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May 23, 2012

Michael D. Hervey
Chief Operating Officer
Long Island Power Authority
333 Earle Ovington Blvd.
Uniondale, N. Y. 11553

Re: LI Choice

Dear Mr. Hervey:

I am writing to you on behalf of the Retail Energy Supply Association (“RESA”)¹ a trade association of energy service companies (“ESCOs”) engaged in the provision and sale of electricity and natural gas at retail to residential and commercial customers throughout all of the service territories in the State of New York and in other jurisdictions nationwide, to invite the Long Island Power Authority (“LIPA” or “Authority”) to join us in creating a LI Choice Collaborative toward the goal of exploring operational steps and constructive policy actions to restructure and invigorate the existing LI Choice Program (“Program”).

¹¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

The Program was originally designed and intended to introduce competitive choice in the provision of electric commodity service in Long Island, including the ability for customers to choose both between competitive suppliers and different product offerings. In practice however, the Program has not realized the level of competitive choice for all Long Island consumers that has been achieved in the rest of New York.

Allowing choice and competition to flourish will, in our view, greatly enhance the efficiency of LIPA's operations and the provision of electric commodity service to consumers, just as it has with the other New York electric utilities.

LIPA implemented the Program with the aim of offering retail access over three phases. Initially, as of August 1999, 400 MW of load was made available for competitive choice. Thereafter, in May 2000, another 800 MW was released for competition and in February 2002, retail access was formally opened to all customers on the LIPA system. In addition, LIPA issued corresponding tariff changes, developed various agreements with ESCOs and established operating standards for ESCOs and participating customers. Although the Program at least on paper has been in existence for more than a decade, in reality the Program has failed to gain traction and has not had any material impact in the LIPA service territory.

Currently, there are only three ESCOs authorized to operate in LIPA² and it is our understanding that there has been a relatively insignificant level of migration of load to independent ESCOs. Thus, in more than a decade there has been little progress in bringing retail access to the LIPA consumer.

In contrast, during the same period, retail access has grown markedly throughout the rest of New York. As of August 2011, 50.7% of the electric load of all utilities under the jurisdiction of the Commission has migrated to ESCOs.³ According to the 2011 Annual Baseline Assessment of Choice in Canada and the United States ("ABACCUS") report ("2011 ABACCUS Report"), New York scores 2nd nationwide for the residential market and 3rd nationwide for the commercial and industrial ("C&I") market in terms of robustness and vibrancy of its competitive retail market structure.⁴

² One residential ESCO and two commercial ESCOs.

³ http://www.dps.ny.gov/Electric_Migration_aug_11.pdf.

⁴ 2011 ABACCUS Report at 8, 13.

Supporting these high rankings, the 2011 ABACCUS Report provides data demonstrating that as of November 2011 there are 55 distinct ESCOs marketing product offerings to C&I customers, 35 distinct ESCOs marketing product offerings to residential customers, and 74 distinct varieties of product offerings available to residential customers alone.⁵

In addition to the successful implementation of retail choice outside of Long Island – in terms of level of customer switching, ability to attract robust ESCO participation throughout New York and the breadth and depth of product offerings available to customers, the strong potential for choice in the LIPA service territory can be gleaned by reviewing the growth in retail access for gas consumers.

In the counties of Nassau and Suffolk and the community of Far Rockaway in Queens, electricity is supplied by LIPA. However, natural gas is provided by National Grid-Long Island, a gas utility subject to the jurisdiction of the Public Service Commission (“Commission”) which has actively pursued retail access for its consumers. As of March 2011, 51.9% of natural gas load delivered by National Grid-Long Island is supplied by ESCOs.⁶ Interestingly, this is comparable to the statewide level of electric migration. In addition there are more than 45 ESCOs active in the gas service territory.⁷ The results achieved in National Grid-Long Island highlight the potential for retail access growth in the Long Island community.

In view of the trajectory of electric retail access growth and development in the rest of the State and natural gas customer choice on Long Island, it is in the interest of LIPA and your energy customers on Long Island to develop constructive policies on an expeditious timetable to address the structure of current Program as well as the opportunity to make retail access a reality for its electric consumers. Accordingly, RESA requests that LIPA institute a LI Choice Collaborative to examine operational steps and constructive policy actions that LIPA should implement to restructure and reinvigorate the Program.

RESA and its members have played a key role in the development of public policy to advance competitive energy markets in New York and other jurisdictions around the nation. We would welcome the opportunity to share with LIPA the benefit of our experience to help create a vibrant competitive energy market on Long Island that could become the envy of the rest of the state.

⁵ 2011 ABACCUS Report at 56.

⁶ http://www.dps.ny.gov/Gas_Migration_Web_Report_mar11.pdf. National Grid

⁷ http://www2.nationalgridus.com/energy/purchase/suppliers_ny_kedli.jsp

The Collaborative format would enable all interested parties, including LIPA, the ESCO community and consumers, in an amicable and non-adversarial manner, to carefully assess the strengths and challenges in the existing Program, identify effective measures that can be developed and implemented to enhance the Program and adopt procedures that adequately protect the interests of all parties having a stake in the Program. This Collaborative type approach has been used with much success by the Commission and regulatory bodies in New Jersey, Pennsylvania, Massachusetts and other states.⁸ All of these entities have recognized that retail access is an organic process that requires on-going review and modification in order to contend with the realities of the competitive market place and the needs of consumers.

The Collaborative would address all aspects of the Program, including, but not limited to the following type of enhancements that could be evaluated for integration in a timely manner:

- Full inclusion of all cost components of commodity supply;
- Cost allocation;
- Unbundling;
- Capacity access
- Consumer Outreach & Education;
- Retail Billing Options;
- Purchase of Receivables Billing Option,
- Timely Access to Customer Usage Information, and
- Electronic Data Interchange.

This listing is neither definitive nor meant to exclude consideration of other relevant issues or measures. It is meant to provide guidance as to the type of areas that would be covered by the Collaborative. The results of the Collaborative would be reported to the LIPA Board for final action. This procedural format provides the opportunity to address the complexities of the Program in a systematic and deliberative manner.

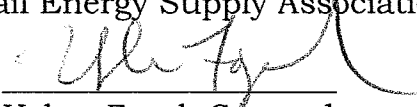
It would be my pleasure to meet with you at your earliest convenience to further discuss this request and the Program.

⁸ Since the inception of retail access more than a decade ago, the Commission has on a regular basis has modified the retail access structure to accommodate the results of actual experience, respond to concerns expressed by ESCOs, consumers and utilities, and correct deficiencies that have hindered the upward trajectory of retail access. See, generally Case 98-M-1343.

Thank you for your consideration and assistance in this matter. I look forward to hearing from you.

Respectfully submitted,

Retail Energy Supply Association

By: 
Usher Fogel, Counsel

Cc: Bruce Germano, Vice-President Customer Services
Paul DeCotis, President of Power Markets