



California ISO
Shaping a Renewed Future

Annual Report on 2010 Market Issues and Performance

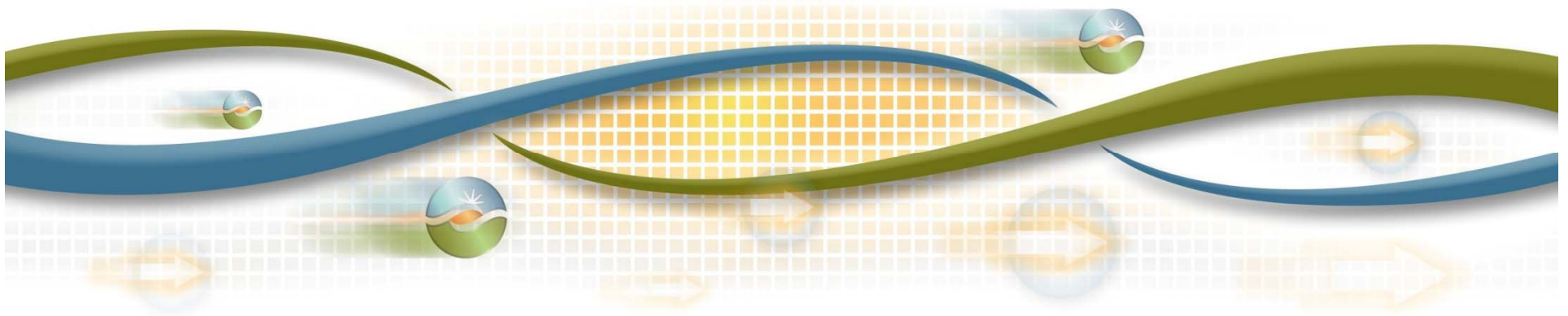
Eric Hildebrandt, Ph.D.

