NY private developers push back against calls for utility-owned generation

Wednesday, March 26, 2025 3:34 PM ET

By Noah Schwartz
Commodity Insights

At their annual spring conference, New York independent power producers pushed back against calls to again allow utility ownership of generation in the state, arguing that competitive power markets are the best way to lower costs for ratepayers and achieve climate goals.

"We don't get paid until we generate electricity, whether it is a wind farm or a gas plant. The utilities just get it put into the rate base time and time again. There's an incentive for the private sector to get it done quicker and more efficiently," Gavin Donohue, president and CEO of the Independent Power Producers of New York (IPPNY), told Platts on March 25. Platts is part of S&P Global Commodity Insights.

The New York Public Service Commission separated utilities' transmission and distribution assets from their generation holdings in 1996 as part of an effort to create a wholesale competitive electricity market. In the years following the order, the state's utilities sold their generation assets to independent power producers and the New York ISO was created to oversee the market.

Recently, however, as New York has looked to accelerate its renewable energy buildout, utilities have lobbied for a return to the vertically integrated system.

A September 2024 report prepared for Consolidated Edison Inc. by the Brattle Group argued that utility ownership of renewables would lower costs for ratepayers and help the state meet its renewable energy goals.

"Utilities can play an important role in accelerating the development of renewable energy in an efficient way that brings long term value to customers," Raghu Sudhakara, vice president of distributed resource integration at Consolidated Edison, told Platts in a statement.

New York aims to generate 70% of its electricity from renewable sources by 2030.

FTI Consulting presented a report at the IPPNY conference concluding that the state's competitive market restructuring succeeded in delivering lower rates and developing renewables.

Power supply costs are now over 35% lower than when utilities owned wholesale generation, according to the report. Additionally, the state's emissions from the energy sector have dropped 21.5% since 2001, a decline the report said was driven by private developers.

"The choice to exert competitive pressure on the whole of generation, shifting that cost to build out onto investors off the backs of ratepayers and customers, was the right one," Shannon Maher Bañaga, senior managing director at FTI Consulting, said.

The Brattle Group report assessed that customer costs are "broadly comparable" in the utility and private ownership models.

"In our view, even the utility-sponsored analysis supports our position," FTI managing director and report author Robert Kaineg said.

Utilities' knowledge and familiarity with the regulatory environment could help them keep renewable energy projects on track and on budget, according to the Brattle Group report.

While noting that the purpose of FTI's report is not to rebut the Brattle Group's findings, Kaineg said that since utilities in the state have not built generation in a long time, it is not clear how their argument holds up.

"We have the experience and expertise to site these projects. We've done it for 25 years. The utilities don't even have the people on staff and in their employment at this point," Donohue said.

Additionally, Maher Bañaga said private investment and development will assist New York in its goal to adopt new energy technologies, such as nuclear and geothermal.

"The benefit to private development is that it doesn't put captive ratepayers on the hook for these technologies in the future," Maher Bañaga told Platts.

Public power advocates, meanwhile, maintain that neither utilities nor private developers are suited to lead the state's energy transition. Instead, they say, the New York Power Authority should use the power vested in it by the 2023 Build Public Renewables Act to build and own new renewable energy projects.

"With utility bills skyrocketing and our climate goals slipping further out of reach every day, it is clear that the for-profit energy sector has definitively failed New Yorkers," Michael Paulson, associate director of Sane Energy Project and co-chair of the Public Power NY coalition, told Platts in a statement. "Because their ultimate goal is profit rather than the public good, neither private developers nor investor-owned utilities are incentivized to advance our climate transition at the speed and scale demanded by science."

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.