

Market Performance Report

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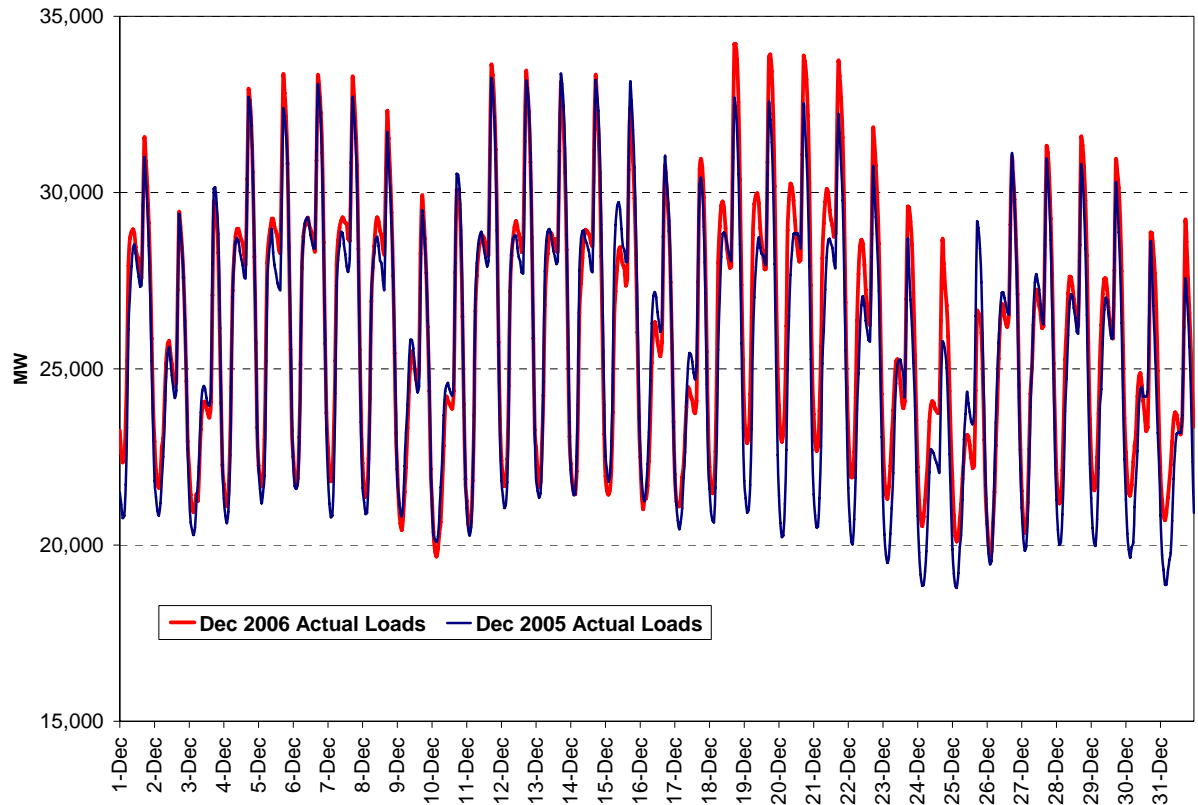
CAISO Board of Governors
March 7, 2007

Market Overview

- December was generally quiet
- Natural gas prices declined steadily from \$7.50/MMBtu to under 6.00/MMBtu by month's end -- Bilateral contract prices also fell in conjunction with the decline in gas prices
- Average real-time energy price increased slightly over from \$49.25/MWh to \$50.79/MWh. Average volumes of incremental and decremental energy remained relatively unchanged
- Total unit commitment costs increased sharply to \$2.3 million in December, up from \$975,000 in November. The increase was driven primarily by Southern California Import Transmission (SCIT) nomogram generation requirements, because a significant amount of base load generation was off-line for maintenance through the first two-thirds of the month.

