PART 2

DESCRIPTION OF TARIFF PROVISIONS AND TARIFF LEAVES

Description of Tariff Provisions and Tariff Leaves

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TARIFF LEAVES

I. INTRODUCTION AND OVERVIEW OF THE LI CHOICE TARIFF PROPOSAL

In May of 1998, the Long Island Power Authority's ("Authority's") Board of Trustees adopted a plan for offering choice of electricity suppliers to its customers. Under the approved Program, known as Long Island Choice ("LI Choice"), the Authority will allow Energy Service Companies ("ESCOs") to begin soliciting customers for participation in March 1999 and begin delivering energy from ESCOs in August 1999. By 2003, all customers are scheduled to have the opportunity to choose their power supplier.

In order to implement LI Choice, the Authority must establish rates: (1) for the delivery of electricity, either through a bill credit applied to the existing tariff structure or an entirely new tariff section; (2) for the services to be provided by the Authority's subsidiary, LIPA, to ESCOs, Aggregators[1] and Direct Retail Customers ("DRCs")[2]; and (3) for other special charges necessary to ensure the economic feasibility of the Program. This Part 2 discusses the changes to LIPA's Tariff for Electric Service ("Tariff") necessary to implement LI Choice. The Tariff changes include the addition of a new section to the Tariff that covers the LI Choice service classification and amendments to certain sections of the existing Tariff to reflect the impacts of the LI Choice Program.

The revisions to LIPA's Tariff necessary to implement LI Choice may be divided into three broad categories:

1. The creation of bill credits for retail customer participation in the Program.
2. The creation of a new Service Classification No. 14 for ESCOs that are licensed under the LI Choice Program. Also, new rates and charges are established for licensed ESCOs that cover the services that these ESCOs may require.
3. Modifications to existing rates and riders that are necessary to implement LI Choice, specifically the existing adjustments to rates and charges.

The rate structure for the LI Choice Program provides for bill credits to be applied to LIPA's current, fully bundled rates. LI Choice customers will be charged a rate for delivery service that reflects bill credits equal to the generation-related energy and capacity costs that LIPA can avoid as a result of the Program. The LI Choice Program creates a fixed bill credit based on expected avoided costs and also includes variable ESCO credits that will return to (or collect from) ESCOs the difference between the fixed bill credit and the actual realized savings. The variable ESCO credits are intended to track the actual avoided costs of the Program and allocate to the ESCOs a share of any profits from the sale of energy from LIPA's unavoidable generating capacity.

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[1] Aggregators are a subcategory of ESCOs that enroll customers in the LI Choice Program and then contract with an ESCO for the provision of power supply, scheduling services, customer service, and related services to these customers. Tariff provisions that apply to ESCOs also apply to Aggregators except in the areas of power supply, transmission service and customer service.
[2] A DRC is a customer large enough to procure and schedule its power supply through the New York Independent System Operator (NYISO), when the NYISO becomes operational. DRCs are not a part of Phase I of LI Choice but are expected to be included in the Program in the future. While the Tariff addresses DRCs, for ease of discussion, this Part 2 refers only to ESCOs, since DRCs operate like ESCOs serving their own load.

LIPA's delivery charge[3] includes a distribution charge plus a transmission charge. The transmission charge will be based on LIPA's Transmission Service Charge ("TSC") contained in the proposed New York Independent System Operator ("NYISO") tariff. Prior to the establishment of the NYISO, the transmission charge will be based on the LIPA Open Access Transmission Tariff ("OATT"). The proposed NYISO tariff has provisions which may result in additional revenues to LIPA when third parties use transmission service. To the degree that LI Choice customers do not recover these revenues through other mechanisms, LIPA anticipates providing a variable transmission credit to ESCOs.

Minor amendments are made to the Fuel and Purchased Power Cost Adjustment ("FPPCA"), the Ratepayer Class Action Refund, the Shoreham Property Tax Settlement Factor, and Adjustments to Rates to Encourage Business Development. The change to the FPPCA removes the net revenues from off-system sales from the calculation. The changes to the Ratepayer Class Action Refund, the Shoreham Property Tax Settlement Factor, and the Adjustments to Rates to Encourage Business Development are intended to flow through the same level of benefits to customers who participate in LI Choice as they currently enjoy as bundled service rate customers of LIPA.