Director, Department of Market Monitoring

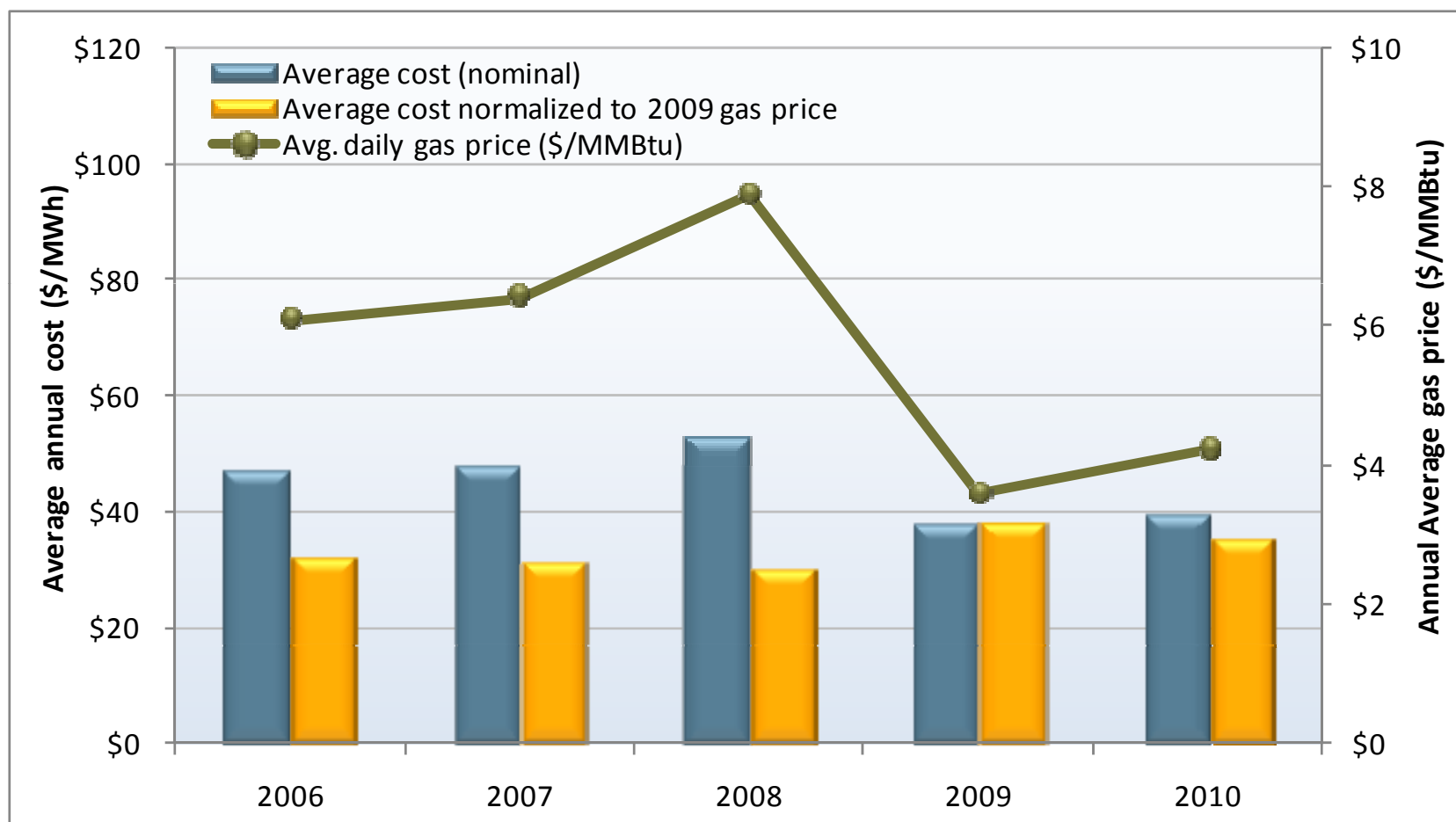
Board of Governors

General Session

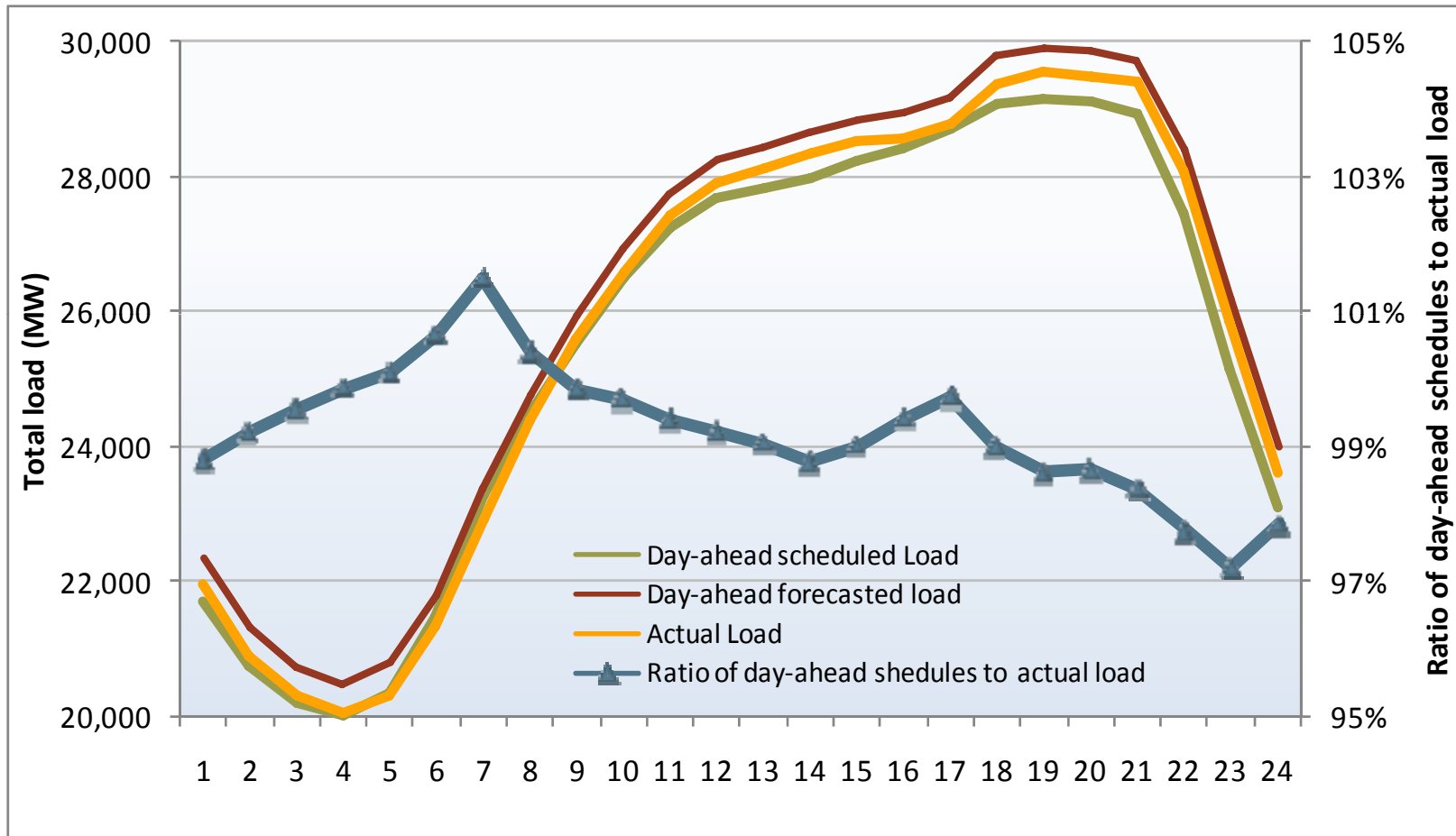
