



HAND DELIVERED

Ms. Jaclyn A. Brillling
Secretary
Public Service Commission
3 Empire Plaza
Albany, New York 12223

Re: Case 00-M-0504-Proceeding on the Motion of the Commission Regarding
Provider of Last Resort Responsibilities...

Dear Ms. Brillling,

On behalf of Consumer Power Advocates (CPA), I offer these comments in support of the Petition for Clarification of Consolidated Edison Company in the above case. CPA is a member organization of leading academic and health care institutions all of who are purchasers of large amount of energy both under Con Edison's full service tariff and through its Retail Access program. As such, CPA has an interest in this proceeding.

CPA supports Con Edison's petition for clarification for the following reasons: 1) our belief that equivalent hedging products available to a utility is not currently available to customers at the same risk premium in the marketplace, 2) elimination of hedging for large volume customers will have unintended consequences for the remaining full service Con Edison customers, increasing the cost of providing service to them.

CPA believes that utilities should continue to offer hedged energy supply to all customers, regardless of the development of other market options. Deregulation began as a movement for customer choice. One viable choice for consumers has always been to stay with the utility. That choice will no longer be available for large commercial customers if hedging for that class is eliminated. This violates the regulatory principal mandate to assure just, and reasonable rates for service. Moreover, this discriminatory treatment of large consumers may negatively affect the choices of "mass market" customers.

If large volume customers are eliminated from a utility's hedging program two things will happen: 1) The residual load factor of the utility's hedges portfolio will increase. Not only are residential & small commercial load factors are lower than system average, their peaks are non-coincident with the large volume time-of-use customers. The decreased load factor of the residual hedged supply will increase capacity costs and hedging costs to these



customers. 2) Risk premiums for hedging this residual load will be greater than the risk premium for the entire utility portfolio. Electricity is sold in blocks of 100% load factor, residential and commercial customers when aggregated create a block that has the greatest diversity and therefore the lowest risk premium.

Further, elimination of hedging for large customers, in addition to its negative effects on small customers, is unnecessary. Large volume customers have led the transition to Retail Access, regardless of the opportunity to choose a hedged utility energy supply. The actual migration rates for large volume customers (in the range of 70% to 80%) should be viewed as an overwhelming success. Moreover, there has been no analysis of those large customers that continue to choose full service rates. For many of these customers, Retail Access may not be an available choice because of credit-worthiness issues, or they may have determined that the administrative costs of evaluating non-utility offers is too burdensome, and the savings too small, to justify migrating to market supply. Without an analysis of these causes, in any change designed to encourage them to migrate to market services will likely be ineffective at best. At worst, restricting customer choice to either market supply or an unnecessarily volatile utility portfolio will erode support for deregulation generally.

At present, the *retail marketplace* has not evolved to provide to large commercial customers the same hedging products available to Con Edison. The hedging products that are available are limited and carry a greater risk premium than those that can be obtained the utility. Competitive purchasing for this group is only justified by a favorable comparison of the long term deregulated energy price to current energy prices. If it makes sense to hedge because the timing is right, then an effective hedge is struck. In this game, timing, *timing is everything*. Creating an environment that gives less choice does not create good choices. Service from the utility allows a choice that creates a better market for all customers.

For all the above reasons, the clarifications sought by Con Edison should be confirmed.

Respectfully submitted,

s/catherine luthin

Catherine Luthin
Executive Director
Consumer Power Advocates