in to higher capacity prices in the new zone that would soften the blow to Central Hudson's customers without harming the Commission's competitive objectives. This is the exact same phase-in method that NYISO used—and the Commission accepted—to mitigate adverse rate impacts when NYISO adopted the "sloped" demand curve method that is currently in place.[1]

Given that there is already a significant amount of planned new generating capacity that will locate in the new zone, phasing-in the new zone will not deter generation expansion plans, as the NYISO has explained. Under the phase-in, existing generation owners will receive additional capacity payments beginning immediately, and higher payments in subsequent years. Of course, none of these capacity payments affect generation siting decisions for existing plants, and simply represent a wealth transfer from Central Hudson's retail customers to these existing generators.

That said, it is essential that Central Hudson and its customers receive a decision that is both expeditious, and fairly balances the economic hardship that new capacity zone pricing will impose on them against the lack of any tangible harm to new generation investments.

Respectfully,

James P. Laurito
President
Central Hudson Gas & Electric
Corporation

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1 *New York Independent Transmission System Operator, Inc.*, 103 FERC ¶ 61,201, at P 6 (2003).