May 18-19, 2011



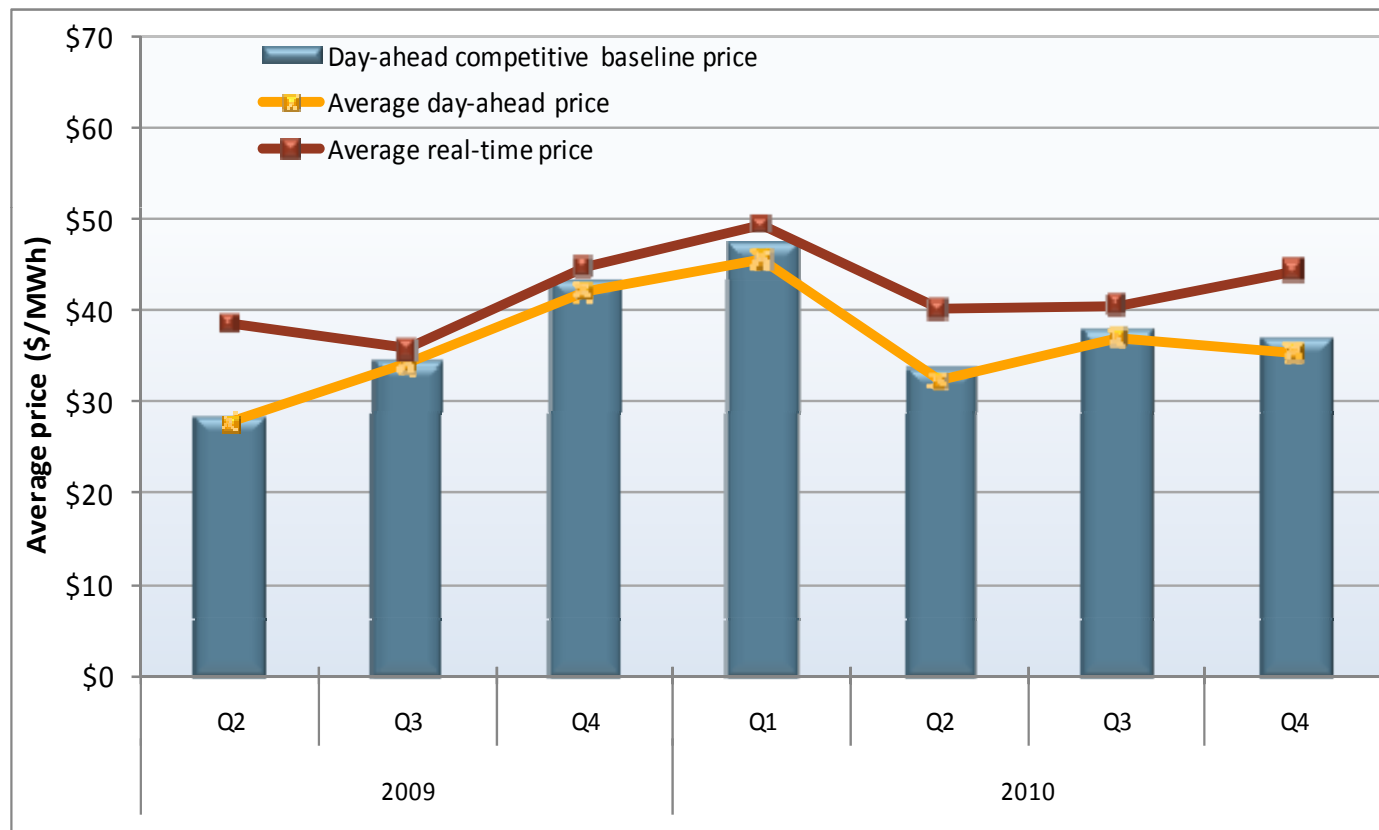
Total annual wholesale costs load decreased 7% after accounting for higher gas prices.



