Market Analysis Report

Events of November and December 2004

Board of Governors Meeting

January 27, 2005

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Manager, Market Monitoring

Nov/Dec Highlights

- Approx. 4% load growth trend persisted through Q4 2004
- Real-Time Market patterns seen in Oct. continued in Nov. and Dec.
  - Short (5-10 min.) systemwide spikes due to quick ramp and market clearing
  - Longer (~30 min.) spikes within SP15 due to SCIT and Miguel congestion or other contingencies
  - Relatively few units, mostly SP15 steamers, from a small number of SC's, consistently setting spike prices, usually in $150-$165/MWh range
  - Spikes of either type daily during evening ramp (HE 17-18)
- Ancillary Service market bid insufficiency and price spikes down in December
  - No zonal A/S procurement since early December

Key Transmission Upgrades

- Path 15
  - Upgraded to 5,400 MW from 3,900 MW
  - In service and at full capacity December 23
- Pacific DC Intertie
  - Upgraded to 2,000 MW from 1,300 MW
  - In service and at full capacity December 30
- Miguel Substation
  - Upgraded from 1,100 MW to 1,200 MW
  - In service and at full capacity October 31
  - Full benefit will not be realized until Miguel-Mission line upgrade operational
  - Significant congestion costs continued due in part to San Onofre Unit 3 outage

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Load Growth trend continues; Oct was only month in 2004 to see a decrease in load, due to considerably milder weather

Load Growth Rates Compared to Same Month Prior Year

	Avg. Hrly. Load	Avg. Daily Peak	Avg. Daily Trough	Monthly Peak
January-04	4.3%	3.1%	5.1%	3.2%
February-04	4.5%	3.9%	5.4%	4.5%
March-04	4.4%	5.1%	2.5%	4.5%
April-04	7.1%	8.3%	4.8%	31.1%
May-04	7.3%	7.7%	5.5%	2.5%
June-04	6.6%	6.9%	6.1%	-4.7%
July-04	0.7%	0.3%	1.9%	4.0%
August-04	1.0%	0.6%	0.6%	5.2%
September-04	3.4%	3.5%	3.4%	10.1%
October-04	-1.4%	-2.8%	1.5%	-5.9%
November-04	4.2%	3.9%	3.9%	6.6%
December-04	4.4%	4.1%	6.5%	3.4%
Annual Average	3.7%	3.5%	3.8%	4.9%

Notes: Through 7/10/03: Actual loads at top of hour. Since 7/11/03: Hourly average loads.

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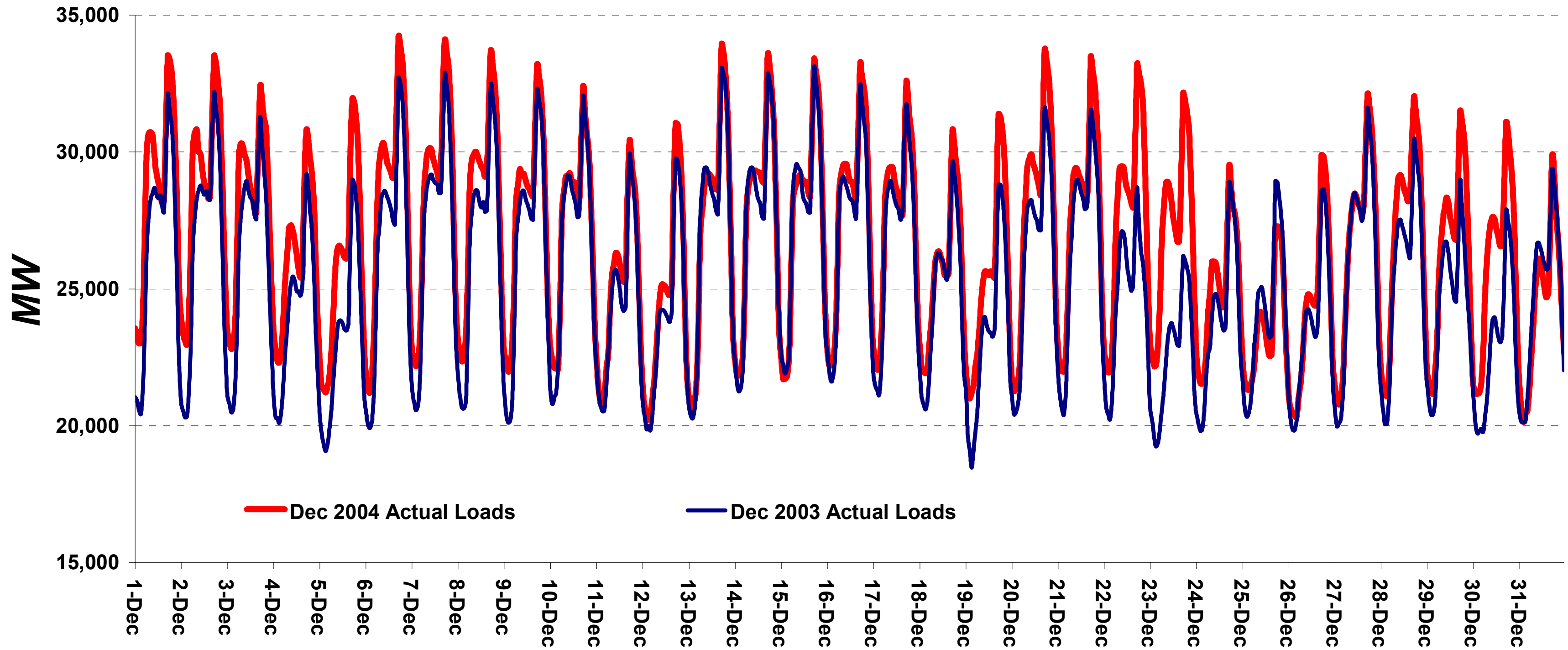
Load growth observed in all periods in November and December

