

Investigate this shocking charge: Is there Enron-style manipulation of N.Y. electric bills?

Tuesday, March 10th 2009, 4:00 AM

Are New Yorkers really being ripped off to the tune of more than \$2 billion a year on their electric bills?

Energy expert [Robert McCullough](#) thinks so. And he has a track record of sniffing out hanky-panky in the power grid.

McCullough, a consultant based in [Portland, Ore.](#), was among the first to blow the whistle on the [Enron](#) scandal - correctly diagnosing the brazen market manipulation that triggered spikes and brownouts across [California](#) in the late 1990s.

Later, after the company collapsed, he headed an investigative team that turned up the infamous Enron tapes, on which traders had a good laugh about how easy it was to steal from the unsuspecting customers they called "Grandma Millies."

So we should all listen up when he says he detects similar hijinks behind the scenes of [New York's](#) power grid - which uses the same complex auction system as California's grid to set the price of electricity.

"You see a lot of crazy behavior in this highly secretive, California-model exchange," McCullough said last week in [Albany](#), where he testified at an Assembly hearing.

"When you see a pattern of crazy bids going on, you know there are, in fact, abuses."

Exhibit A, as McCullough connects the dots, is the ridiculously high cost of electricity in New York - consistently ranking first, second or third in the mainland [United States](#).

The second piece of evidence is the upward trend in prices since former [Gov. George Pataki](#) deregulated the wholesale price of juice in 1996 and switched to the current auction system. The change was supposed to harness market forces that would make power more affordable. But, if anything, the gap between New York's electric rates and the national average has grown wider.

The last straw is the unidentified power-plant operator who routinely puts in a suspiciously high bid of \$1,000 per megawatt-hour, when \$30 or \$40 is more typical. The company did the same thing every single day throughout the entire period McCullough studied, from January 2006 to March 2008 - and rarely, if ever, sold any power at that price.

Why? We can't ask the mystery bidder because the outfit that manages the power grid - the [New York Independent System Operator](#) - keeps its name secret. In fact, the ISO doesn't publicly release any bidding information until six months after the fact.

McCullough suspects the bidder is somehow gaming the computer program that crunches bids and calculates a final price. (That program, by the way, is also secret.)

To see what we might save, McCullough did some number-crunching of his own, comparing auction results to what the generators' likely costs were. He estimates that New Yorkers are shelling out about 10% more than they should be - about \$2.2 billion a year.

He's not the first to smell a rat.

In 2007, the state Public Service Commission - which regulates the utilities like [Con Ed](#) that deliver power, but not the generators - charged that price manipulation had cost [New York City](#) residents \$100 million in a single summer.

Last year, the ISO itself tinkered with its auction rules to stymie an apparent scheme in [western New York](#).

And some lawmakers, such as [Westchester Assemblyman Richard Brodsky](#), are demanding an overhaul.

But the ISO defends its way of doing business - claiming it keeps prices from soaring even higher than they already are. And the industry-friendly [Federal Energy Regulatory Commission](#), which oversees the ISO, is happy with the status quo.

Frankly, what they do is so hard to understand - and hidden from view - that it's impossible for an outsider to judge for sure. But there are more than enough red flags to warrant a thorough investigation by a credible outsider.

McCullough - who prepared his analysis for free at Brodsky's request - said he's available to do more for hire.

Any takers?

whammond@nydailynews.com