II. ALTERNATIVES CONSIDERED

The Authority considered various alternative rate designs and tariff structures interconnected with the development of the LI Choice rate proposal. The alternatives were evaluated, taking into account the following factors, listed in order of increasing importance:

1. The development of retail access programs elsewhere in the State and throughout the industry.
2. The goal of maximizing the enrollment of and benefits to participating customers and ESCOs.
3. The May 1998 LI Choice plan's criterion that the LI Choice Program have no negative impact on nonparticipating customers.

A. Avoided Cost Bill Credit vs. Separately Developed Delivery Rates

The basic rate structure of the LI Choice Program involves the use of an avoided cost bill credit. As an alternative rate structure, LIPA could calculate the costs of providing delivery service to each class of participating customers. The avoided cost bill credit approach was selected because it more directly meets the Public Authorities Control Board ("PACB") guidelines and because it does not require changes to the existing rate design.

[3] Prior to the operation of the NYISO, the transmission charges included in LIPA's delivery rates will include the costs associated with all transmission and ancillary services under the LIPA Open Access Transmission Tariff (LIPA OATT). Once the NYISO is in place, transmission charges included in LIPA's delivery rates will include only the NYISO's Transmission Service Charge. ESCOs will pay the NYISO for LI Choice customers' applicable ancillary services, transmission losses and transmission congestion charges and will bill the LI Choice customer for these charges as part of the charges for Electric Generation Service.

The magnitude of the bill credit is a primary concern to participating customers, ESCOs and nonparticipating customers. Participating customers and ESCOs prefer the bill credit to be as large as possible, while nonparticipating customers would be harmed if the bill credit were larger than the cost savings achieved by the Program. A bill credit based on actual avoided costs is preferred because it represents the maximum amount that can be credited to participating customers and ESCOs without endangering the stability of nonparticipating customers' rates. No extra "bounty" or "incentive" has been included in the bill credit. Some electric utilities and ESCOs have offered or proposed such additional payments as a way to increase enrollment in their retail choice programs. Although incentives may increase Program participation, public comments at the LI Choice public workshop sessions suggest that nonparticipating customers would place little value on such enhancements to the marketplace. Also, such incentives would shift costs to nonparticipating customers.

B. Fixed Bill Credit vs. Variable Bill Credit

Another important decision regarding the rate structure concerns the nature of the bill credit itself. One option is to set the bill credit to a fixed amount based on estimated savings, while another option is to allow the bill credit to track actual savings. Most programs in New York and in other states have established a fixed schedule of bill credits for the next several years. With those programs, the utility accepts a majority of the risks and rewards associated with forecast error. If the actual savings are less than the forecasted amount, the utility has less funds available to meet its other financial obligations, and vice-versa. A variable bill credit, on the other hand, tracks the costs avoided by the utility, then funnels those savings back to the participants of the retail choice program. The utility's own funds are more secure under this arrangement, while the participating customers and ESCOs capture all of the benefits and risks of the Program. The down-side to a variable bill credit is that the bill credits would tend to fluctuate with the variation in costs. When the Authority commenced its operations in May of 1998, the Authority reduced rates by an average of 20% and adopted rate policies to stabilize customer rates. The Authority will not take this important benefit away from customers who elect to participate in the LI Choice Program.

In order to protect nonparticipating customers from any financial burden, the Program will utilize both fixed and variable bill credits. This approach is a little more complicated than a fixed bill credit approach. To provide greater choice for customers and to simplify the customer's evaluation of the Program, we have created a fixed bill credit based on expected marginal costs. A separate variable energy adjustment that tracks actual avoided costs will be charged to ESCOs. ESCOs can decide how to pass the risks and benefits back to their customers.

C. Variable Energy Adjustment for ESCOs vs. Participating Customers

A variable adjustment clause that tracks the actual savings attributable to the LI Choice Program could be applied to either the ESCOs, or to the participating customers directly. Applying the variable adjustment directly to the participating customers poses a number of significant rate design difficulties. The biggest obstacle would be the apparent conflict between a monthly adjustment clause for LI Choice customers and the annual FPPCA for nonparticipating customers. The Authority adopted the FPPCA in its current form in order to provide stability to customers in their rates. That stability has two aspects: the FPPCA has a tolerance band that absorbs small variations in energy

costs; and, the FPPCA is applied annually instead of monthly. The avoided cost bill credit, however, is intended to pass through all of the avoided costs (no tolerance band) on a monthly basis (not annually). It would be very difficult for individual customers to compare the two rate structures when deciding on participation in the LI Choice Program.

