



Report: Deregulation of electricity yields big profits for companies, costs NY ratepayers

By VALERIE BAUMAN
Associated Press Writer

396 words

5 June 2009

17:38

[Associated Press Newswires](#)

English

(c) 2009. The Associated Press. All Rights Reserved.

ALBANY, N.Y. (AP) - New York's deregulated electric market allows generation plants to reap massive profits at the expense of taxpayers, according to a report released Friday.

Industry representatives rejected the findings that the state's top 15 generators received inflated profits.

Assembly corporations committee Chairman Richard Brodsky, a Westchester County Democrat, said the generators have an annual rate of return between 31 and 186 percent. Brodsky released the report with Robert McCullough, whose firm McCullough Research conducted the study.

"These are unconscionable numbers. No other industry has a profit margin averaging anything near these numbers annually," Brodsky said.

A previous report said deregulation costs New Yorkers \$2.2 billion a year.

Gavin Donohue, president and chief executive of the Independent Power Producers of New York, said the report is incomplete and inaccurate, and ignores benefits of competitive markets.

"Assemblyman Brodsky is more interested in a report that cherry picks revenues earned by a handful of generators during a short period of time to distort the realities of the entire market," Donohue said.

Brodsky wants to re-regulate the market to include some direct government oversight of rate-setting and monitoring.

The New York Independent System Operator is an industry-created agency that has administered the market and its prices since deregulation in 1999.

Operators say the secretive process allows power producers to submit bids on a price for the megawatt hours available at a specific time. Those prices range from zero -- for producers with excess power to unload -- to \$1,000 per unit. The ISO could choose the lowest bidder, but when that generator's units are expended, the ISO moves to the next highest bidders, in order, until all the megawatts needed are secured. Each time the ISO moves to a higher bidder, all the lower bidders are paid the price offered in the highest bid used.

Industry and government consumer protection advocates argue the current system is saving New Yorkers 18 percent on their bills compared with 2000, or \$2.23 billion a year. But they say the savings are masked by the rise in fuel costs during the last nine years.

The study determined profit percentages by comparing the capital investment made by a plants owners to the annual revenue it generates.