



PSEG Power To Shut Down Hudson I Plant

Shutting the aging facility could save consumers nearly \$60 million dollars that would be needed to keep the unit in service

By Tom Johnson, August 5 in Energy & Environment

The state is getting its wish: PSEG Power's Hudson I plant will close, a step that could save ratepayers millions of dollars that otherwise would be needed to keep the aging facility in service to maintain the reliability of the regional power grid.

PJM Interconnection, the independent operator of the regional grid, this week told PSEG Power it could retire the plant, a step the power supplier has been advocating for the past several years. The decision marked a reversal for PJM, which repeatedly argued the unit is needed to keep the lights on, especially given delays in building a controversial transmission project through the heart of the New Jersey Highlands.

The concept of keeping an older, inefficient plant in service, backed by \$59 million in consumer payments to fund upgrades to the unit necessary to keep it serviceable, had become a huge bone of contention between PJM and the state. New Jersey officials said it reflected the failure of a costly system the regional grid operator has adopted to incent new power generation to be built where needed.

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Reliability Must Run

According to the state Board of Public Utilities (BPU) and New Jersey Division of Rate Counsel, that system has cost ratepayers upward of \$1 billion a year without encouraging much new development of power plants. To pay nearly \$60 million for a plant under so-called Reliability Must Run (RMR) contracts that ran only 25 days last year only increased their frustration.

"Our top concern was paying a lot of money to keep an environmentally unsound facility running," said BPU President Lee Solomon. "The concept of paying RMR payments is unconscionable. It was going to be extremely costly to ratepayers to keep it open."

The decision was welcomed by PSEG Power as well.

"We long wanted to retire Hudson unit 1 and kept it in operation at PJM's direction to ensure the reliability of the grid in Northern New Jersey," said Michael Jennings, a spokesman for PSEG Power, one of the largest power providers in the region. "It is our job to provide the power that keeps the air conditioning and lights on."

Ironically, the decision to allow the plant, which burns both natural gas and oil, to close in about four months was made only days after the Federal Energy Regulatory Commission (FERC) decided to approve a Reliability Must Run contract for Hudson I.

Reliability Analysis

PJM reversed itself after conducting a reliability analysis based on the assumption that the Susquehanna-Roseland line would not be operational until June 2015. Previously, the grid operator said there was an increased risk of brownouts if the line was not operational by next summer.

In the latest analysis, however, PJM concluded that sufficient Demand Response exists to control the loading on the constrained facilities through 2014. Demand Response helps ease peak demand by asking large energy users to voluntarily reduce demand for electricity when power supplies are tightest, typically during hot summer days in heat waves.

Ray Dotter, a spokesman for the PJM, said the grid operator decided the system could be run more conservatively by importing less power into New Jersey and relying on more in-state generation. Dotter noted, however, that option means depending on more expensive, less efficient plants to provide the power.

"There will be a cost to operate the system more conservatively," said Dotter. He could not quantify what that cost would be, however.

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