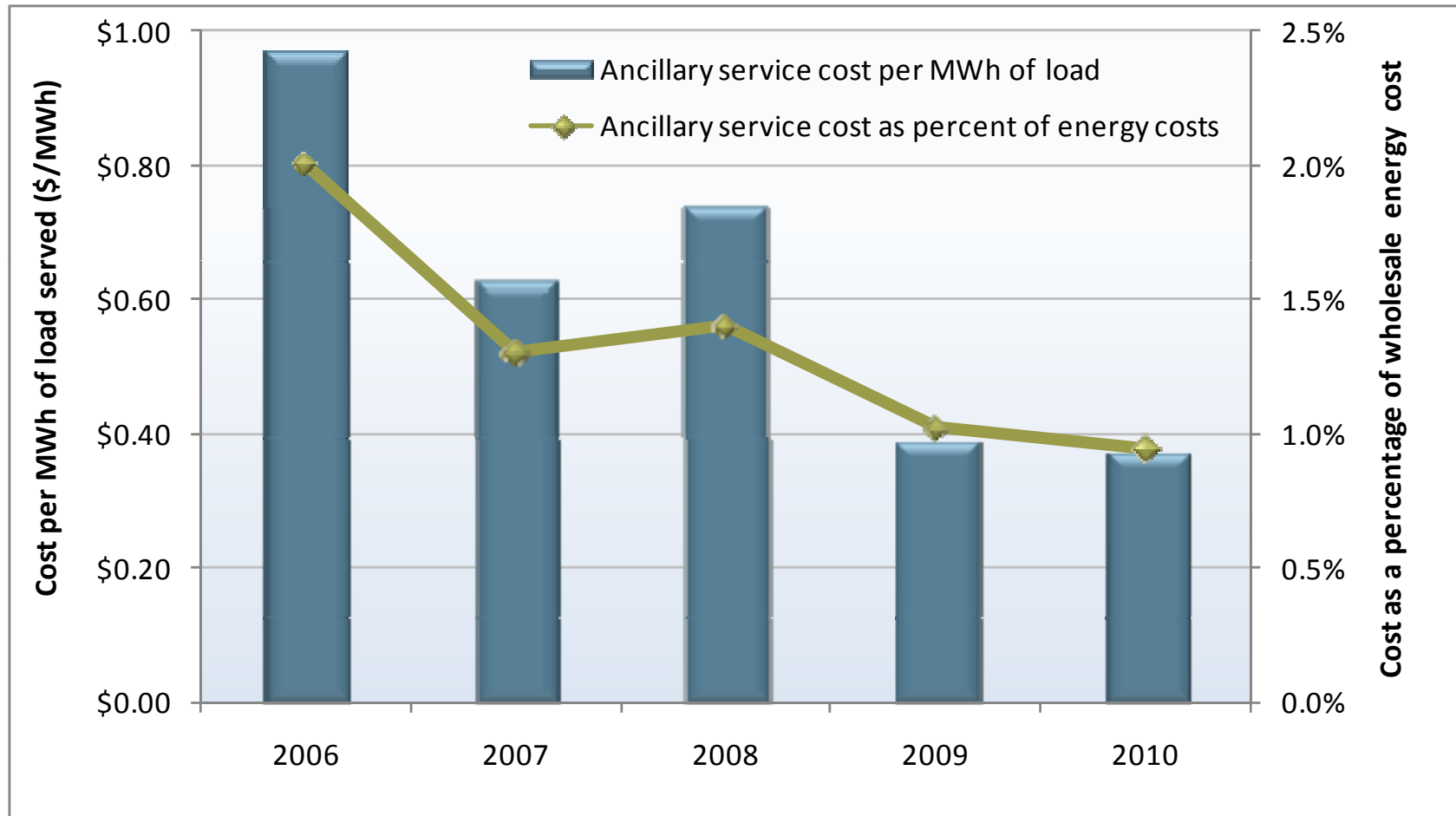
Load scheduled in day-ahead market continues to be about equal to actual real-time load.