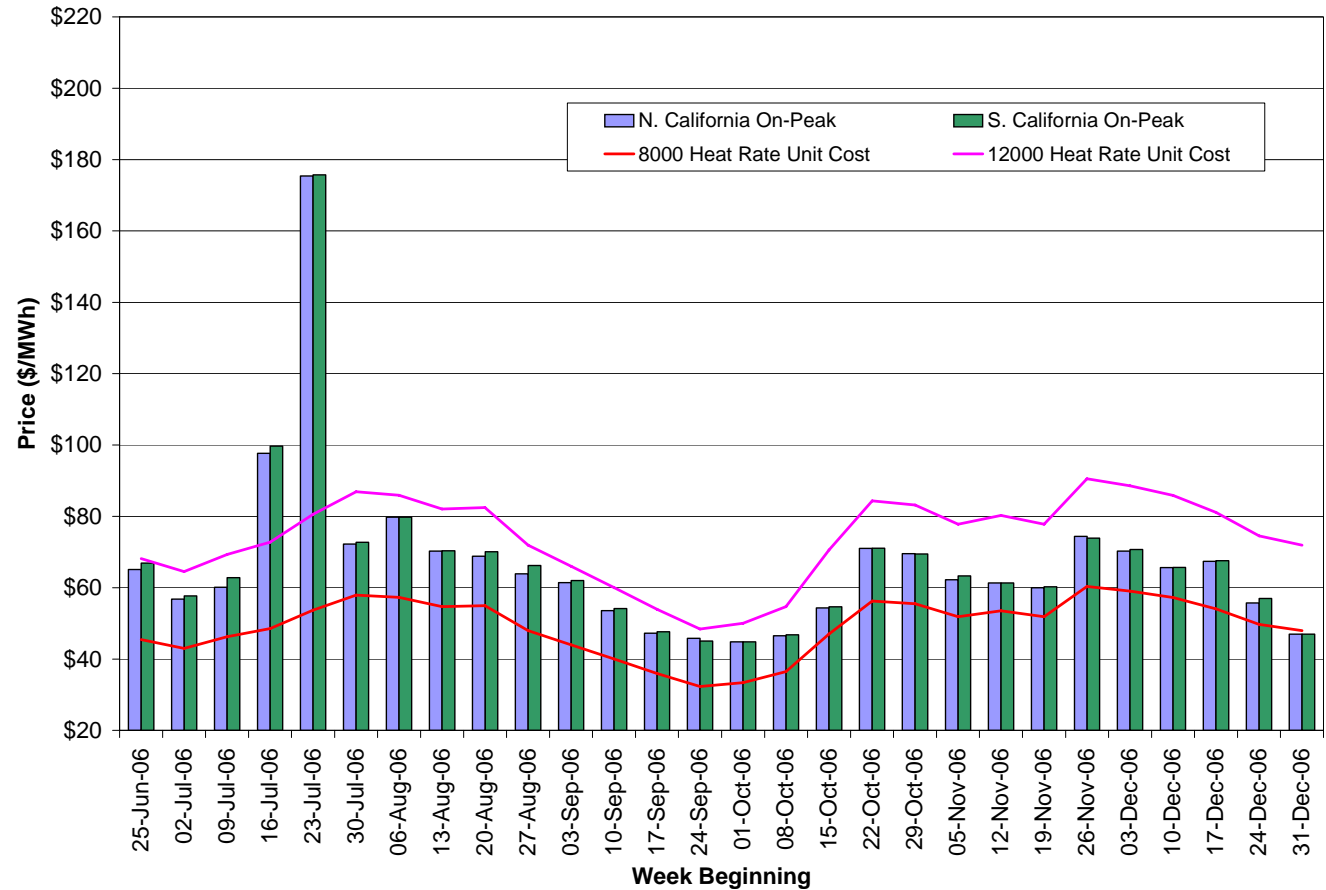
System Load Comparison – Dec 05 to Dec 06

At 26,229 MW,
December average
loads were up
1.5% from one year
ago, and 2.8%
above November's
average load of
25,507 MW.



