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Energy restructuring benefits: Our nation's energy policies should be made stronger

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Recent research of retail energy markets in NYS and nationally demonstrate that consumers are significantly benefiting from energy restructuring policies instituted approximately a decade ago. Of the 16 states and the District of Columbia that have restructured their traditional monopolistic systems, N.Y. and Texas are considered models in the way energy restructuring was implemented. How and why these states have succeeded, and continue to succeed, deserves closer attention.

In N.Y., electricity prices, when adjusted for inflation, have actually declined since 1996. However, price is only one of the benefits being experienced in N.Y. Restructuring has also brought increased choice through valued added services and products, increased efficiency, and environmental protection through conservation and demand response products.

There are more than 30 energy supply companies operating in N.Y.'s free market system that provide consumers with a multitude of price and value added benefits. These companies supply more than 41% of all electricity sold in N.Y., and more than one million residential customers have chosen to be serviced by an energy supply company

An article published on May 24, 2007 in the Albany Times Union, noted an impressive and encouraging report produced in March 2007 by the N.Y. Independent System Operator, which monitors the state's wholesale market for electricity. The article pointed out the fact that competition has improved the way generation facilities operate in N.Y. More generators are now operating more efficiently than they had under traditional regulated monopolies.

The article further noted that improved performance is lowering the commodity portion of consumer bills by $100 million to $200 million annually, an important distinction. Isolating the commodity portion of a consumer's bill is vital to understanding restructuring. There are other significant economic factors, such as state taxes and company labor costs that must be factored into the consumer price equation. As such, energy policies intended to establish a successful restructuring system must be guided by the total economic picture.

Texas is the best example of policies that work. It leads the nation as the most successful competitive electricity market in the U.S. The Association of Electric Companies of Texas reported that 90% of customers favor competitive markets, and that 77% of residential customers have selected a competitive product.

Over the past 10 years, Texas has added more generation than any other region in the country without ratepayer risks. The second-largest investment in wind generation in the U.S. has taken place in Texas, and the state leads the nation in renewable resources, ranking first in the production of wind power.

Texas has invested successfully in emission controls as well. When comparing 2006 to 1999 emissions, the state reduced sulfur dioxide emissions by more than 20% and reduced nitrogen oxide

emissions by 57%.

The latest endorsement of restructuring came on May 31, 2007 in an open letter to policy makers from the former chairs and commissioners of the Federal Energy Regulatory Commission.

The letter noted such benefits as increased efficiencies in such states as Texas, but also throughout New England where more efficient gas-fired generation replaced oil and older power plants reducing carbon dioxide emissions by 22%, nitrogen oxide emissions by 57%, and sulfur oxide emissions by 56% while generation increased by 25%.

The letter further noted that competition in the energy markets has resulted in $34 billion in saving to residential customers in the U.S. between 1997 and 2004, fostered development of renewable energy resources, technological innovation in energy products, improved generation and transmission reliability, and produced satisfied customers.

Competitive energy markets produce benefits that should be embraced and promoted throughout the U.S. Our nation's energy policies should only be made stronger to continue to achieve these benefits.

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