Comparison of Loads: December 2004 v. 2003



November

	2003	2004	Pct. Chg.
Peak Load (MW)	31,595	33,681	6.6%
Avg. Energy (MW)	24,565	25,599	4.2%

December

	2003	2004	Pct. Chg.
Peak Load (MW)	33,070	34,201	3.4%
Avg. Energy (MW)	25,583	26,715	4.4%

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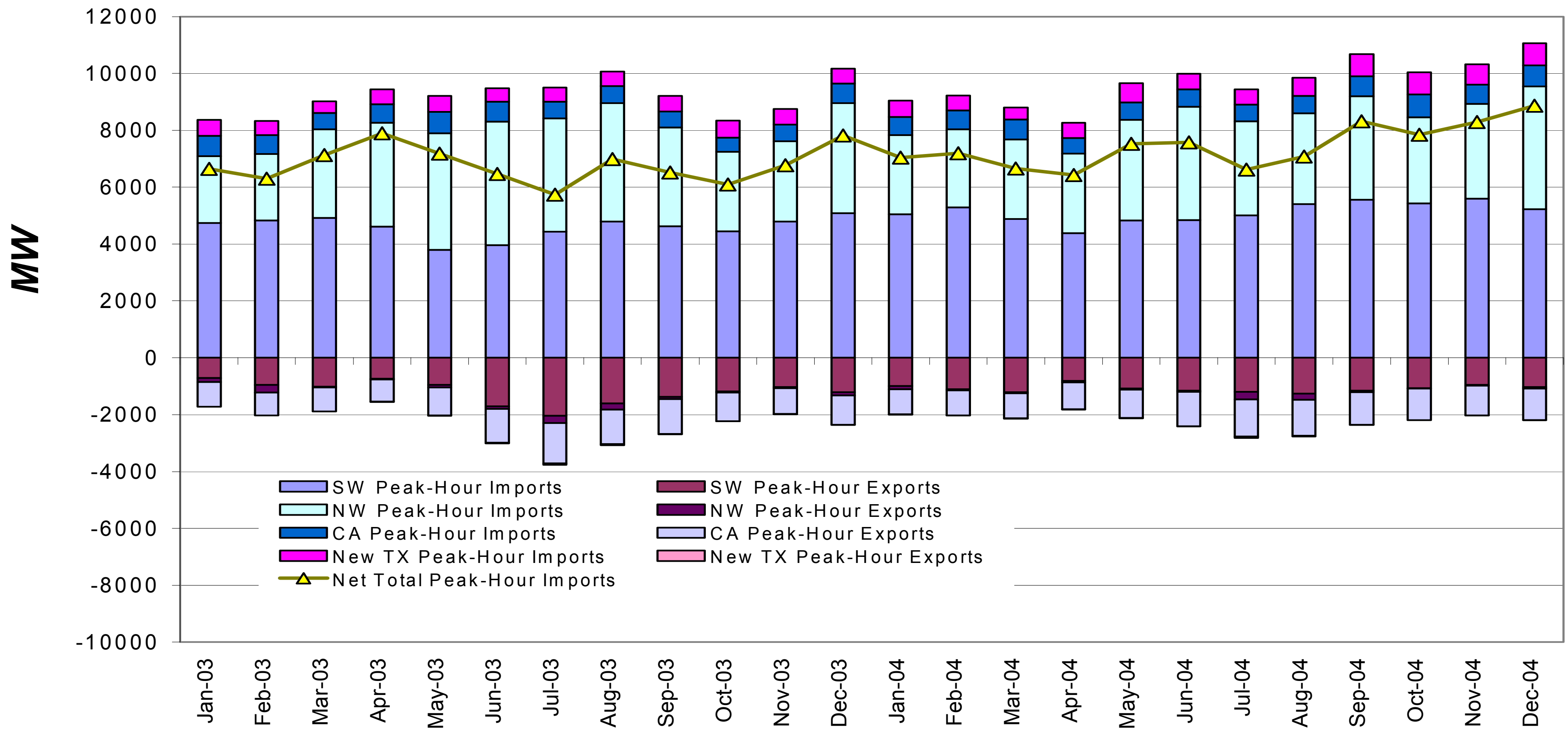
Monthly Average Peak-Period Imports and Exports: Jan-03 through Dec-04