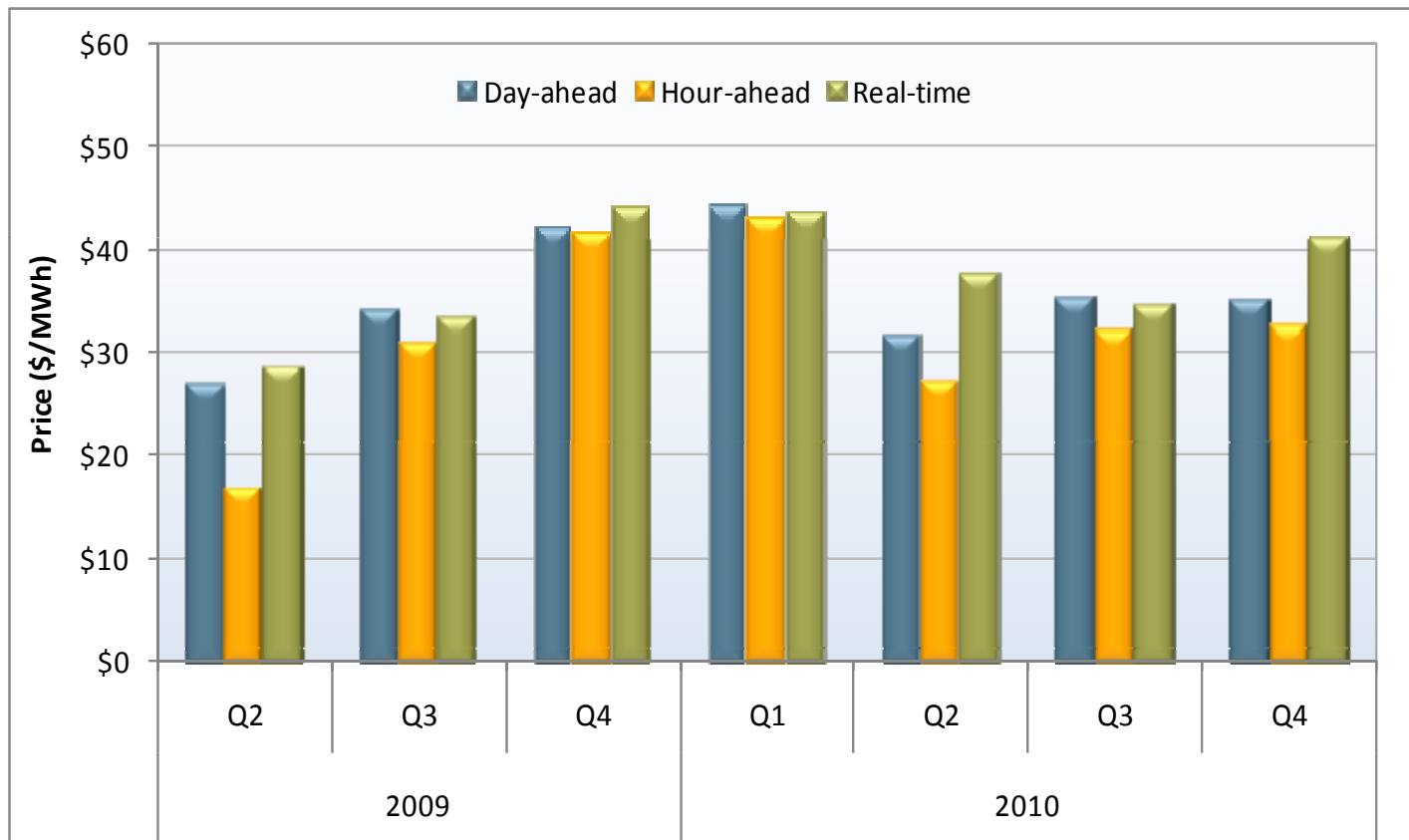
Day-ahead market prices were about equal to competitive baseline prices, while average real-time prices were driven higher by occasional price spikes.



