

News Release

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For more information, contact:
Steven Greenlee | sgreenlee@caiso.com

Wholesale power prices remain low despite natural gas runups *California ISO market monitor reports power market remains competitive*

FOLSOM, Calif. – The California Independent System Operator Corporation (ISO) Department of Market Monitoring noted in its *2010 Annual Report on Market Issues and Performance* that the new wholesale energy market implemented in April 2009 was “efficient and competitive” in its first year of implementation. The report was presented to the ISO Board of Governors meeting today, May 19, 2011.

Highlights from the report include:

- Wholesale electricity prices remain low despite a significant increase in the cost of natural gas, which fuels much of California’s electricity system. When natural gas prices are removed from the equation, wholesale electricity prices actually declined by 7% in 2010 compared to the year before.
- About 98 percent of system load was scheduled in the day-ahead energy market, producing prices approximately equal to estimated prices that would result under perfectly competitive conditions.
- Ancillary service (operating reserves) costs dropped 6 percent from 2009, which is less than 1 percent of total energy costs (compared to 2 percent in 2006).
- Over 1,500 megawatts of new gas-fired generation came on-line in 2010, along with about 500 megawatts of renewable generation.

“A second year under the ISO’s new nodal market design continued to produce a competitive market, which lies in large part to the high degree of forward contracting by load-serving entities,” said Director of Market Monitoring Eric Hildebrandt. “Challenges going forward include identifying modeling enhancements to mitigate real-time price spikes and lessen the divergence of hour-ahead and real-time prices.”

The market monitor also noted that lower loads, especially during the peak summer hours, contributed to lower prices in 2010. Reduced loads also helped reduce transmission congestion, which is expensive to manage.

The 2010 market issues and performance report is located here:
<http://www.caiso.com/2b66/2b66baa562860.pdf>

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California ISO Media Hotline | 888.516.6397

250 Outcropping Way | Folsom, California 95630 | www.caiso.com

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The California ISO operates the state's wholesale transmission grid, providing open and non-discriminatory access supported by a competitive energy market and comprehensive planning efforts. Partnering with more than 90 client organizations, the ISO is dedicated to the continual development and reliable operation of a modern grid that operates at the least cost to the benefit of consumers. The ISO bulk power market allocates space on transmission lines, maintains operating reserves and matches supply with demand. Recognizing the importance of global climate change, the ISO welcomes new, advanced technologies that will help meet the energy needs of 30 million Californians efficiently and cleanly. The ISO is a nonprofit public benefit corporation.