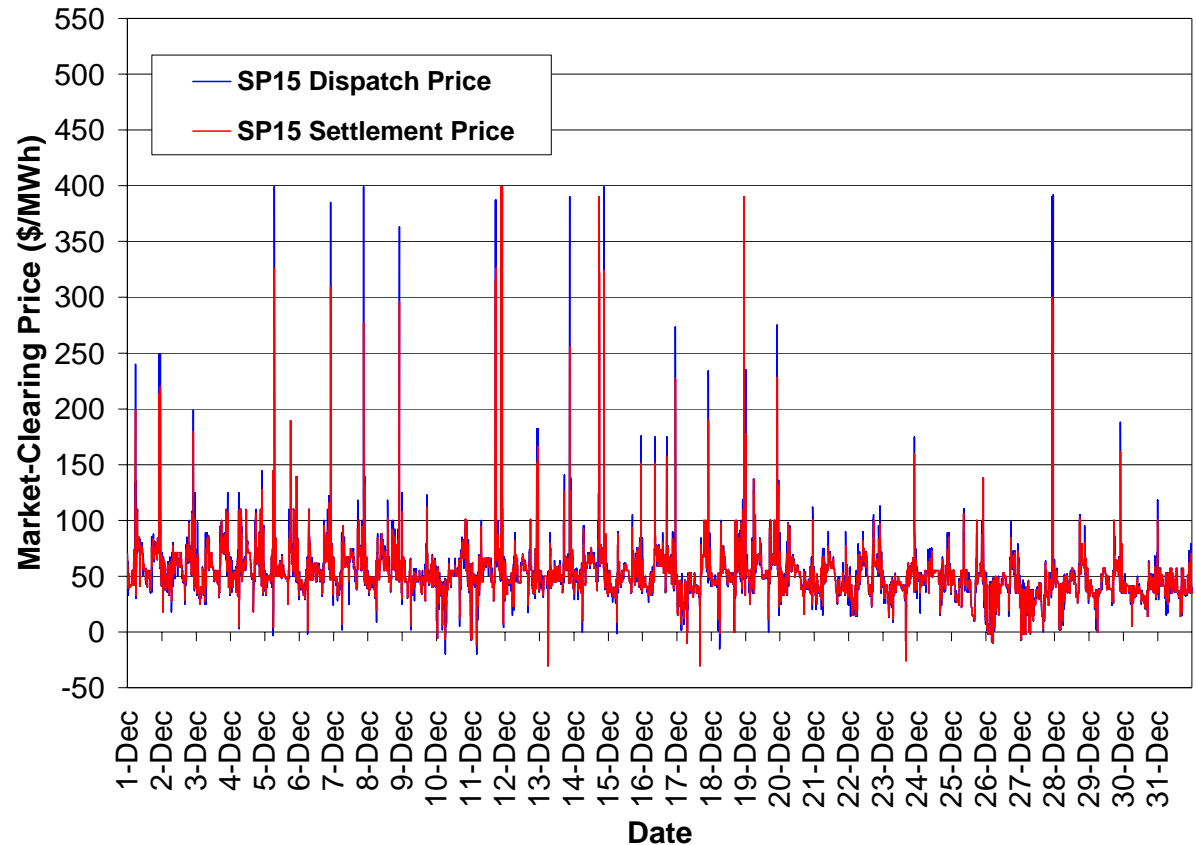
Bilateral Electricity Prices

- Bilateral prices continue to closely track gas prices, which declined in December



