



Retail Energy Supply Association

Memorandum in Opposition to A.1563

February 26, 2009

A.1563 (Brodsky) - AN ACT to amend the public service law, in relation to abolishing the market clearing price.

The Retail Energy Supply Association (RESA) is a broad and diverse group of competitive retail energy service companies ("ESCOs") that share a common vision that competitive retail energy markets deliver through customer choice more efficient, consumer-oriented outcomes than do regulated utility structures. RESA is devoted to working with all stakeholders to promote vibrant and sustainable competitive retail energy markets for commercial, industrial and residential customers. RESA members offer retail electric service to commercial and industrial customers throughout New York and in other competitive markets across North America.

REAS opposes the passage of A.1563. This bill would structurally change how the transactions in the wholesale markets are conducted, decrease competition and increase costs to consumers. Specifically, A.1563 would impose a "pay as bid" construct on the wholesale market in lieu of the current uniform-clearing price (UCP) mechanism where suppliers of identical products are paid the same price. A uniform-clearing price system accurately shows the price of generation and empowers price-sensitive customers to reduce their energy usage in response to rising electricity prices. A "pay as bid" system does not. Similarly, retail suppliers would lose the ability to hedge their electricity costs through "contracts for differences" and instead would be forced to contract with a limited number of wholesale suppliers who can physically produce electricity in their local zone. This reduction in market liquidity will reduce the number and type of supply options that customers have and will in turn lead to higher prices for electricity.

For the reasons stated above, RESA opposes A.1563.

About RESA

RESA's members include Commerce Energy, Consolidated Edison Solutions, Inc., Direct Energy Services, LLC, GDF SUEZ North America, Gexa Energy, Hess Corporation, Integrys Energy Services, Inc., Liberty Power, Reliant Energy Retail Services, LLC, Sempra Energy Solutions LLC, U.S. Energy Savings Corp. For more information, contact RESA Executive Director Tracy McCormick at (717) 566-5405 or go to www.RESAUSA.org.