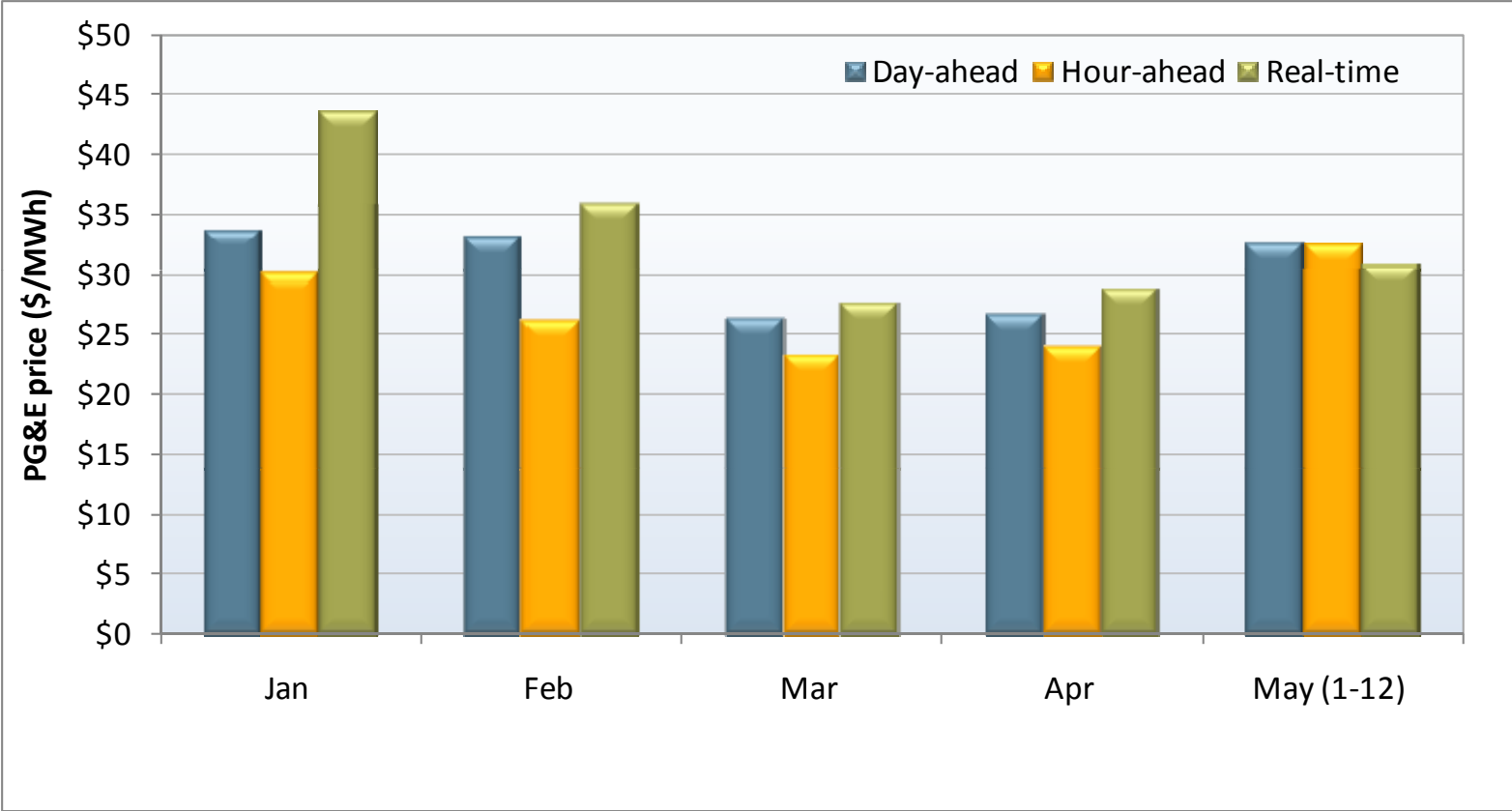
Ancillary service costs decreased slightly and totaled less than 1 percent of total energy costs.



