

timesunion.com

Assemblyman blasts NYISO over rates

Brodsky touts new study critical of its method of setting electric prices

By **LARRY RULISON**, Business writer

Click byline for more stories by writer.

First published: Wednesday, March 4, 2009

ALBANY — Assemblyman Richard Brodsky thinks New Yorkers should be mad as heck about their electric rates.

The Westchester County Democrat unveiled a study Tuesday that found the state's consumers, who have the fourth-highest electric bills in the country, are paying \$2.2 billion more a year than they should.

And he blames New York Independent System Operator, the East Greenbush nonprofit that runs the state's wholesale electric market.

Brodsky is upset with the auction system run by NYISO, which awards the highest bid in the wholesale electric market's hourly auctions to all bidders. He has introduced legislation to change the auction system, and is holding a public hearing on NYISO Thursday in Albany.

"The system is literally insane," Brodsky said during a news conference in Albany. "It makes Enron look like child's play. This is the kind of thing people are going to get angry about."

The 11-page study Brodsky touted was done by McCullough Research, an Oregon energy-consulting firm run by Robert McCullough. He's a well-known energy expert who helped uncover market manipulation by Enron Corp, the massive energy-trading company that collapsed in 2001.

Brodsky's legislation, introduced Jan. 7, would replace the NYISO's so-called market clearing price auction with a pay-as-bid auction that would pay bidders the price they each bid, not the highest of the bidders' prices.

At Tuesday's news conference, Brodsky said market clearing price auctions are more prone to manipulation and collusion among power plant owners who bid their supply into the wholesale market.

"What you have here is price fixing," Brodsky said. "Elegant price fixing. Even if there is not collusion, the system is nutty."

Brodsky is chairman of the Assembly Committee on Corporations, Authorities and Commissions, the panel that oversees the state Public Service Commission. In the late 1990s, the PSC began to deregulate the electric industry in the state and pushed utilities to sell their power plants. The idea was that by separating the generation of power from the delivery of power, rates would drop in a more competitive landscape and consumers would no longer have to finance expensive power plants.

NYISO was created in 1999 to oversee the state's electric grid and manage the wholesale market, which accounts for more than half of the wholesale power sales in the state.

Both NYISO and the Independent Power Producers of New York, an Albany trade group that represents power plant owners, blasted the report Tuesday. Each will speak at Thursday's public hearing.

"Study after study has shown that no collusion exists," said IPPNY Executive Director Gavin Donohue. "Assemblyman Brodsky needs to look at his facts."

Earlier in the day, NYISO President Stephen Whitley defended his organization's auction system, saying it was responsible for massive investments in renewable energy in the state and had the effect of lowering prices, not raising them. NYISO claims that after adjusting for the cost of fuel, wholesale prices are 10 percent lower than they were in 2000.

"We're always open to suggestions," Whitley said. "I would not want to mess with this the way it is working right now. The market structure is working well."

Later in the day, NYISO issued a statement saying that the Brodksy report was "based on unwarranted assumptions and unsupported assertions."

Larry Rulison can be reached at 454-5504 or by e-mail at lrulison@timesunion.com.