ESCOs, on the other hand, need to be familiar with price risk and are expected to develop products that will mitigate that risk on behalf of their customers. A variable tracking mechanism would provide the full avoided costs of the Program to participating customers (indirectly through their ESCOs) and would serve to ensure that customers are provided with alternatives for managing that price risk. For these reasons, we have adopted a fixed bill credit for participating customers and a variable adjustment clause that will return to (or collect from) ESCOs the difference between the fixed bill credit and the actual realized savings.

D. Level of the Fixed Bill Credit

In establishing the rate structure, the Authority had to decide whether to set the fixed bill credit at the estimated marginal costs, estimated avoided costs or at some lower level. There are two aspects to this decision: how the adjustment affects the ESCO, and how the adjustment is calculated. By setting the bill credit at the projected avoided costs, the adjustment clause has the same probability of being negative as being positive. This means that during the “settlement process” between LIPA and the ESCOs (which involves reconciling wholesale deliveries with actual retail deliveries and losses), the adjustment clause could subject the ESCOs to additional charges, just as it could provide a supplemental credit. Some considerable risk exists that an ESCO could have its financial position jeopardized if such unforeseen negative adjustments become large. Setting a fixed bill credit below projected avoided costs helps ensure that the adjustment clause will result in a credit rather than a charge. This will help to stabilize the finances of participating ESCOs, since the down-side risk would be minimized.

There is a flip-side to this issue, however. While a lower bill credit simplifies the adjustment procedure, it may also create the impression that the LI Choice Program offers too few benefits directly to participating customers. Many stakeholders may focus on the level of the bill credit while ignoring the additional ESCO credit. If this occurs, decisions about whether or not to participate in LI Choice will be influenced more by the size of the fixed bill credit than by the prospect of benefiting from an unknown future credit. A higher bill credit, based on projected marginal costs, would minimize this situation. In the public workshops, ESCOs advocated using a bill credit based on estimated marginal costs. For all these reasons, we have decided to base the bill credit on estimated marginal costs.

Another aspect related to the size of the bill credit was considered. The size of the capacity bill credit may appear to be small, but, in Phase I, LIPA will be providing a significant amount of installed generation capacity to the participating customers, at no additional cost to their ESCOs. This is embedded in LIPA’s rates and is being made available to the ESCOs as part of the Program design.

The rate structure for the LI Choice Program has different effective bill credits for each rate class. This is because the capacity bill credit is presented as an energy charge bill

credit for the non-demand-metered classes and adjusted for load factor and billing demand diversity factor in the demand-metered rates.

A separate section of the Tariff has been established for the LI Choice Program. A single table of bill credits is presented, along with the special provisions that are needed to accommodate service under LI Choice. Also, a new service classification is established for licensed ESCOs.

III. DERIVATION OF THE BILL CREDIT

The bill credits for the LI Choice service classifications are derived from the removal of specific costs from existing LIPA bundled service rates. Under the terms of the LI Choice Program, rates to participating customers will be reduced by an amount equal to the costs that LIPA avoids as a result of the Program. The combination of two cost adjustments creates the net reduction in participant rates: the capacity costs that LIPA can avoid and the energy costs that LIPA can avoid. The calculations of the proposed bill credit rates are summarized in Exhibit 1.

The capacity bill credit reflects the costs associated with three capacity sources avoidable by LIPA and the LI Choice participants: (1) NYPA Fitzpatrick power; (2) short-term capacity purchases; and (3) the Demand-Side Management ("DSM") Load Reduction ("Co-op") program. The remainder of LIPA's capacity resources are not avoidable over the next several years. The derivation of the capacity bill credit is shown in Exhibit 2. The costs that can be avoided from the three capacity sources are shown, along with the MW contribution to system capacity of these sources. The weighted average avoided cost is then adjusted by 118% for required reserves and 17.3% to limit the credit to off-Island capacity requirements. This produces the avoided cost of capacity, including reserves, of $8.81 per kW of load. On a system-wide basis, that is equivalent to 0.64 cents per kWh of summer consumption. These numbers are adjusted upward in Exhibit 1 to account for the losses that occur on LIPA's transmission and distribution system.