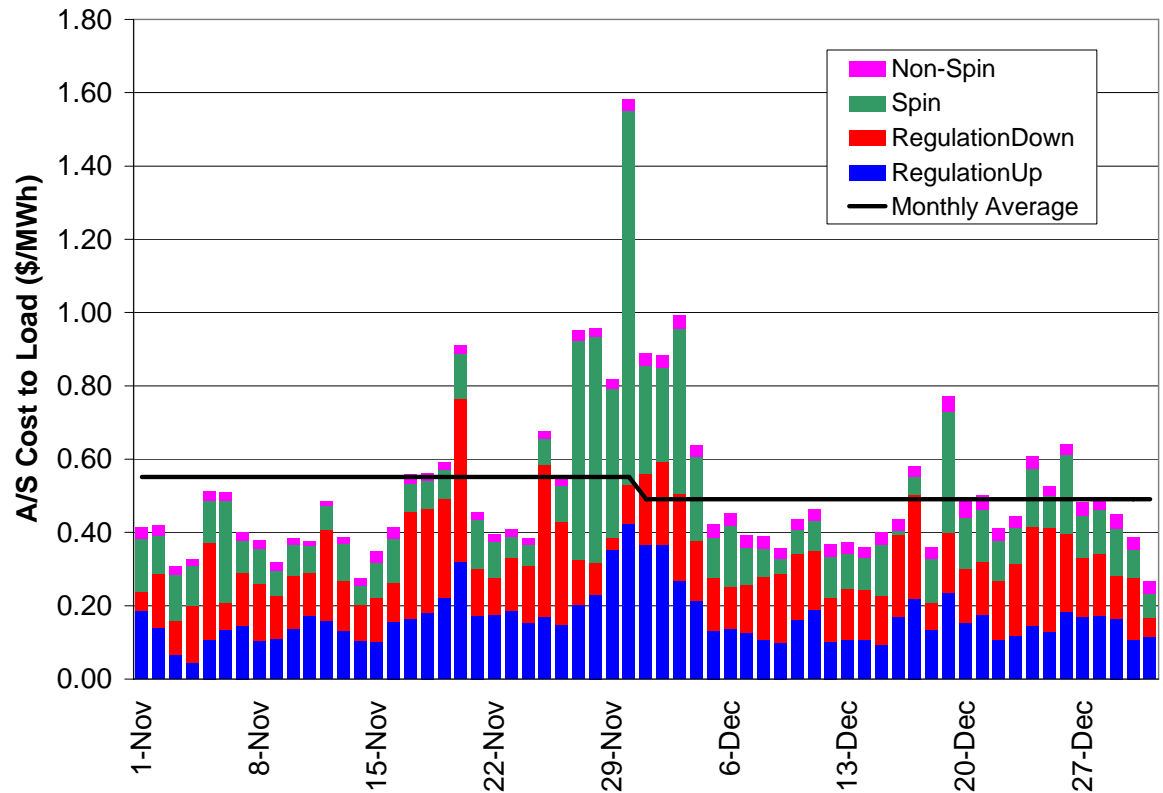
Real Time Balancing Energy Prices

- Real-time prices exceeded \$250 59 times in Dec compared to 88 occasions in Nov
- A majority of price spikes occurred in the first hourly interval of declining ramp in late evening/early morning



