

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: James Denn

James.Denn@dps.ny.gov | 518.474.7080

<http://www.dps.ny.gov>

<http://twitter.com/NYS DPS>

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COMMISSION COMMENCES REVIEW OF RETAIL MARKET

— Public Comment Sought Regarding Retail Market Issues —

Albany, NY—10/18/12—The New York State Public Service Commission (Commission) today announced it would begin a formal proceeding to assess retail energy markets including by seeking comments addressing possible actions that could be taken by the Commission to improve the operation of these markets for the benefit of customers.

“Department staff has been reviewing the performance of the retail electricity and natural gas markets particularly for residential and small non-residential customers,” said Commission Chairman Garry Brown. “Department staff has raised concerns and questions about certain aspects of the retail market; as a result, the Commission will begin a new proceeding to further examine the operations of these markets and explore possible actions to improve their efficiency.”

The energy industry in New York was restructured more than a decade ago. Currently, utilities provide commodity service that, for residential and small non-residential customers, reflects some hedging to reduce retail price volatility. All customers of major electric and natural gas utilities in New York State have the choice to purchase energy from their utility, or from an energy services company (ESCO). Approximately 85 ESCOs are certified to provide electricity in New York State and more than 100 ESCOs are certified to provide natural gas.

In the current retail market, ESCOs can compete directly with the utility or can offer options for consumers that traditional utilities do not offer. These options include products with less price

hedging or certainty than the utility offering, products with more hedging or price certainty than the utility offering, electricity reflecting a greater percentage of renewable resources than the utility offering, and value-added services such as home heating equipment repair and maintenance, airline miles or similar rewards. The Commission does not regulate prices charged by ESCOs.

Staff has been conducting an ongoing review of the performance of retail energy markets to determine if they are functioning as intended and to identify opportunities for improvement. As part of this review, Staff met several times with groups of ESCOs and/or their trade associations. Staff also met with representatives of large energy utilities and other interested parties.

In addition, Staff requested and analyzed data from utilities concerning the prices charged and/or dollar amounts billed by ESCOs, in comparison with what would have been billed by the utility for the same service, and also reviewed ESCO-related consumer complaints received by the Department.

Staff reports that it is very difficult for energy consumers, particularly residential and small non-residential customers, to know and compare prices of electricity and natural gas commodity services that are available from the utility and ESCOs. Staff also reports that the pricing and billing data that it reviewed for residential and small non-residential customers reveals a wide range of prices paid by ESCO customers. Some of the variations in prices may be because of value-added services offered by ESCOs, such as fixed prices and electricity from renewable sources.

To help ensure consumers are fully informed about energy purchases, Department staff recently worked with Central Hudson and National Fuel Gas to design and implement a pilot program under which ESCO customers can use an on-line tool to compare the amount they paid for ESCO service and the amount they would have paid if the energy had been purchased from the utility. The proceeding commenced by the Commission today will explore additional ways to improve retail energy markets.

The Commission's order today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Numbers Cases 98-M-1343 or 06-M-0647 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).