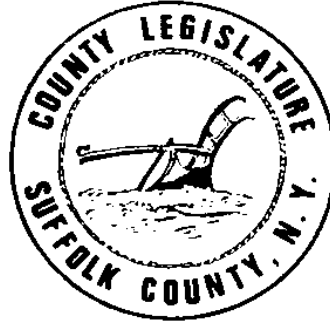


SUFFOLK COUNTY LEGISLATURE

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Second Legislative District

Chair
Ways & Means Committee

Vice-Chair
Public Safety
Public Works, Transportation & Energy



Committee Member
Environment, Parks
& Agriculture
Veterans & Consumer Affairs

December 16, 2020

Hon. Michelle L. Phillips
Secretary
New York State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Re: Matter 15-02754 - In the Matter of Examining the Potential Benefits of Retail Competition for Long Island Electric Customers.

Dear Secretary Phillips,

The undersigned Legislators are pleased to submit the following comments in the above-referenced matter. In February 2019, the Suffolk County Legislature created the CCA Task Force, a nine-member group composed of elected and municipal officials, energy specialists, and labor leaders, and authorized to study the feasibility of establishing Community Choice Aggregation (“CCA”) in Suffolk County. The comments that follow are derived primarily from the work of the Task Force, and the CCA Task Force Final Report that will be filed in this proceeding under separate cover.

DPS is to be applauded for continuing to welcome comment and carefully consider the issue of retail competition for Long Island electric customers. It is critically important that a competitive retail electric market be established on Long Island, and that every effort be made to animate

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investment in the development of innovative, cost-saving modes of electric service. Considering the high cost of electricity on Long Island, and that New York State has committed to the most aggressive clean energy and climate agenda in the country, as memorialized in the Reforming the Energy Vision (“REV”) initiative and the Climate Leadership and Community Protection Act (“CLCPA”), it is high time that Long Island experience meaningful reform of the retail energy market.

While LIPA has stated a commitment to adopting renewable targets that achieve the Clean Energy Standard mandate of 70% renewable electricity by the year 2030, as required by the CLCPA, a commonsense perspective commands recognition that any truly meaningful reduction of reliance on fossil fuels will not be achieved unless the Long Island electric market becomes truly competitive, so that innovative producers of clean energy see the market as welcoming and financially attractive.

Customer Benefits

A truly competitive retail electric market is necessary in the Long Island service area, to benefit customers, who currently pay some of the highest electric rates in the country. Additionally, as a coastal community, greatly affected by the impacts of a changing climate, Long Islanders actively seek opportunities to reduce carbon emissions. Efforts must be undertaken to give all customers new choices for energy savings, with local power generation that will provide safe and reliable energy that is also clean and affordable.

When supported by a competitive retail market, CCA, and other electric supply models that present alternatives to incumbent utilities, may offer the promise of more stable and potentially lower electric rates, in part because traditional utilities are subject to fluctuations in fossil fuel prices. In addition, alternative energy suppliers may offer more flexible, cleaner energy solutions which are better suited to meet the unique needs and garner the buy-in of individual Long Island communities. As local communities across the region experience the increasingly detrimental impacts of climate change, interest has grown in the exploration of ways to reduce fossil fuel emissions and the adverse impacts of greenhouse gases and harmful pollutants on water, air and soil quality. Alternative supply models such as CCA, and programs that can improve the energy efficiency of customers’ homes and buildings, offer local communities a welcome opportunity to demonstrate awareness of the urgency of climate change challenges, and engage in critically important action to protect and defend our natural environment and our economy.

Opportunities for retail competition that have not been realized

Opportunities for retail competition on Long Island have not been realized for a variety of reasons that must be addressed to ensure that critically important retail competition is attainable. First, the fixed-cost components of LIPA's long-term Power Purchase Agreements with suppliers are currently imposed on all customers, including CCA customers as non-bypassable charges through LIPA's Long Island Choice Tariff. This creates a challenge to alternative energy suppliers seeking to compete in the marketplace with cost-effective energy solutions. Because these fixed costs are automatically added to ESCO products, ESCOs are hard-pressed to meet or outperform LIPA's electricity prices in the Long Island service area.

This limitation may explain why the number of ESCOs currently licensed to work with the local utility on Long Island is limited, and why retail competition has not been realized. Indeed, as of September 2020, there is only one ESCO licensed to work with PSEG Long Island residential customers and four ESCOs licensed to work with all PSEG Long Island commercial customers.

Potential downstream benefits

The potential downstream benefits of a competitive retail electric market are legion and are, for instance, reflected in the potential of the CCA model. Energy costs are high on Long Island and are a significant and unpredictable portion of residential and business budgets. These expenses contribute to the high cost of living and the difficulties of doing business in Suffolk County. At the same time, the NY State Public Service Commission has identified CCA as consistent with the stated goals of REV to combat climate change by lowering carbon emissions and offering bargaining power through aggregation of numerous retail electricity accounts for the purpose of procuring wholesale electricity and providing a competitive process for choosing energy suppliers, potentially leading to lower energy costs. The CCA model has achieved lower rates across the nation and in parts of New York State. In addition, CCAs can offer value-added services like energy efficiency and bulk purchase programs, and can contract for other services such as wind, community solar, demand response, electric vehicle chargers, energy storage, and bulk purchase programs for microgrids, solar rooftops and other on-site power supplies.