The calculations in Exhibit 2 reflect two decisions regarding the appropriate structure of the bill credit: expressing the capacity bill credit as an energy charge and applying it only to the peak summer period. Expressing the capacity bill credit as an energy charge is not the most precise approach, but it reasonably reflects the avoided cost of the LI Choice Program and is easier for the customer to understand. Applying the capacity bill credit to the peak summer period is also appropriate. LIPA's capacity requirements are summer peak driven, and two of the three avoidable capacity resources are used only in the summer. The short-term purchases are made only in the summer months and the DSM Load Reduction program is likewise utilized only in the summer months. The Fitzpatrick capacity charge, which is levied in every month of the year, is likewise justifiable as a summer requirement since there is no need for that capacity in the non-summer months.

The combined effect of these calculations is shown on the right-hand side of Exhibit 2. Load factor tends to increase with customer size, and the largest commercial time-of-use customers have load factors that are almost double the level for residential and small commercial customers. Peak summer energy consumption is also shown in Exhibit 2. Peak summer energy consumption, however, is measured differently for time-

of-use ("MRP") and non-time-of-use ("non-MRP") customers. For customer classes without time-of-use metering, the capacity costs are spread across the entire summer season consumption, the months of June through September. For time-of-use classes, the capacity costs are spread across only the summer daytime (peak period) consumption. This is the principal reason for the difference in consumption between time-of-use and non-time-of-use consumption: there are fewer hours included in the peak period for time-of-use customers.

The energy bill credit is based on the marginal cost of energy procured by LIPA. Marginal cost is measured as the change in cost for a relatively small change in load in each hour: 50 MW in this case. An alternative measure that was considered was avoided cost. Avoided cost differs from marginal cost primarily in the size of the decrement. To measure avoided costs, the decrement would be the total size of the LI Choice Program load, which is many times larger than the 50 MW decrement used to estimate marginal costs.

Marginal cost was chosen over avoided costs as the basis for the bill credit for a number of reasons. Marginal cost most closely approximates the expected pricing behavior when the NYISO becomes operational. Power will be bought and sold through the NYISO at location-based marginal price ("LBMP"), which is expected to reflect marginal cost rather than avoided cost. Also, avoided costs will be harder to measure down the road. As the LI Choice Program evolves and grows, it will be increasingly difficult to determine what would have been needed by LIPA to serve all of the load on Long Island, yet such information is essential to the calculation of avoided cost. Marginal cost does not require such calculations. Lastly, marginal cost and avoided cost are expected to be fairly close in value for the early years of the LI Choice Program. Exhibit 3 reports the estimated marginal costs used in developing the rates.

The energy cost adjustment also includes provisions to reconcile the LBMP (which serves as the basis for the bill credit) and the avoided costs that LIPA will experience through the reduction in its energy requirements. The impact of such a reconciliation is dependent on the total amount of load served by ESCOs. For example, assuming that load is reduced by 100 MW in the peak hour and proportionately less in every other hour, the estimated avoided cost for the year is $27.37 per MWh (measured at the generator), or $2.65 per MWh less than the LBMP. This represents a potentially large financial liability for LIPA. Based on this assumption, LIPA would experience a $4.93 million revenue deficiency. Accordingly, an adjustment is being included in the Energy Cost Adjustment to collect from ESCOs the portion of the bill credits that are given to participating customers which exceed LIPA's avoided energy costs. Initially, the adjustment will recover the $2.65 per MWh difference identified above. The actual level of sales to ESCOs and the resulting avoided costs will be monitored by LIPA, and prospective adjustments will be made to this component of the Energy Cost Adjustment, to maintain the balance between the LBMP included in the bill credit and the costs avoided by LIPA as ESCOs obtain their energy requirements from other sources. This value of $2.65 per MWh will be adjusted from time to time with 120 days' notice to ESCOs.

IV. SEPARATING THE CHARGES FOR TRANSMISSION SERVICE

Wholesale transmission service by LIPA is currently provided under the LIPA OATT. The LIPA OATT was developed in a pre-NYISO environment, and is expected to be superseded by the NYISO Tariff when that organization becomes operational. The Tariff provisions we are adopting are based on the pre-NYISO environment and the existing LIPA OATT, and will need to be re-evaluated when the NYISO Tariff is implemented.

The rate design removes the LIPA OATT charges from the bundled service rates, and then charges them separately and explicitly to the participating customers. The LIPA OATT charges for network service are separately stated for LI Choice customers in order to demonstrate that these customers are paying the same transmission service costs as wholesale customers of LIPA. The transmission service charge is calculated in Exhibit 4. LI Choice customers receive fully loaded annual network transmission service from LIPA, the same as bundled service customers. The network service charges include all of the necessary ancillary services, including balancing and scheduling services, both types of operating reserves, and regulation and frequency response.

