


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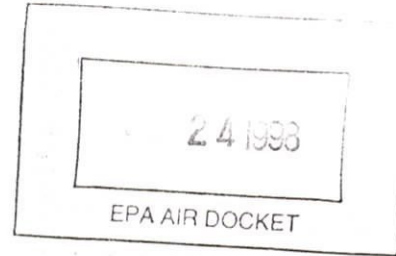
Memorandum

September 15, 1998

To: Sam Napolitano, EPA

From:  John Blaney, Boddu N. Venkatesh

Subject: Comments regarding ECAR's concern for the effect on reliability due to NO_x regulations



This memo responds to the concerns raised in the letter written by ECAR regarding the reliability impacts of EPA's proposed new NO_x requirements. The letter bases its concern on a study performed by Applied Economic Research (AER) and a recent ten-year assessment of future capacity margins in ECAR. The AER study assumes that 81000 MW of generating capacity would have to be retrofitted with NO_x controls to meet the new NO_x requirements.

The memo provides the following mitigating circumstances that could prevent adverse affect on reliability due to EPA's proposed new NO_x requirements in ECAR:

1. The reliability concerns raised in the ten-year assessment of ECAR-wide capacity margins are related to meeting the summer peak. In contrast, most of the NO_x related retrofits are expected to occur during off-peak winter and shoulder months when the capacity margin is much higher and summer reliability concerns do not exist. In addition, SCR retrofit related outages and regular planned outages are expected to be merged.
2. EPA's new NO_x regulations are expected to be in place starting the year 2003. Most of the NO_x control retrofits will occur during the years 2000-2002. In case the existing and currently planned capacity is not sufficient to meet demand, new combustion turbines that have short lead-times may be built during this period. Generation companies may also be motivated to build additional new capacity due to the tight capacity situation experienced around June 25, 1998 in ECAR. As deregulation takes hold in ECAR and new market structures and frameworks for compensating generation suppliers for capacity are developed, generation companies would have an incentive to build additional new capacity.