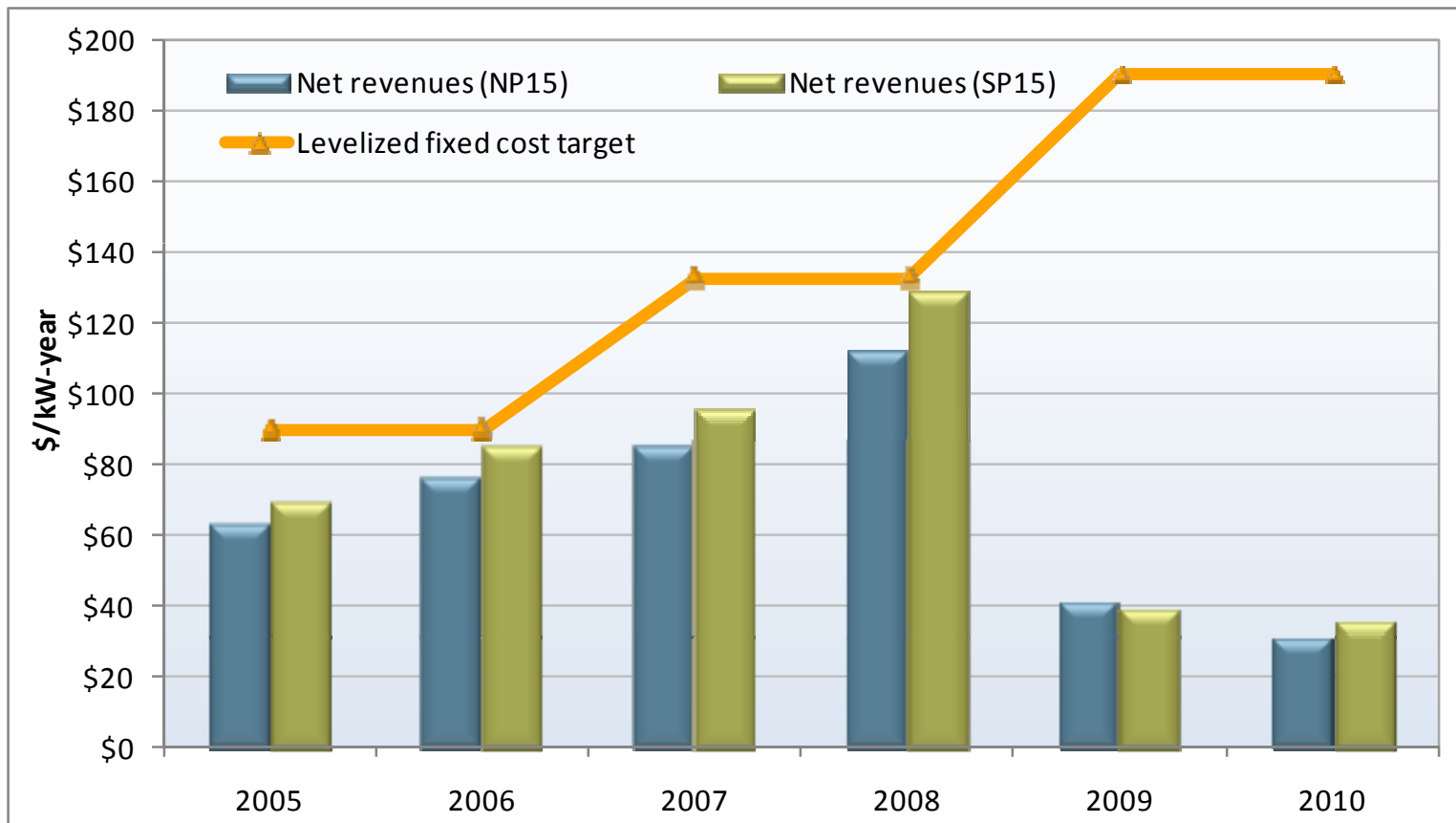
Hour-ahead market prices were significantly lower than real-time prices – creating revenue imbalances that must be allocated to load serving entities.



