

IPPNY Testifies In Support of Competitive Energy Markets

Uniform clearing price promotes efficiency, new investment

March 05, 2009

Albany, N.Y., 3/5/09 - The Independent Power Producers of New York, Inc. (IPPNY) today expressed strong support for New York State's competitive energy markets and warned that unwarranted re-regulation of the market could have negative consequences for electricity consumers. Gavin Donohue, IPPNY President and CEO testified this morning, at a public hearing, before members of the Joint Assembly Standing Committee on Energy and the Assembly Standing Committee on Corporations, Authorities and Commissions.

Donohue, citing several published expert studies, emphasized that New York's current competitive market has reduced wholesale energy prices for consumers and delivered tangible benefits to New York's energy system and infrastructure including, reduced outages, increased reliability, higher efficiencies and improved environmental protections.

"New York's competitive markets currently are providing consumers with hundreds of millions of dollars in savings and improved services," testified Donohue. "Built in market monitoring and a transparent bidding process ensure appropriate price setting and remove any need for unnecessary re-regulation or restructuring of these markets. The legislation proposed here today would result in a decrease in service quality and an increase in cost for New York State's electricity consumers."

Benefits of Competitive Energy Markets:

- **Reduced Wholesale Energy Prices** - When adjusted for fuel prices, wholesale energy costs have decreased by 11% since New York's shift to competitive markets nearly a decade ago. The New York Independent System Operator (NYISO) report from December 11, 2008, explaining this figure is located on their homepage at www.nyiso.com.
- **Growth in Renewable Energy** - The NYISO recently announced that New York State now has 1,000 MW of wind generation and another 8,000 megawatts (MW) of wind power proposals being studied for interconnection to the grid. That number more than doubles the 424 MW total output from just a year ago. According to the American Wind Energy Association ("AWEA"), the development of renewable energy facilities is thriving under competition nationally, with 93% of proposed projects being developed by competitive suppliers.
- **Shift in Risk Away From Consumers** - In the competitive arena, merchant companies internalize fully risks associated with recovering a return of, and on, their investment. Thus, in the event of poor investment decisions, consumers no longer are subjected to the costs of uneconomic resources through utility rates, as provided under the previous paradigm. Recent examples of utility-build cost overruns have left consumers on the hook for hundreds of millions of dollars.
- **Increased Reliability/Availability** - Average generating facility availability increased from 87.5 % through the years of 1992-1999 to 94.4 % in the years 2000-2007. This increased availability of existing facilities is equivalent to adding 2,400 MW - four medium-sized generating facilities - to the grid.
- **Higher Efficiencies** - Several studies on the impacts of competitive markets including, "A Cost-Benefit Analysis of the New York Independent System Operator, The Initial Years," released by the Analysis Group, in March 2007, have been conducted and found that reduced outages, higher efficiencies, and better overall performance by today's generating facilities have resulted in savings in the hundreds of millions of dollars for New York's consumers.
- **Investment in NYS** - New York's independent power producers have invested over \$10 billion to purchase, construct, and operate their facilities. Additionally, New York's generators pay annual taxes of nearly \$300 million and employ more than 10,000 individuals across the state.

Earlier this week, the COMPETE Coalition unveiled two new studies that also refute recent criticism of the single clearing price auction and the relative benefits of long-term contracts. Both studies, "Single Clearing Price in Electricity Markets," by Ross Baldick, University of Texas at Austin, and "Market Misperceptions and Regrets about Past Business Decisions," by Roy Shanker, a long-time expert consultant in the electric utility sector, reject unsupported arguments that pay-as-bid would result in lower electricity prices. The studies can be accessed at www.competecoalition.com.

The hearing was scheduled to examine New York State energy markets in light of recent proposals calling for re-regulation of the markets.

Donohue's testimony can be accessed at
http://www.ippny.org/files/pdfs/UCP_Testimony09.pdf

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