Issue Snapshot: Polar Vortex

Background: Last winter saw some of the largest electricity supply price increases in recent memory, ranging from 15% to more than 60% across the state. In response to growing pressure from concerned constituents who struggled to pay their utility bills, legislators were eager to advance proposals that would address the situation.

One bill requires utilities to offer customer credits when the supply portion of a bill increases by at least 15% from the previous month. The bill was intended to codify a similar program created by National Grid.

Another bill directs the Public Service Commission and the New York Independent System Operator (NYISO) to study the causes of last winter's price spikes and provide policy recommendations to the legislature. Governor Cuomo vetoed this bill on the grounds that the Public Service Commission is currently conducting a more in-depth review of the issue than the bill required.

Company Position: The company and New York's other transmission owners jointly requested the Federal Energy Regulatory Commission (FERC) to conduct a similar analysis. However, Con Edison strongly opposes the consumer credit legislation because it would do nothing to address the cause of last winter's price spikes, nor would it do anything to prevent similar price spikes in the future.

The demand for natural gas substantially increased last winter due to colder-than-anticipated weather across the country, reducing inventories and driving up prices. High natural gas prices also drove up electricity costs because natural gas is used by power plant owners to generate most of New York's electricity. Con Edison does not control these commodity costs.

The utility bill is made up of three components: government-imposed taxes and fees (approximately 25% of a typical customer's bill), delivery (approximately 25%), and energy supply (approximately 50%). Con Edison does not control the price of natural gas or electricity and makes no profit on either commodity; prices are determined on the open market. The company uses a variety of buying strategies to get the best price possible, and then provides the energy to customers with no mark-up. The only portion of the bill which Con Edison does control, delivery charges, has remained consistent for the last three years and will not increase for two years under a rate case agreement signed with the PSC in February 2014.

Con Edison, in consultation with the Public Service Commission, has revised its energy supply purchase strategy to increase the hedging of customers' supply costs, including increasing the amount of hedging done in winter months. These revised strategies should mitigate any sudden energy supply price increases.

The credit legislation also does not remove the need for customers to pay their supply costs - it simply defers payment of what they owe their supply charges to subsequent bills. Delaying customer payments and creating a “credit mechanism” may put some customers into deep arrears and create further challenges to pay against a growing utility bill. A better option for customers would be the no-fee budget payment plan, in which the company estimates a customer’s annual energy costs and spreads the payments evenly throughout the year. Customers can take advantage of this budget payment plan at any time, including when energy supply costs rise.