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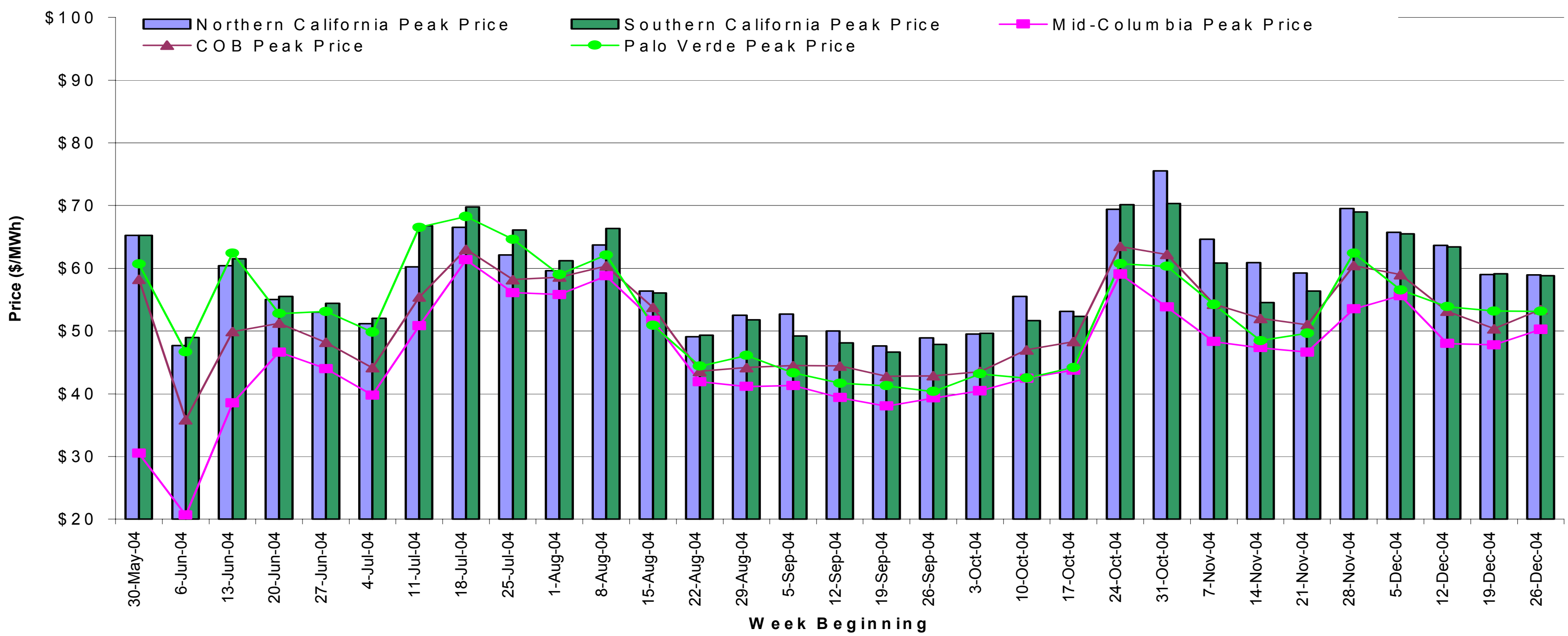