In addition, job creation and other economic opportunities are important potential benefits of CCA's and supply models that seek to offer renewable energy resources. These programs could allow Long Island to participate more fully in the growth of New York State's clean energy economy, and allow the region to attract, support and retain new businesses. To be successful however, the CCA model requires a competitive local electric market. If ESCOs are unable to provide competitive pricing, the significant opportunities offered by the CCA model, with its promise of a lower-cost, cleaner energy future for Long Island will be lost.

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Downstream benefits will also include community involvement, representation, and participation in long-term energy planning, as for instance CCA programs and community outreach activities raise awareness and promote greater energy literacy and more informed civic engagement on energy issues.

Barriers to the creation of a competitive retail market

The CCA Task Force identified significant barriers to full viability of CCAs on Long Island, stemming primarily from impediments to the establishment of a competitive ESCO marketplace that can offer services and products at competitive prices. Challenges to the creation of a competitive market stemming from the pricing structure currently provided in the LIPA Tariff which authorizes the formation of CCA's, must be addressed head on.

LIPA purchases about 90% of capacity needs through long-term contracts, limiting the ability of ESCOs to contract with merchant generators because of the resulting lack of currently available on-island capacity. However, should the market offer the potential of truly competitive pricing, increased demand for clean energy will naturally increase the need for infrastructure, and could provide important incentives for infrastructure expansion. Another significant barrier however, stems from the fact that LIPA's Long Island Choice Tariff includes charges to ESCOs and their customers for on-island capacity. As discussed further below, the current pricing structure may make it impossible for ESCO's to offer a lower price electricity product to Long Island CCAs. LIPA should seek to reduce the cost incurred and resulting charges for on-island capacity for all customers, including ESCO customers.

Further, the May 20, 2020 Tariff requires that CCA participants conform with the requirements of LIPA's Long Island Choice retail access program. The tariff's overly-complicated LI Choice billing mechanism of charges and credits must be resolved. Replacing them with a single non-bypassable charge to cover LIPA's cost obligations for on-island capacity requirements, and setting the charge annually rather than making monthly adjustments of charges and credits under the current tariff may be good first steps, and may make it less risky for ESCOs to offer energy supply at a fixed annual rate. Such changes will not resolve the financial challenge to ESCOs however, as the current pricing structure will make it difficult if not impossible for CCA's to offer savings to ratepayers.

It has been suggested that reducing these fixed costs for CCA customers would result in non-CCA customers subsidizing the fixed costs of customers of the incumbent utility. Allowing CCAs access to systems benefit charge funds, or similar funds, or establishing a dedicated fund, possibly by NYSERDA, as recommended for instance, by New York State's Clean Energy

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Advisory Council, and providing funding to cover programmatic offerings such as DER, energy efficiency products and services may offer a solution. If NYSERDA or NYPA should offer enhanced grants for value-added programs under CCA, it could allow ESCO's to operate competitively, consistent with state clean energy goals, despite fixed legacy costs.¹

Best practices

In addition to noting the marketplace challenges presented by the current regulatory and rate setting framework as discussed above, the CCA Task Force Report notes several additional recommendations relevant to the current proceeding which include the following.

- LIPA and PSEG-LI should ensure its customer billing system offers single-bill functionality for CCA and ESCO customers, and allow customers to make a single payment for all charges.
- LIPA should amend its LI Choice Tariff by combining the LI Choice Bill charge and credit calculations into one single charge.
- LIPA and PSEG-LI should ensure that semi-annual energy data reporting is posted in a timely manner on the Utility Energy Registry (UER).
- DPS-LI should periodically review stipulated charges and credits such as the Power Supply Charge Adjustment (Tariff Leafs 206 & 313), Bill Credits for Participating Customers (Tariff Leaf 310), (or a non-bypassable charge if adopted by LIPA) which are used for billing adjustments to customers engaging in a CCA program, and ensure that such charges and credits are appropriate and reflect actual costs incurred or avoided by LIPA.
- DPS-LI should periodically perform audits of LIPA's charges and credits that are contained in the monthly "Statement of Bill Credit Adjustment for the Long Island Choice Program" (as per Leaf 299), or a non-bypassable charge if adopted by LIPA, which is assumed to be used for billing adjustments for any ESCO participating in a CCA program. This would ensure that such charges and credits are appropriate and reflect actual costs incurred or avoided by LIPA.

¹ The CEAC CCA Policy Recommendations Report dated January 12, 2018 is at <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={2A179490-1C62-4CDB-A7B9-833C72CF3FC7}>

While it is greatly appreciated that DPS continues to focus on the important question of retail competition on Long Island, it is urged that the current review of LIPA's Long Island Choice Tariff amendments proceed on an expedited basis and that resultant recommendations be issued to LIPA as soon as possible, in order to avoid undue delay of CCA implementation on Long Island.

The undersigned Legislators and the Suffolk County CCA Task Force look forward to continued support of the efforts of DPS in ensuring a competitive retail market and a cleaner energy future for the Long Island service area.

Sincerely,



Robert Calarco
Presiding Officer, Seventh District



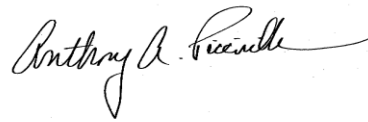
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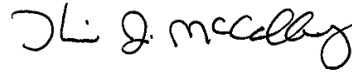
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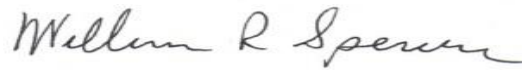
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