

NEW YORK STATE  
PUBLIC SERVICE COMMISSION

Case 05-M-0090 – In the Matter of the Systems Benefits Charge III.

COMMENTS OF INDEPENDENT  
POWER PRODUCERS OF NEW YORK, INC.

On January 28, 2005, the New York State Public Service Commission (“Commission”) issued a notice (the “Notice”) soliciting comments to assist Department of Public Service staff in its development of a proposal regarding the future of the systems benefit charge (“SBC”). Independent Power Producers of New York, Inc. (“IPPNY”) hereby submits comments in response to question 13 of the Notice which requests comments on whether the SBC program should be expanded to include programs for natural gas customers.

IPPNY is a not-for-profit trade association representing the independent power industry in New York State. Its members include more than 100 companies involved in the development, operation and ownership of electric generating facilities and the marketing and sale of electric power in New York. Many of the electric generating facilities owned and operated by IPPNY’s members burn natural gas to produce electricity.

If the Commission decides to impose an SBC on natural gas customers, it should exempt customers that burn natural gas to produce electricity. It would be counterproductive to impose an SBC on the gas burned by electric generating facilities because the charge would merely be passed through to retail electricity customers, resulting in higher electricity rates to consumers. Gas-burning electric generating facilities in a large number of hours are the marginal suppliers in the wholesale electricity

markets administered by the New York Independent System Operator, and during times when they are on the margin, set the energy price that all electric generating facilities receive and electricity consumers must pay. Imposing an SBC on the gas burned by electric generating facilities would result in electricity consumers being charged twice by the SBC, once via the SBC that is applied to retail electric bills and another time in the additional costs consumers pay for electricity when gas-burning units are on the margin.

#### CONCLUSION

As discussed above, the Commission should not impose an SBC on natural gas burned by electric generating facilities to produce electricity.

Respectfully submitted,

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Albany, New York