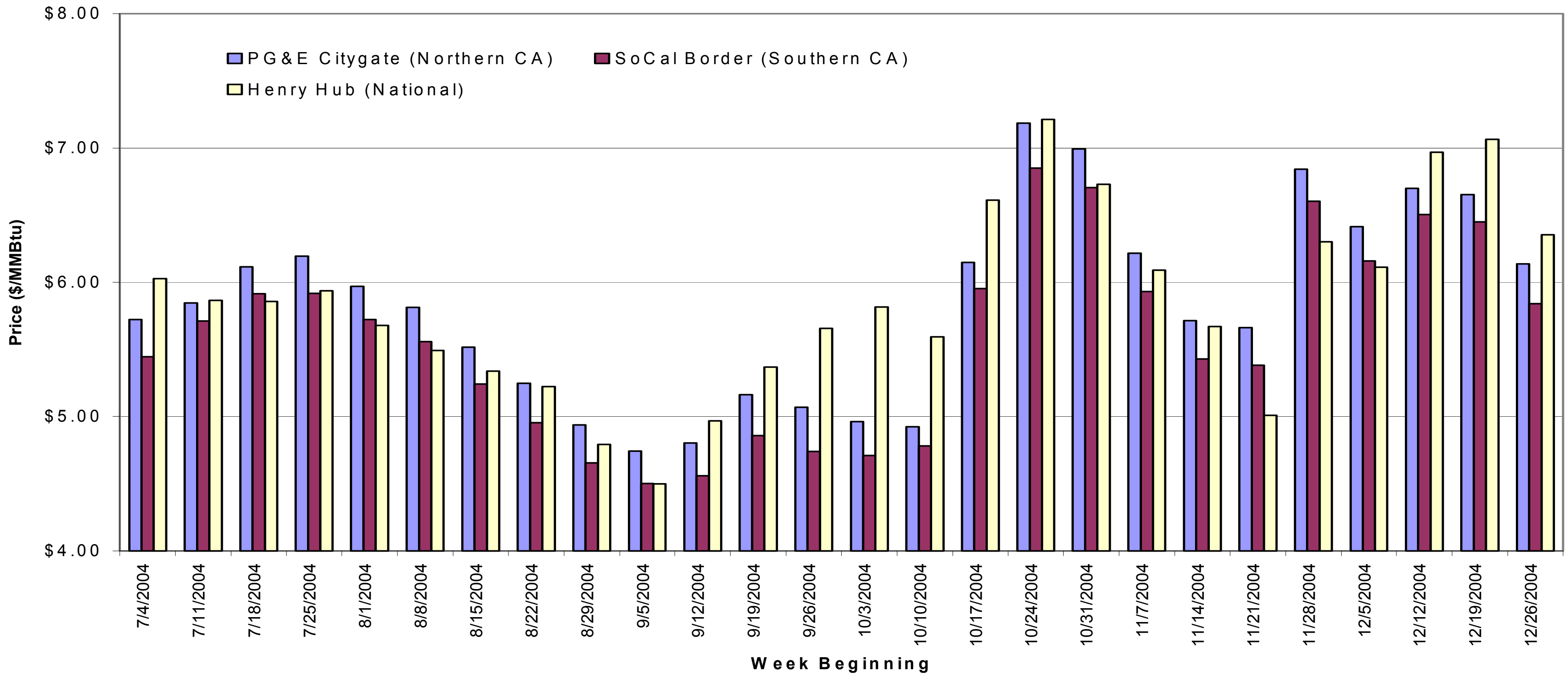
Price spreads tend to reflect congestion on Palo Verde, COI, and PDCI

