

BENEFITS OF COMPETITION

New York introduced competition to wholesale electric markets in the late 1990s in order to bring the benefits of competitive markets to all New Yorkers.

New York's competitive energy markets provide flexibility to both buyers and sellers to look at the state's energy needs in new ways and to meet those needs creatively. This flexibility and resultant creativity will pave the way for New York's economic future. Alan Greenspan, chairman of the Federal Reserve Board, recently said,

"The impressive performance of the U.S. economy over the past couple of decades, despite shocks that in the past would have surely produced marked economic contraction, offers the clearest evidence of the benefits of increased market flexibility. . . Flexibility is most readily achieved by fostering an environment of maximum competition." (October 12, 2005 before the National Italian-American Foundation)

In New York, competition in wholesale energy markets does the following:

- Drives electric generators to find evermore efficient ways to generate electricity for consumers.
- Inspires energy service companies to develop new pricing plans and services to meet customers' needs better.
- Shifts financial risks away from the utilities' ratepayers and to the shareholders of competitive suppliers.

All of these benefits add up to a better deal for New York consumers.

HOW COMPETITION WORKS IN NEW YORK

Although we may not always be aware of it, New York's competitive electricity market is always at work for consumers.

Since electric generators know they must compete with each other to provide needed electricity to the marketplace, they are constantly working to improve their operations and lower their costs.

Once electricity is generated, it is sold into the markets administered by the New York Independent System Operator (NYISO) or directly to a utility or energy service company (ESCO). Utilities and ESCOs then sell electricity to consumers and businesses in New York. Today, there are well over 100 companies participating in the NYISO's markets and participating in bilateral contracts. This ever-increasing choice of suppliers forces continual innovation and competition on a daily basis.

SOUND FINANCIAL DECISIONS

Market prices signal to generators where new supply is needed most or if a particular area has enough generation to serve its demand for electricity. These actual market prices are far more accurate at indicating when and where new supply is needed than any government forecast could be. In a competitive market, ratepayers are not forced to pay for poor investment decisions if a developer chooses the wrong technology or location for new generation, but they will benefit from lower prices and increased reliability if new electric supply is sited where it is needed most.

ELECTRIC SYSTEM PLANNING

The NYISO is responsible for looking out over a ten year planning horizon to ensure that supply and demand for electricity remain in balance. The NYISO also enforces rules developed by the New York State Reliability Council to ensure the whole electric system is run safely and reliably.

BUYING ELECTRICITY IN NEW YORK

Once electricity is generated and sold into NYISO markets, it is resold to consumers. Consumers can choose to buy electricity from their traditional utility or an ESCO that better meets their needs. ESCOs may provide a wider variety of pricing plans that match the way particular consumers use electricity and offer additional services such as energy efficiency improvements or renewable energy products. The need for ESCOs to compete for customers is constantly inspiring new innovative services for consumers and businesses.



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Place
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Here

NEW YORK'S COMPETITIVE ELECTRIC SYSTEM

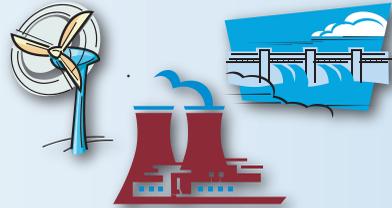


NEW YORK'S COMPETITIVE ELECTRIC SYSTEM



FUEL SOURCES

A wide variety of natural resources and other technologies (such as water, wind, coal, oil, natural gas and nuclear technologies) serve as the raw materials for electricity generation in New York.



GENERATION

A large number of Independent Power Producers compete to produce electricity as economically and efficiently as possible. That power is sold into the wholesale markets administered by the New York Independent System Operator. If a generator chooses to contract directly with a utility or energy service company for the sale of its power, delivery into the electric grid will be scheduled through the NYISO.

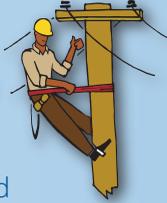


SYSTEM OPERATOR

The New York Independent System Operator administers wholesale markets where electricity generators compete to sell their output to utilities and energy service companies for resale.

UTILITY

Formerly, investor-owned utilities handled all aspects of the power business. However, since competition began, most utilities in New York have sold their power plants to IPPs and are now primarily focused on transmission, distribution and customer functions.



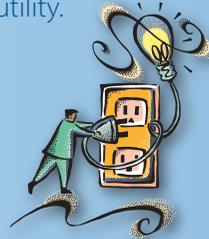
DEMAND RESPONSE

Customers can manage their energy costs by reducing consumption during peak demand periods.



END USERS

Industrial, commercial and residential electricity users can choose the electricity pricing and services that best meet their needs - whether from an ESCO or traditional utility.



ENERGY SERVICE COMPANY (ESCO)

Businesses and consumers in New York can choose to receive electric service from an energy service company. ESCOs may provide a wide variety of services in addition to energy pricing plans designed to meet different customer needs.



DISTRIBUTED GENERATION

Customers may install small-scale generating facilities that will meet a portion or all of their electric needs and reduce demand on the electric grid.