The LIPA OATT network service charges are based on the average of 12 monthly peak demands. The transmission charge for LI Choice takes the fully bundled monthly LIPA OATT charge and adjusts it on an annual coincident peak demand basis, and then apportions the charge across annual energy consumption using the load factor for each class instead of a single annual demand. The transmission charge is recovered across all energy consumption to reconcile better with the hourly pricing that is available under the LIPA OATT, and for simplicity reasons, as mentioned above. These numbers do not account for the losses that occur on LIPA's transmission and distribution system. The bill credits received by participating customers will be approximately 8% higher at the secondary voltage level, to account for these losses.

V. CERTAIN SAVINGS

The LI Choice Program may potentially generate tax savings for participating customers. Proposals to change New York State Sales Tax, Gross Receipts Taxes and Gross Earnings Taxes may affect the taxes paid by participants in the Long Island Choice Program. The effect of these tax changes is uncertain at this time.

VI. CERTAIN FINANCIAL ADJUSTMENTS TO ESCOS

Capacity and energy financial adjustments will be provided to ESCOs when the costs actually avoided by LIPA due to LI Choice differ from the estimated avoided costs included in the bill credits previously discussed. The revenue sources to support these ESCO adjustments come directly from the sale of LIPA's capacity and energy into the marketplace.

Under the Capacity Credit Adjustment, ESCOs will receive capacity credits from the monies received as a result of the auctioning of any unused generation capacity of LIPA. If the total amount of capacity controlled by LIPA exceeds LIPA's requirements for serving its bundled-service customers, LIPA will periodically sell the excess at

auction. LIPA will credit to ESCOs the net revenues realized from these auctions as they are received, up to LIPA's cost for such capacity. No capacity auctions are anticipated during Phase I of LI Choice.

Under the Energy Adjustment, LIPA will provide energy credits or debits to ESCOs from the sale of energy at market prices. As LIPA sells energy into the marketplace at market prices from the generation it owns or has under contract, it will realize net revenues based on the difference between the market price and LIPA's variable cost of generation. The net revenues associated with the amount of energy that is freed-up by the LI Choice Program will be credited back to the ESCOs. Alternatively, net revenues associated with energy sales in excess of the LI Choice customer requirements will be retained by LIPA .

VII. MISCELLANEOUS SERVICE CHARGES TO LICENSED ESCOS

Under Service Classification No. 14, ESCOs will be subject to charges for enhanced metering options, certain historic billing information, special meter readings, and retail settlement processing fees. Each of these charges is intended to recover LIPA's additional costs of providing these services to ESCOs. Service Classification No. 14 also contains special provisions for the level of capacity reserves and system losses, load balancing, financial security and customer enrollment.

LIPA will provide, at an ESCO's request, enhanced metering options at any of its customers' locations. These enhanced metering options will provide ESCOs with significantly more consumption information than would otherwise be available from the standard LIPA meter. The ESCO requesting the enhanced metering option will be charged a one-time fee to cover the incremental capital cost associated with the meter, including the cost of installation of the embedded meter and removal of the existing meter. There will be no recurring charge associated with enhanced metering; the standard service charge will continue to apply.

Licensed ESCOs can obtain approximately 24 months of historic billing information, if available, at no additional cost, as part of their participation in the LI Choice Program, and subject to the approval of the customer. Charges for additional years of historic billing and consumption information will be based on LIPA's additional costs of extracting the information from off-line record storage media.

Special meter readings are not required under the LI Choice Program. Customers who enter or leave the Program, or switch ESCOs, will receive estimated bills that prorate consumption between meter readings. ESCOs and customers may also, for a fee, request special meter readings to accommodate specific billing situations where partial cycle consumption data is required. Requests for special meter readings may be denied or rescheduled if LIPA does not have sufficient meter readers to handle the request.

Service Classification No. 14 establishes the values of installed capacity reserves (ICAP), local installed capacity reserves (local ICAP), and demand and energy losses. The values are to be contained in a new Statement (rider) that is provided for in the Tariff. Further, requirements for financial security from the ESCOs and ESCO enrollment of customers in the Program are also defined in the Tariff. In addition, load

balancing and other provisions referenced in the Tariff are further defined in the Operating Procedures.