Regional Day-Ahead Forward Electric Prices - Weekly Averages



Average Monthly Gas Prices
December 2002 through December 2004



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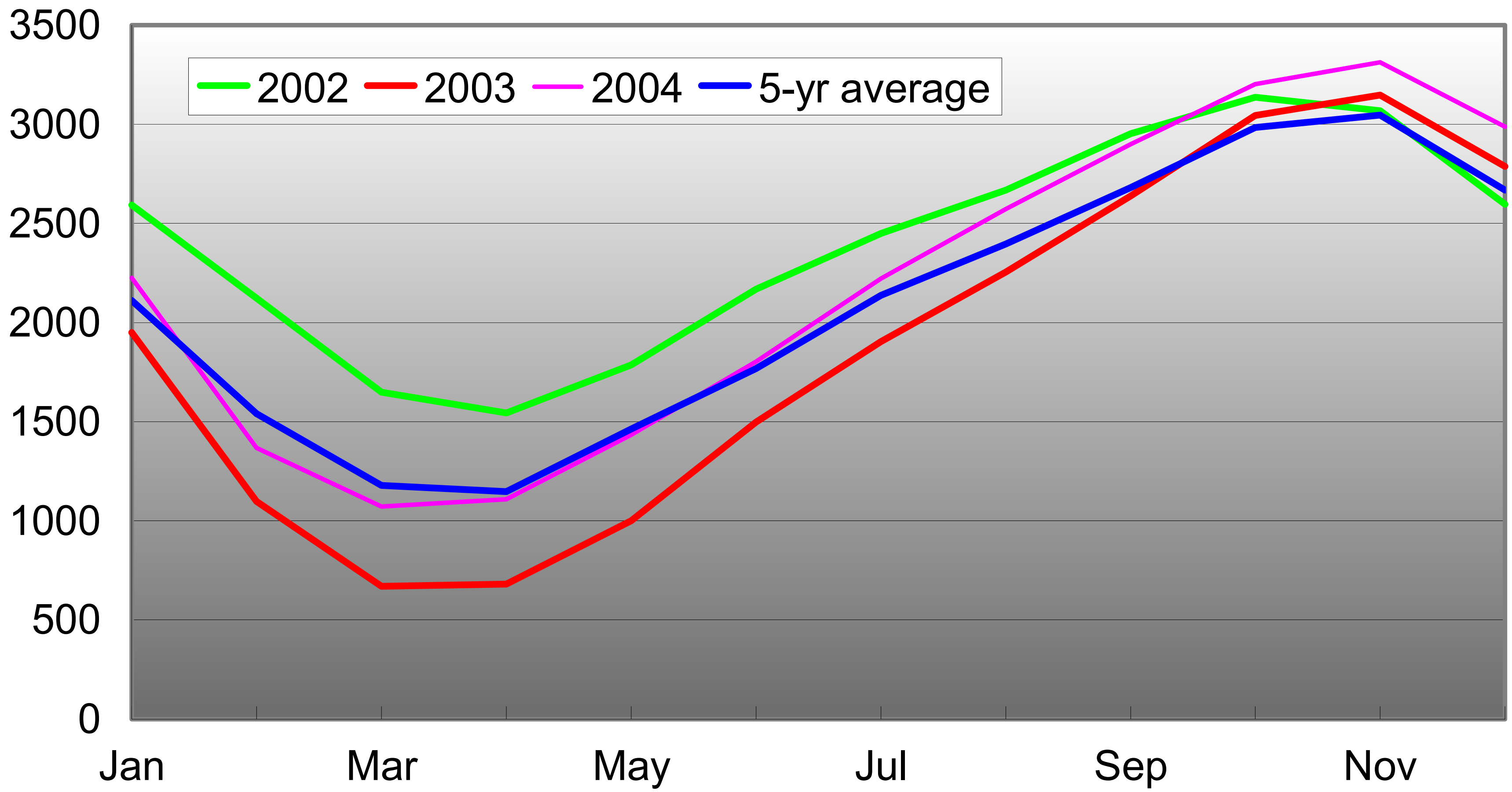
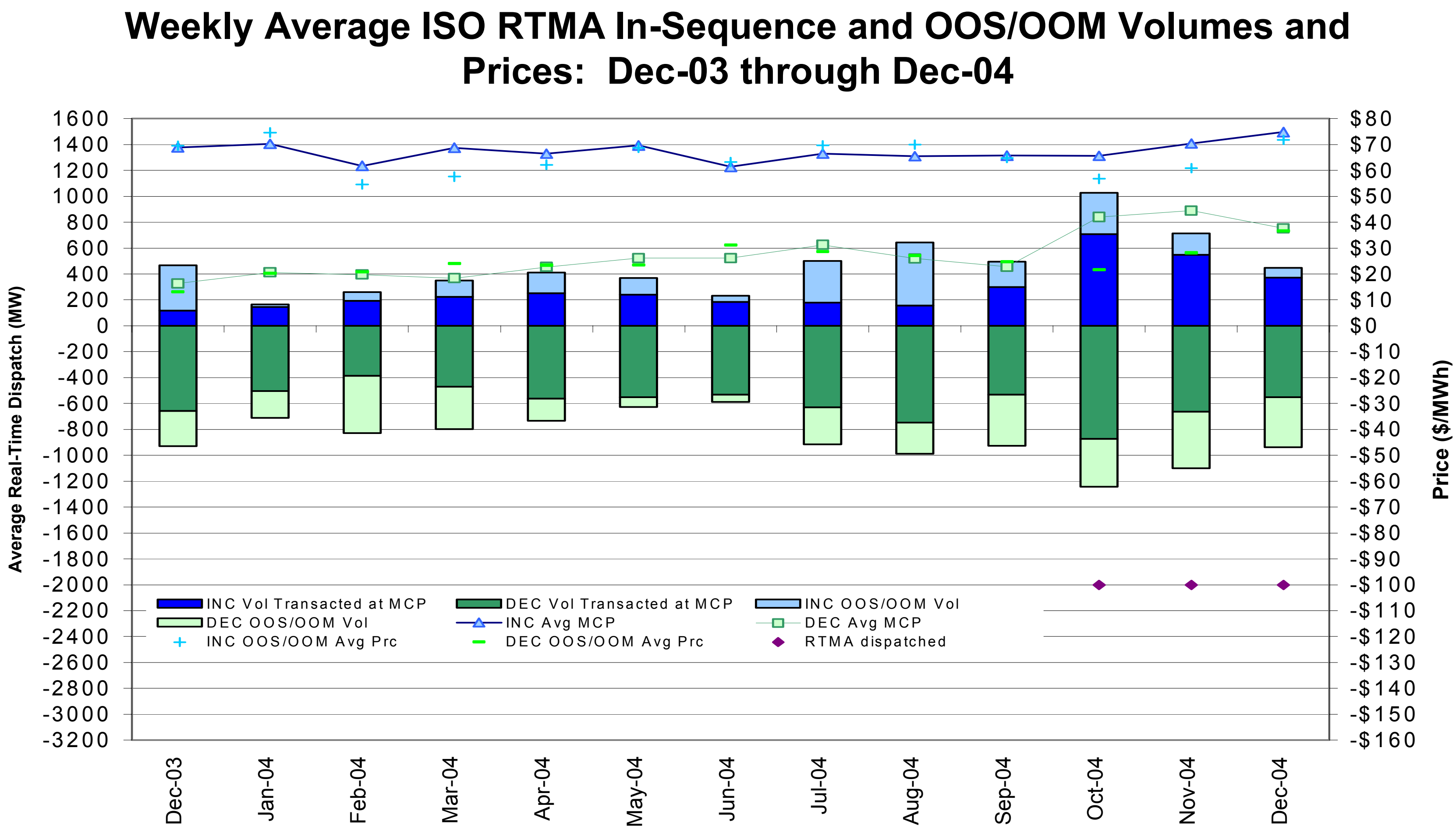
Total US natural gas in storage (bn ft^3)

