



Restructuring in the Electricity Sector in New York

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Utility Regulation - Evolution

- Historically utilities have been fully regulated – generation, transmission and distribution
- Due to several events starting in the 1970s, the paradigm shifted
 - PURPA and proliferation of IPPs
 - Nuclear plant safety and cost over runs
 - Free trade and competitive global markets



Utility Regulation - Evolution

- In the late 1990s, competitive wholesale markets evolved in NY and in many other regions
 - Utilities divested most of their generation assets
 - Electric supply price now is determined primarily by the market as opposed to historic cost based regulation
- In NY and in several other states, competitive retail markets also evolved over the last decade.
 - Customers can choose the electric supplier they want, utility still has an obligation to deliver the power; utility is also a provider of last resort for supply.
 - Over 45% of customer load (MWh) today in NY is served by competitive providers.



Electric Industry Competition Models

- Wholesale Competition
- Retail Competition



Wholesale Competition

- Independent System Operator (ISO)
- Regional Transmission Operator (RTO)
- Regional Rules
- Pricing
- ISO/RTO Planning Process



New York Wholesale Market Design Key Features

- NYISO Shared Governance Model
- Utility Divestiture of Generation Assets
- Diligent Monitoring
- Success of New York Markets



NYISO Products

- Energy – Day-Ahead, Real Time
- Installed Capacity
- Ancillary Services
 - Operating Reserves
 - Regulation
 - Blackstart
 - Voltage Support
- Transmission Congestion Contracts



Retail Competition

- Created Energy Service Companies (ESCOs)
- Commission Guidelines and Protocols Retail Market
- Commission Unbundling
 - Separate commodity and delivery
 - Implement metering, billing and merchant function charges
- Market Rules
 - Uniform Business Practices
 - Electronic Data Exchange
- Penetration
 - Number of ESCOs
 - Customer migration levels



Market Challenges

- Integrating Public Policy Initiatives with Competitive Markets
- The need for both an improved environment and energy independence will drive significant changes in the future
- The integration of public policy objectives while maintaining the benefits that markets bring is the task before us
 - State Energy Plan articulates the policies
 - Renewable Portfolio Standards (RPS)
 - System Benefits Charge (SBS)
 - Energy Efficiency Portfolio Standard (EEPS)



Cooperative Effort

- Regulators and policy makers are keenly aware of the impact such initiatives can have on the competitive markets:
 - We want to minimize market disruptions or introduction of inefficiencies to the markets
 - We also need to ensure that the proper mix of resources is maintained or enhanced to provide essential reliability services such as operating reserves, regulation, load following and ramping capability
- Achieving a proper balance of interests and objectives moving forward will require a cooperative effort among all stakeholders
- Also integral to that effort will be the need for innovative solutions to the technical issues that arise that the people in this audience are most qualified to address
 - Profit opportunities exist for innovation and investment over a wide spectrum from production through delivery and the efficient end use of electricity



Conclusion

- Benefits
- Balance
- Cooperation