VIII. REVISIONS TO SPECIAL PROVISIONS AND CHANGES TO RIDERS

The new Tariff provisions include some changes to existing Adjustment Factors within the existing Tariff, and the introduction of some special provisions specifically for LI Choice customers. The changes to existing Adjustment Factors include the Fuel and Purchased Power Cost Adjustment Rider, Increases in Rates and Charges to Recover PILOT Payments, the Ratepayer Class Action Refund, and the Shoreham Property Tax Settlement Rider. Special provisions of the LI Choice Service Classification include an administrative charge for switching ESCOs and an energy cost reconciliation for customers who transfer to the LI Choice Program in mid-year.

By design, the FPPCA mechanism recovers from, or refunds to bundled service customers, on an annual basis, the changes in fuel costs that exceed the specified tolerance band. Two changes to the existing FPPCA to accommodate the introduction of the LI Choice Program are implemented. First, the FPPCA no longer reflects the net revenues from off-system sales from LIPA-controlled generation. Instead of supporting all customers through reductions in fuel costs, net revenues from off-system sales will be retained by LIPA for the benefit of its bundled service and LI Choice customers. Second, the definition of energy requirements is modified slightly to include the energy requirements of LI Choice customers, which would be excluded under the former definition.

The Ratepayer Class Action Refund and Shoreham Property Tax Settlement Rider are each expressed as a percent of revenue. LI Choice customers, who no longer pay LIPA for the energy component of their electricity service costs, would lose a portion of these credits due to the effect of the bill credit if the existing Tariff language is not changed. Accordingly, appropriate wording is added to these two riders to indicate that the value credited to customers each month will be based on the rates for the corresponding bundled service companion rates.

Two new administrative charges have been included in the LI Choice Program to deal with customers who switch ESCOs or switch from LIPA service to LI Choice in mid-year. An administrative fee of $10 is proposed for customers who switch ESCOs. The charge is intended to defray some of the costs of recording the switch in LIPA's customer records, updating the retail settlement software, and dealing with switch-related customer service issues. Provision is made for one free switch for the initial enrollment with an ESCO and another free switch to leave the LI Choice Program, if desired.

An energy cost reconciliation will be performed for customers who elect to rejoin the LI Choice Program. The energy cost reconciliation is intended to remove any incentive to switch into or out of the LI Choice Program at various times of the year, in order to exploit LIPA's seasonal rate structure. It does not apply to first-time enrollment in the Program. The energy cost reconciliation will be based on the date the customer previously returned to bundled service (reconciliation date). The customer's energy payments (equal to the bill credit) will be compared to the actual average cost of energy for each month since the reconciliation date. If the customer's energy payments exceed the customer's actual energy costs, a refund will be paid to the customer. If the actual

energy costs exceed the customer's energy payments, the charge will be added to the customer's first LI Choice bill. Customers who join the LI Choice Program on their reconciliation date will be excused from the energy cost reconciliation.

IX. PARTICIPATION REQUIREMENTS FOR RETAIL CUSTOMERS

Implementation of LI Choice will consist of three phases. The Tariff rate design reflects Phase I. During Phase I of the LI Choice Program, customers electing to participate will be required to take their full capacity and energy requirements from a single licensed ESCO per account. The following customers are not eligible to participate in Phase I: municipal and private area lighting (Service Classifications Nos. 5, 7, 7a and 10); customers served under special contracts (Service Classifications Nos. 2-VRTP and 13); customers who wish to sell excess power back to LIPA (Service Classification No. 11); customers utilizing partial requirements service (Service Classification No. 12); and, unmetered accounts. Wholesale customers already have a choice of supplier and are not affected by LI Choice.

The LI Choice Program provides for full customer choice by the year 2003. By that time, every retail customer will have the option of selecting a licensed ESCO to provide electric generation service.

X. PARTICIPATION REQUIREMENTS FOR ESCOS

S.C. No. 14 sets forth procedures by which an ESCO becomes licensed by the Authority. It also sets forth a wide range of Program requirements that ESCOs must comply with, including the Authority's Operating Procedures, customer enrollment, consumer protection, and product disclosure requirements. As discussed, S.C. 14 also addresses LI Choice billing and metering matters and sets forth various services LIPA will provide ESCOs. S.C. 14 further provides for Authority access to ESCOs' records to ensure compliance with LI Choice Program requirements. S.C. 14 also sets forth license suspension and revocation criteria and procedures.