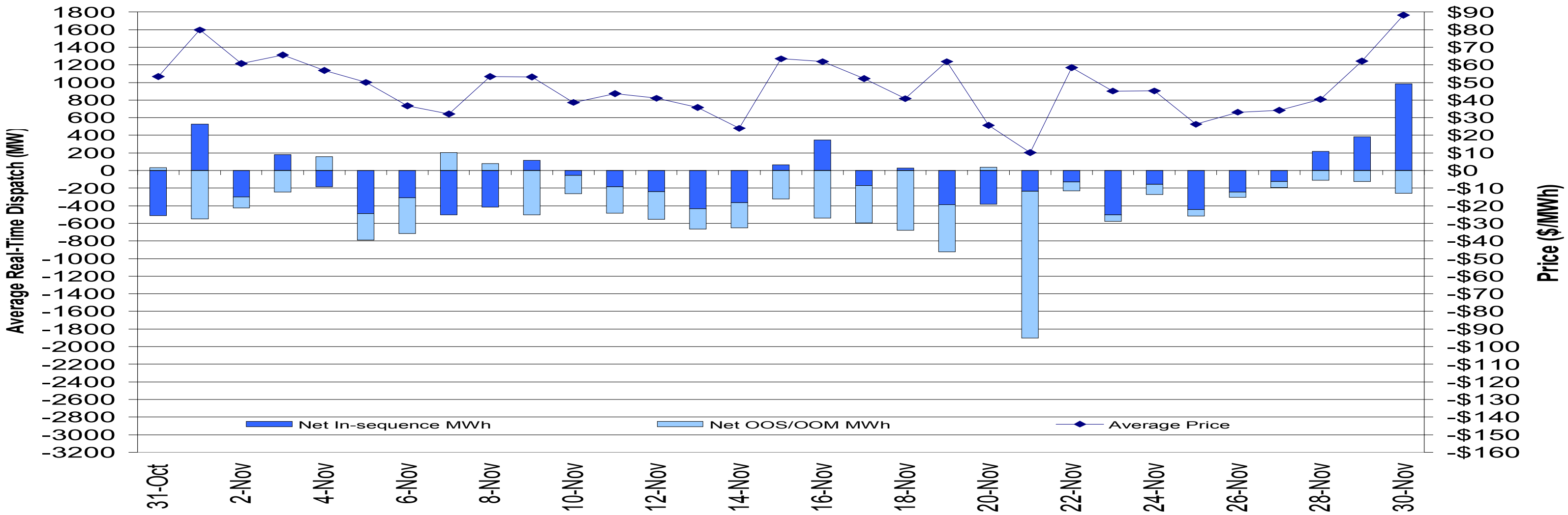


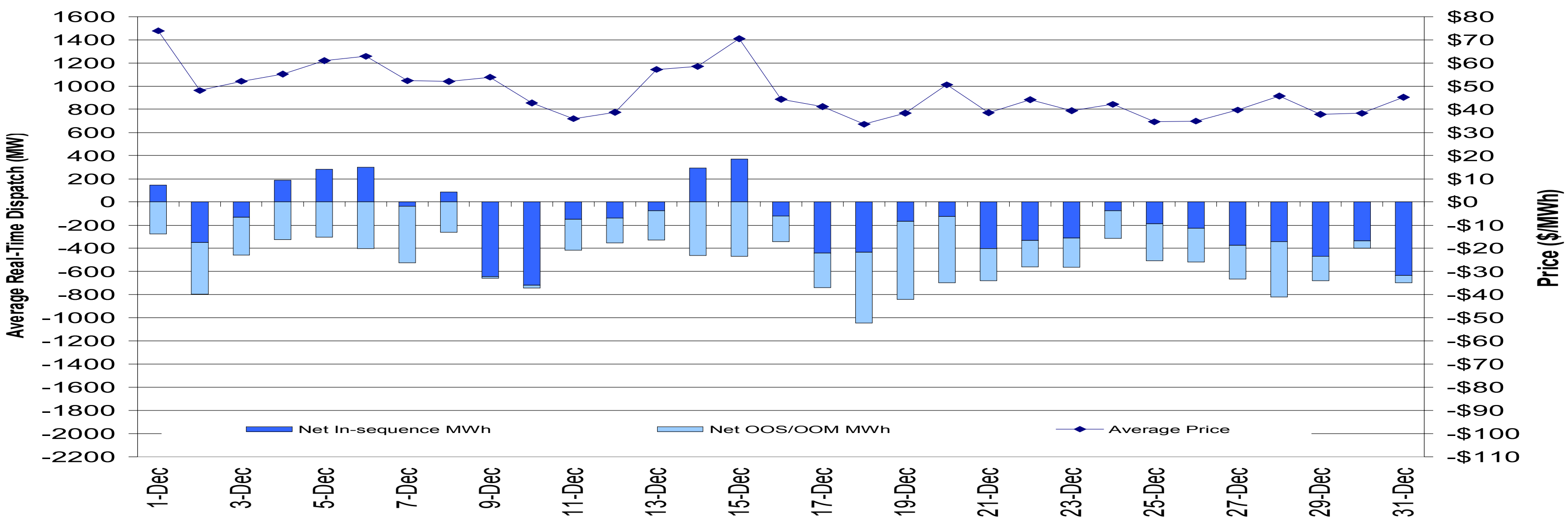
RTMA prices higher in December, due in part to lower volume, Market clearing, and resultant volatility