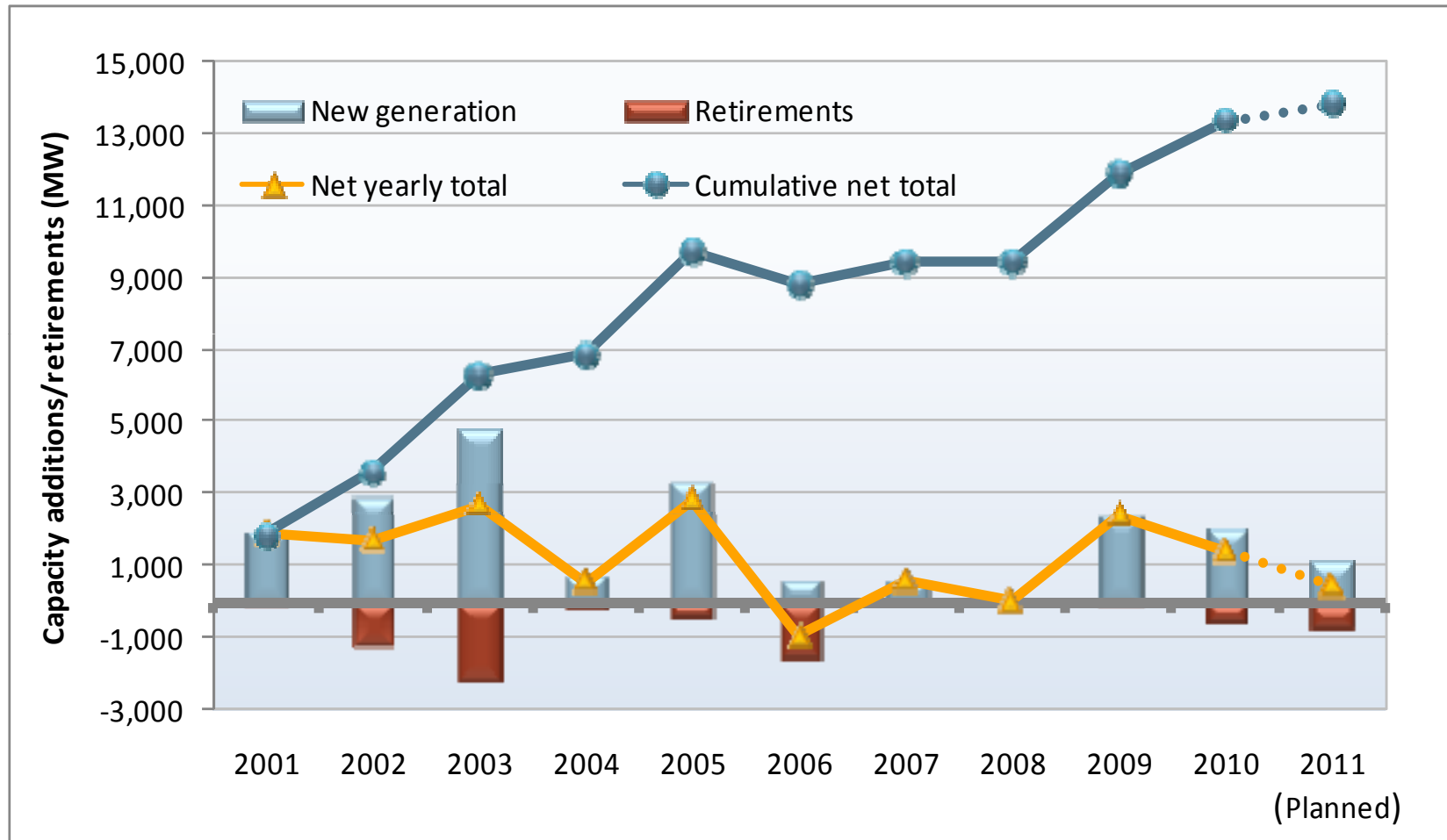
This trend has continued in 2011, but prices in these markets have been much closer in recent weeks.



A significant gap continues to exist between net operating revenues earned by typical new combined cycle units in the ISO energy market and the fixed costs of new capacity.



Generation additions continue to outweigh retirements.





Recommendations

- Address hour-ahead/real-time price divergence and resulting energy imbalance costs.
- Enhance model to address issues resulting in occasional extreme congestion prices -- most notably in San Diego.
- Enhance existing local market power mitigation procedures by making more dynamic and targeted at congestion on non-competitive constraints.