

NY AG candidate urges probe of electric costs

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A candidate for attorney general said Monday the office has the power to investigate and reform how wholesale electricity rates are set in New York, a process that he said now costs consumers \$2.2 billion a year too much.

Richard Brodsky, an assemblyman long critical of utility deregulation, said the so-called "market clearing price" set by the New York Independent System Operator has pushed New York's electric rates to the fourth highest in the nation.

Consumer groups have long questioned the industry-created ISO's practice of setting the price at the highest bidder's, rather than lowest, in a complex formula for setting rates.

"Every day New Yorkers pay tens of millions of extra dollars because of this one organization," Brodsky said. "It seems to me we have this gigantic rip-off going on with the attorney general uniquely postured to go after the problem."

The Westchester County Democrat, whose Assembly committee reported last year that the system allows power plant operators to reap excessive profits at ratepayers' expense, said he hasn't asked Attorney General Andrew Cuomo to investigate. But he promised he would open a probe if elected.

Brodsky is one of six candidates for attorney general. Aside from him, none of them has focused on this issue.

In an accompanying white paper, Brodsky said the daily auction involving utility companies and power generators fixes the price of electricity at "the highest possible cost."

Calls to Cuomo and the ISO for comment were not immediately returned Monday.

The attorney general has oversight of not-for-profit corporations, which Cuomo has used in investigating state Sen. Pedro Espada's Soundview health care clinic in the Bronx.

Brodsky, who proposed legislation to re-regulate the market to include some direct government oversight of electricity rate-setting and monitoring, said an investigation also should look into excessive NYISO salaries. The statewide power grid operator is paying its directors \$120,000 a year for a 12-hour work week, he said, and most employees get 15 percent bonuses while executives get close to 30 percent.

The ISO has administered the market and its prices since deregulation in 1999.

Operators have said their 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.

The white paper cites a 2009 report by energy analyst Robert McCullough, who looked at the NYISO, and found that every day at least one producer submits maximum \$1,000 bids, while production costs even with expensive fuels like natural gas are significantly less than \$100 an hour.

"This high bidding illustrates ... that generators are gaming the market or intentionally withholding power to create a price spike, or artificial scarcity," McCullough wrote.

Gavin Donohue, chief executive of the Independent Power Producers of New York, said the McCullough report was flawed, based on the three highest years of natural gas prices and a small number of energy generators. "The price for wholesale electricity rates are at the lowest level they've been in 10 years," he said.

The Federal Energy Regulatory Commission oversees New York's wholesale market rules, and many commodities like milk and coffee beans also use the mechanism of a uniform clearing price, Donohue said. "What's raising electricity rates is the stuff that Assemblyman Brodsky is championing - the impact of environmental regulations and taxes and fees people pay on their bills."

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