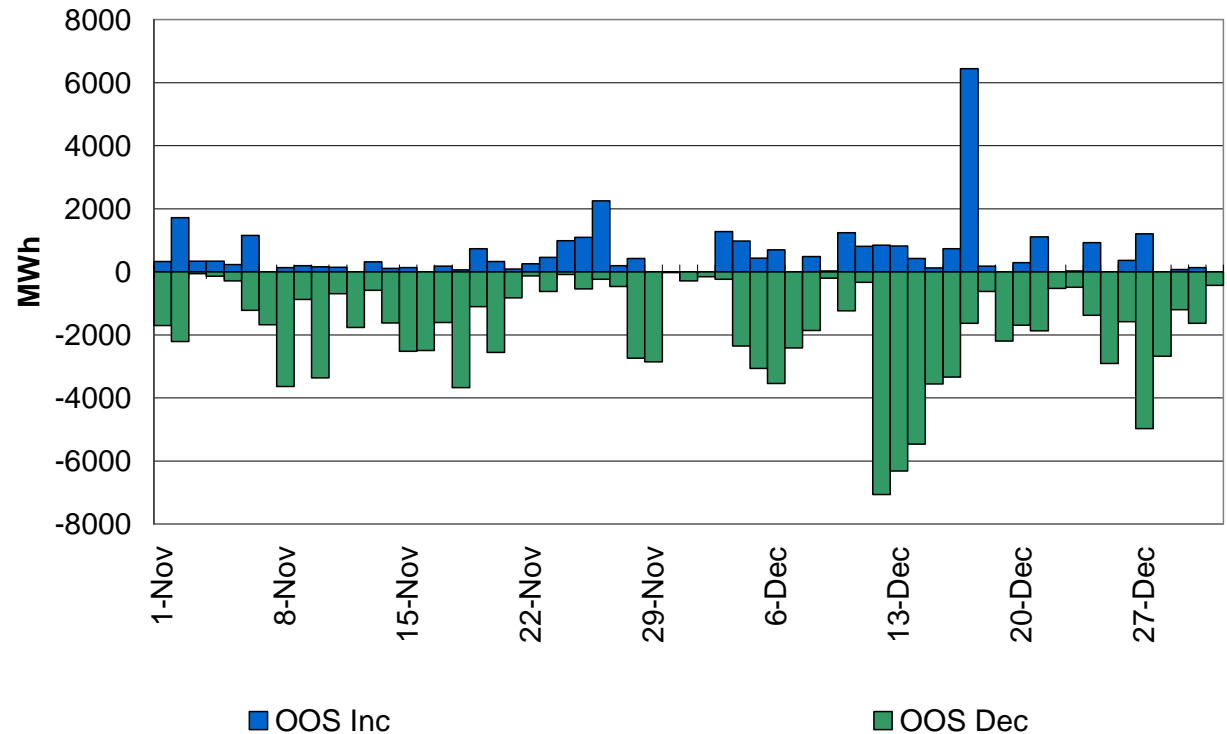
Ancillary Services Markets

- The average total cost of Ancillary Services decreased to \$0.49 in December from November's \$0.55



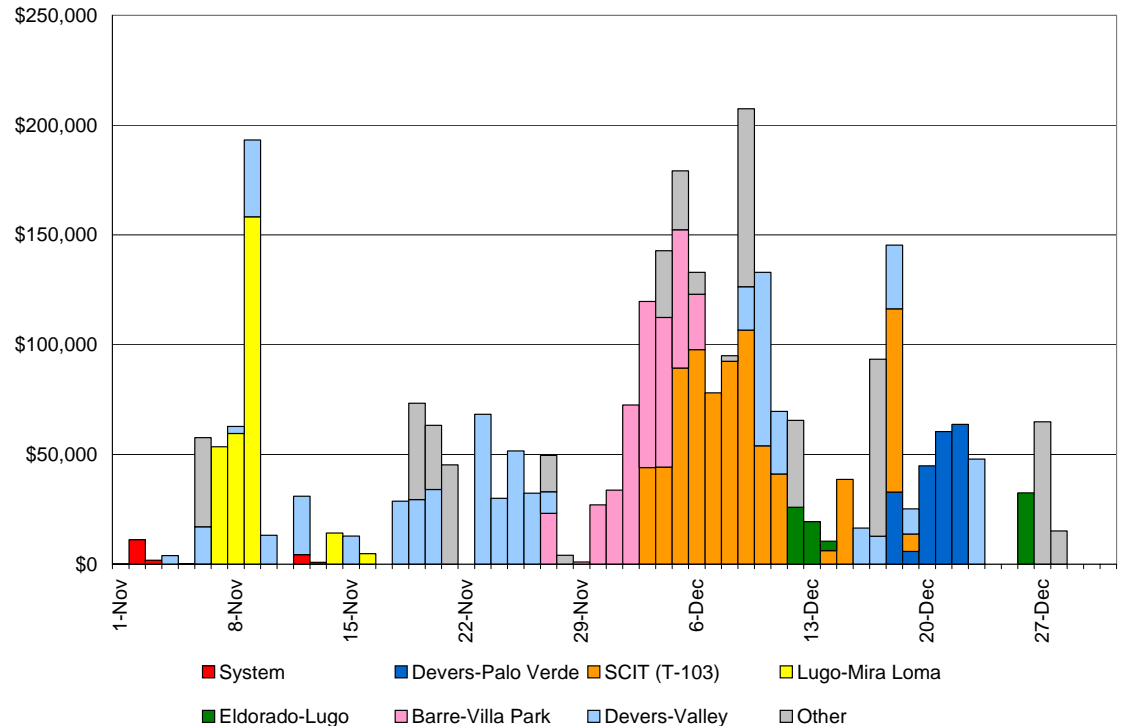
OOS Dispatch

- Both incremental and decremental volumes increased by 59 percent in Dec
- The dominant proportion of the costs (60 %) were driven by system energy reasons, which include intra-zonal congestion related to system reliability and pump load management



RA Unit Commitment Costs

- Total unit commitment costs increased sharply to \$2.3 million in Dec, up from \$975,000 in Nov
- The increase in cost was driven primarily by SCIT, as a significant amount of base load generation in Southern California was off-line in first two thirds of the month.
- Remainder of costs driven by transmission line maintenance in Southern California



FERC-MOO Unit Commitment Costs

- Concerns over the possible loss of transmission lines due to wild fires in Ventura County motivated the commitment of specific FERC units on December 4th and 5th
- Maintenance on the Devers-Palo Verde transmission lines also required several FERC unit commitments

