



TOP TEN REASONS ISOs/RTOs ARE GOOD FOR AMERICA

1. Enhanced Reliability

Because they span large geographic areas, regional markets optimize the power grid by promoting efficiency through resource sharing. These organized markets are designed so that an area that has surplus electricity can benefit by sharing megawatts with another region within the open market. This allows them to see the big picture when it comes to dispatching electricity as efficiently as possible. By maximizing megawatts as the demand for electricity increases, ISOs/RTOs help “keep the lights on” during peak periods.

2. Efficient Grid Dispatch

Through the use of advanced technologies and market-driven incentives, the performance of power plants within regional markets tends to be better than in areas under monopoly control. Evidence indicates there are lower power plant outage rates within competitive market regions because generation owners are motivated to keep plants on line, especially during peak periods, in order to maximize their revenues.

3. Better Price Transparency

ISOs/RTOs are better equipped to identify transmission bottlenecks, analyze reliability and evaluate the economic benefits of investing in additional transmission in an unbiased manner. In monopoly-controlled markets, consumers and investors are faced with a “black box” regarding information about prices and locational value of transmission, which inhibits investment in the power grid. In contrast, competitive markets have seen billions spent to strengthen the power grid.

4. Ease of Entry and Private Investment

ISOs/RTOs develop standardized non-discriminatory rules for grid interconnection and provide important price signals for new investment. As grid planners, they provide the mechanisms for identifying the most economic solutions to transmission issues across a large footprint. ISOs/RTOs provide greater access to the infrastructure investment necessary to keep up with the growing demand for electricity in the United States.

5. Green Power Added to Grid

ISOs/RTOs level the playing field for diverse types of power plants to compete to bring the lowest cost electricity to consumers. Whether it is ensuring non-discriminatory access to high-voltage power lines or creating markets that open doors to renewable power, ISOs/RTOs are seeing robust investment in environmentally-friendly power generation in their regions.

TOP TEN REASONS ISOs/RTOs ARE GOOD FOR AMERICA



6. Market Monitoring Benefits

ISO/RTO market monitors play an important role in enhancing the performance of competitive wholesale electric markets. Competitive markets benefit customers by assuring that prices properly reflect supply and demand conditions. Market monitors identify ineffective market rules and tariff provisions, identify potential anticompetitive behavior by market participants, and provide the comprehensive market analysis critical for informed policy decision-making.

7. Market Flexibility

Organized markets offer diverse power products and services as well as an array of markets that can be used to hedge against price risks. Because average real-time energy prices correlate to short-term forward bilateral prices, ISO/RTO markets foster forward contracting that can stabilize prices. More and better price transparency means better contract pricing.

8. Liquidity in the Marketplace

ISO/RTO markets have more buyers and sellers than non-competitive markets. For instance, there are hundreds of companies now vying for customers. Prior to restructuring, there were only a handful of companies competing to bring the lowest cost power to consumers.

9. Market Diversity

Regions with organized wholesale markets have numerous buyers and sellers, but generator ownership is more concentrated in non-competitive regions. Formalized markets are able to monitor for the exercise of market power abuse and address market power through mitigation rules, recommending new operating procedures or proposing market structure changes.

10. Demand Response Development

ISOs/RTOs provide more information. And because grid and market data is available publicly, anyone can see it. As a result, more companies are encouraged to participate in energy markets—even companies that are paid to reduce demand on the grid. Demand response bids are very important during peak periods of electricity usage because reducing demand is just as effective as increasing supply—and often it is cleaner and more economical.