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PROPOSED NEW YORK ENERGY PLAN RECOGNIZES BENEFITS OF COMPETITIVE MARKETS

On August 10, 2009, the New York State Energy Planning Board released a draft of its [2009 State Energy Plan](#) for public review in an effort to “enable the State to determine its future energy needs and facilitate a deliberate, efficient, and cost-effective means of meeting those needs.” The report notes the numerous benefits consumers have enjoyed following the implementation of wholesale electricity markets, including new entry of generation resources, increased demand response, and improved plant availability. These attributes serve to further show how competitive markets are providing nearly 20 million New York residents with reliable, economical, and clean energy resources.

- “The competitive electricity market structure in New York is designed to provide transparent price signals for both energy and capacity. Such transparency encourages investors to locate generation, transmission, and demand response resources where they are most needed and it encourages investment in more efficient resources that can compete and bid into the market at lower prices. Since 2000, this market feature has provided incentives to entry of new generation resources totaling more than 7,600 MW, while putting the risk of such investments on investors rather than on ratepayers. Further, the competitive market structure provides for the system to be operated and dispatched in the most efficient manner to minimize total production costs and in the long term to provide electricity to customers at the lowest overall price.” *Resources and Markets Assessment, P. 2*
- “Uniform clearing price auctions are often criticized because it seems unreasonable on its face to pay a generator any higher price than that which it bid into the market and was willing to sell for on any given day. It would seem preferable to instead pay them the price that they bid. If such a design were to be instituted and generators did not change their bids, then baseload units, which generally have low marginal running costs and high fixed costs, would only be able to recover from the market the former and not the latter. Such units would not be able to survive for long, and no new baseload facilities would ever be built. Instead, to recover their full costs and maximize profits, generators would bid at or near what they believe the market clearing price will be. Such an imprecise process will ultimately result in a less efficient dispatch than what would result if actual marginal costs were bid, resulting in higher total production costs and higher costs to consumers. As long as markets are competitive, then the uniform clearing price auction will provide the most efficient result.” *Resources and Markets Assessment, P. 17*
- “Due to the availability of transparent price signals, over 7,600 MW in new more efficient and less polluting resources have been added since 2000 with 80 percent of that located below the central-east interface where prices are higher and the resources are most needed. Similarly, over 2,000 MW of demand response resources have also entered the market, much of it in New York City, significantly shaving peak loads when called upon.” *Resources and Markets Assessment, P. 19*
- “Due to competition among suppliers, the average plant availability in New York increased from 87.5 percent between 1992 and 1999 to 94.4 percent between 2000 and 2007... This increase represents the equivalent of adding 2,400 MW in new capacity... These improvements have reduced power plant emissions in all categories and are consistent with what was expected with the restructuring of the generation sector of the electric industry and the competitive wholesale marketplace that developed thereafter.” *Resources and Markets Assessment, P. 19-20*

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EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for nearly 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.