

*End User Alliance  
c/o Freedom Energy Logistics LLC  
816 Elm Street, Suite 364  
Manchester, New Hampshire 03101*

December 5, 2011

Mr. Gordon van Welie  
President and Chief Executive Officer  
ISO New England, Inc.  
One Sullivan Road  
Holyoke, Massachusetts 01040

**Re: End Users Alliance Request for an Attachment K Study of the Impacts on the Wholesale Market Price Levels of the Forced Retirement of Vermont Yankee and other New England Nuclear Power Plants**

Dear Gordon:

The End User Alliance<sup>1</sup> requests that the ISO New England commence the evaluation of the impact on New England's regional Energy Production Costs and Locational Marginal Prices ("LMPs") of the forced retirements of New England's nuclear power plants in the following order. While the Alliance believes the need for the study is urgent, it, nevertheless, requests that this study be undertaken as part of the normal Attachment K process for 2012.

Vermont Yankee	628 MW	4,782,473 MWh
Pilgrim	685 MW	5,917,813 MWh
Millstone Unit #2	879 MW	7,414,566 MWh
Millstone Unit #3	1,235 MW	9,335,738 MWh
Seabrook	<u>1,247 MW</u>	<u>10,910,055 MWh</u>
	<u>4,674 MW<sup>2</sup></u>	<u>38,360,645 MWh<sup>3</sup></u>

Within the End Users Alliance there is growing concern over the future role of nuclear power as a robust source of electricity in ISO-NE and neighboring RTOs. Actions by officials in Vermont indicate that, barring a success in the courts, Vermont Yankee's (VY) 628 megawatt reactor could be forced to close as early as March 2012. In the NYISO, the Governor has vowed to do "what is necessary" to shut down 2,000 MW of nuclear-generated electricity from the Indian Point plant by denying the authority that it needs to operate for the remainder of its useful life. With nuclear power supplying 15% of New England's capacity and nearly 30% of New England's energy, any reduction in the nuclear contribution to the New England region's

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<sup>1</sup> Among the signatories to this letter are End Users, Generators and Government Agencies. A complete list is available upon request.

<sup>2</sup> Source: ISO-NE 2011 CELT Report.

<sup>3</sup> Source: NEPOOL Generation Information System.

baseload generation will lead to higher price levels. This is revealed - anecdotally – whenever a nuclear unit is out-of-service for a short period. To lose permanently even one nuclear generator is a significant event. It creates such an unknown adverse impact on price levels – especially during periods of peak usage, shortages and stress on the system – that a thorough study of such scenarios by the ISO is warranted.

In 2010 the ISO reported on the impact of a phase out of VY from a reliability standpoint and concluded that New England is far better off with VY remaining in service. Going forward, it is our recommendation that the ISO incorporate into its Strategic Planning Problem analysis process a thorough look at the value to the region of New England’s nuclear units. The five Risk Profiles that headline the ISO-NE Strategic Planning Problem Statement – Changes to New England Power System all reinforce the importance of our nuclear fleet.

- Resource Performance and Flexibility addresses risks that could reduce system reliability and commitment/dispatch efficiency;
- Increased Reliance on Natural Gas-Fired Capacity – this condition would be stepped up by the absence of VY or any of the other New England nuclear generators;
- Retirement of Generators – some planned retirements of uneconomic assets might need to be reconsidered;
- Variable Resource Integration is not enhanced by retirement of any baseload generation. and;
- Alignment of Planning and Markets – this Risk Profile summarizes the threat to reliability in the immediate vicinity of VY (or any of the other New England nuclear generators) in the event of its closure.

In summary, each of these elements has an embedded cost to the region that is more unknown – than known. In the absence of a thorough probe of what costs lie ahead if just one nuclear generator is removed from service, market participants are making decisions without the benefits of the best analysis available.

In addition to the above restatement of the ISO’s portrayal of forward risks to the system, the End User Alliance raise the additional fear of the unknown impact of the VY and other nuclear generators shutdown on bulk power market price levels going forward and the flow-through impacts on ratepayers in the region. Under the direction and leadership of NEPOOL and ISO-NE great strides have been made over the past decade in making progress towards the goal of competitive markets. These achievements are, in part, due to an emphasis on developing a diverse mix of fuel sources to generate power. While the use of expensive, inefficient and environmentally unsavory fuels has been systematically reduced, the cost to the ratepayer of the replacement sources has been managed so as to minimize their burden of this transition. Now comes the possible elimination of several large viable power sources from the low end of the bid stack – and replaced with generation by fuels at materially higher price points in the bid stack. Further, on the transmission side of the cost ledger, ratepayers are on the defensive as expensive upgrades are being planned to connect new generation to the market; and older transmission routes are in need of upgrades.

In summary, the End User Alliance requests that the ISO-NE undertake a study, as an Attachment K study, of the impacts to reliability and costs to market participants of the removal from service of Vermont Yankee and New England's other nuclear plants.

Sincerely yours.

*End User Alliance*