

.....**PRESS RELEASE**.....  
from the 92<sup>nd</sup> Assembly District



**RICHARD L. BRODSKY**

Chairman,  
Corporations, Authorities and Commissions  
422 Legislative Office Building  
Albany, NY 12248  
(518) 455-5753

**For Immediate Release:**  
Wednesday, March 3, 2009

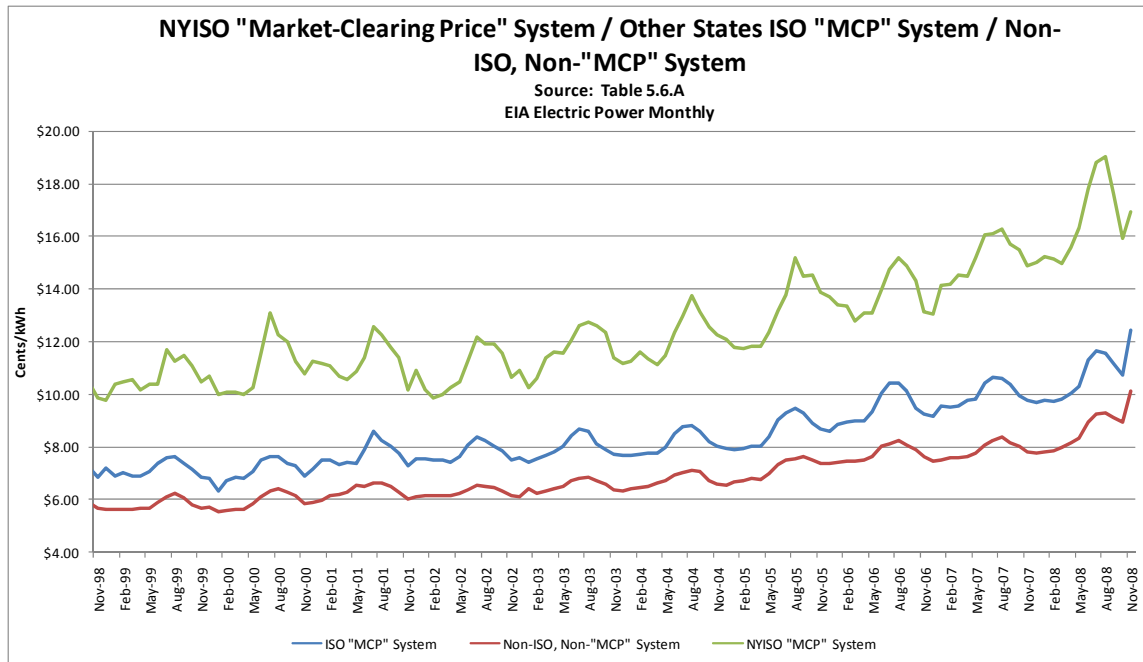
**For Information Contact:**  
Emma Furman at (518) 265-5307

**New Reports Reveal New Yorkers Overcharged \$2.2 Billion on  
Electric Bills**

Assemblyman Richard Brodsky (D- Greenburgh), Chairman of the Assembly Committee on Corporations, Authorities, and Commissions released a statement concerning news that New Yorkers now pay the fourth-highest electric bills in the nation.

A report by McCullough Research entitled “New York Independent System Operators Market Clearing Price Auction is Too Expensive for New York” reveals \$2.2 billion in excessive electric bills for New Yorkers, caused by a system that sets artificially high prices for electricity through its “Market-Clearing Price” auctions. These auctions, designed by the New York Independent System Operator (NYISO), a private, not-for-profit entity that operates the market for electricity in New York State, require all buyers of electricity to pay the highest price available in the market on any given day, rather than the lowest price.

In comparison to New York, states that have regulated electricity markets offer the lowest cost of electricity at 10 cents per kilowatt-hour, while other deregulated electricity markets provide electricity at 13 cents per kilowatt-hour as of November 2008.



Source: “New York Independent System Operators Market-Clearing Price Auction Is Too Expensive for New York”, McCullough Research, 2009.

The McCullough Research report quantifies the excess payments made by New York electric utility customers at \$2.2 billion annually (the report is attached). The reasons for the excess payments include:

- The “Market-Clearing Price” auction requires utilities to pay excessive amounts of money to generators, which yields excessive electric bills for ratepayers.
- The secretive auction process leaves the public without the ability to understand the market, and to protect themselves from efforts by power producers to create artificial scarcity.
- A handful of buyers and sellers have controlled the market and the price of electricity has done nothing but increase.

“The question to ask is why New Yorkers should pay 2.2 billion more than they would under a different system,” said Robert McCullough. “The current system at the New York ISO is neither transparent nor efficient. A system that relies on long term contracts with generators has the potential to provide lower prices and reduce the high and volatile prices from the ISO's markets. We should facilitate this transition immediately. In the interim, the New York ISO should adopt rules that reveal bids, bidders, and the algorithm that turns bids into prices. In addition, restricting bids to verifiable marginal costs would provide immediate benefits to consumers.”

“New York’s government should not permit \$2.2 billion to be taken out of the pockets of electric customers for no good reason. The market-clearing price auction sets prices at the highest level. It is absurd and destructive. The system of deregulation that the Pataki administration and the

Public Service Commission forced down our throats over ten years ago has been a complete failure,” said Assemblyman Richard Brodsky. “We believe we can lower energy bills ten percent through our legislation (A.1563), by eliminating the market-clearing price.”

In February, a report <http://www.appanet.org/files/PDFs/EMRICompetitiveMarket.pdf> by the American Public Power Association (APPA) also found that wholesale electricity markets, such as those run by the NYISO, has not produced the low prices that were promised under electricity industry deregulation. The APPA criticizes the secret manner in which the NYISO operates and the inefficient, arcane rules that drive prices higher.

The Assembly Committee on Corporations, Authorities and Commissions, and the Assembly Committee on Energy will convene a joint hearing on Thursday, March 5, at 10:30 a.m. in Hearing Room C in the Legislative Office Building to discuss pending legislation to ban the “Market-Clearing Price” mechanism and save New York consumers \$2.2 billion a year.

“I look forward to working with Assemblyman Kevin Cahill who has been an active voice of reforming the energy system in New York State,” said Assemblyman Richard Brodsky.

Witnesses include the NYISO, the Public Service Commission, Robert McCullough, Con Ed, and the Working Families Party among others. The full panels of witnesses testifying are listed below:

- New York Independent System Operator, Public Service Commission
- Robert McCullough, Professor Tim Mount, American Public Power Association, Public Utility Law Project, NYPIRG, Working Families Party
- Con Edison, Central Hudson, NYSEG, RGE, National Grid, PASNY
- Consumer Protection Board
- Manufacturers Association, Council of Industry, Endicott Interconnect
- Independent Power Producers of New York, Alliance for Clean Energy

Legislation to end the market clearing price (A.1563) is sponsored by Assemblymembers Brodsky, Lifton, Bradley, Colton, Destito, Gunther, Jaffee, Koon, Millman, Reilly, P. Rivera, Zebrowski, Gottfried, Fields, O'Donnell, Spano, Peralta, Kellner, Greene, Brennan, Russell, Espaillat, Heastie, Rosenthal, Benjamin, and Jeffries.