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Closure of Vermont Yankee nuclear plant not likely to significantly increase electricity prices across New England, according to a new study by LEI

BOSTON, July 8, 2011 – Under anticipated normal market conditions for the next three years, the closure of the Vermont Yankee nuclear plant is not expected to significantly increase electricity prices in the New England region. A recent study by London Economics International, LLC (“LEI”) projects that energy prices would increase by only 2% or approximately \$1/MWh on average across New England over the next three years given the state of committed supply and ISO-NE’s latest demand forecasts.

To date, ISO-NE has refused Entergy’s request to withdraw the 620-MW Vermont Yankee power plant from the regional capacity market. Despite the presence of surplus capacity, in the recent (June 27, 2011) forward capacity auction (“FCA”) for the June 2014 – May 2015 period, ISO-NE rejected Entergy’s request to delist the plant for reliability reasons. Last year, ISO-NE had also rejected Entergy’s initial delist request in the FCA for the June 2013 - May 2014 period. Although Entergy may also make a non-price retirement request to ISO-NE, the ISO-NE is taking a conservative approach with regards to system reliability.

In March 2011, the Nuclear Reliability Committee approved Vermont Yankee’s license to operate for an additional 20 years, but Entergy still does not have an approved public convenience certificate, which needs to be granted by the Vermont state legislature. Such a certificate is required in order to continue operations beyond March 2012 (the original license expiration date). However, in February 2010, the Vermont Senate voted to shut the power plant in 2012. Entergy needs to reverse that vote in order to obtain the required state certificate to continue operation. Currently, Entergy is seeking a declaratory judgment from federal court on the matter.

LEI’s study also finds that the price implications of the Vermont Yankee plant closure depend on the evolution of other market drivers. For example, higher than expected temperatures in the region can drive peak demand up by more than 2,000 MW regionally. Higher demand coupled with unexpected forced outages at other power plants can create system stress conditions, and higher electricity prices. Under such conditions, the closure of Vermont Yankee contributes to a more significant price increase. The Vermont Yankee study is one scenario that was tested as part of LEI’s Continuous Modeling Initiative. Long-range price

forecasts for New England are available on a customized basis or through LEI's semi-annual regional market updates.¹

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London Economics International LLC (LEI) is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure. The firm combines detailed understanding of specific network and commodity industries, such as electricity generation and distribution, water and wastewater provision, and natural gas distribution, with a suite of proprietary quantitative models to produce reliable and comprehensible results. For further information on the New England power market developments, please contact Julia Frayer at 617-933-7200. For information on LEI's semi-annual market updates, please contact Steve Carew at 416-643-6616 or visit www.londoneconomicspress.com

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¹ LEI updates its model of the New England market semi-annually. The study is available for purchase at www.londoneconomicspress.com. The firm also provides customized price forecasts for other regional markets throughout North America, taking into account various fuel price, demand growth, and new entry scenarios.