Net real-time dispatch remains heavily decremental

Daily Average Net ISO RTMA In-Sequence and OOS/OOM Volumes and Average Prices: November (Top) and December (Bottom)

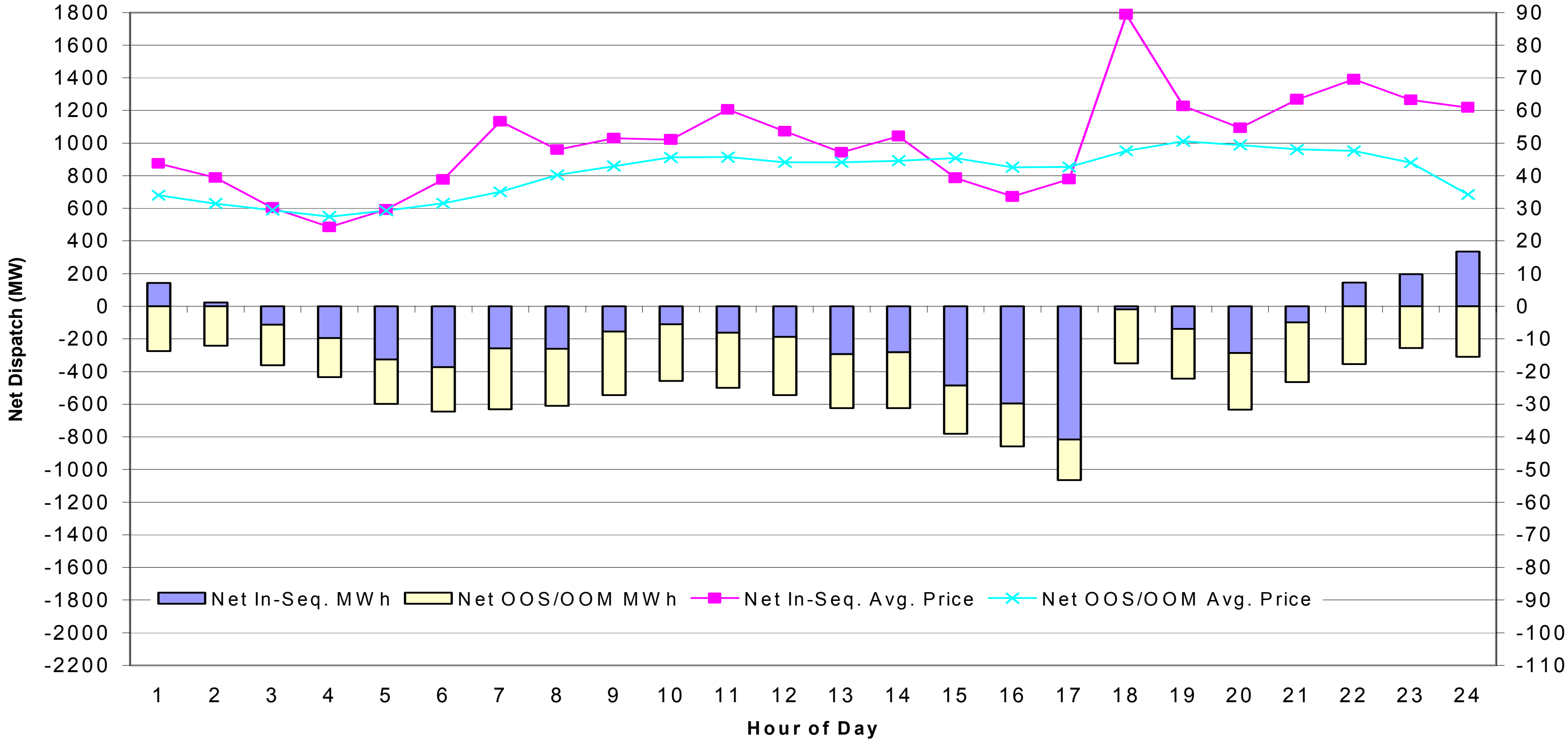




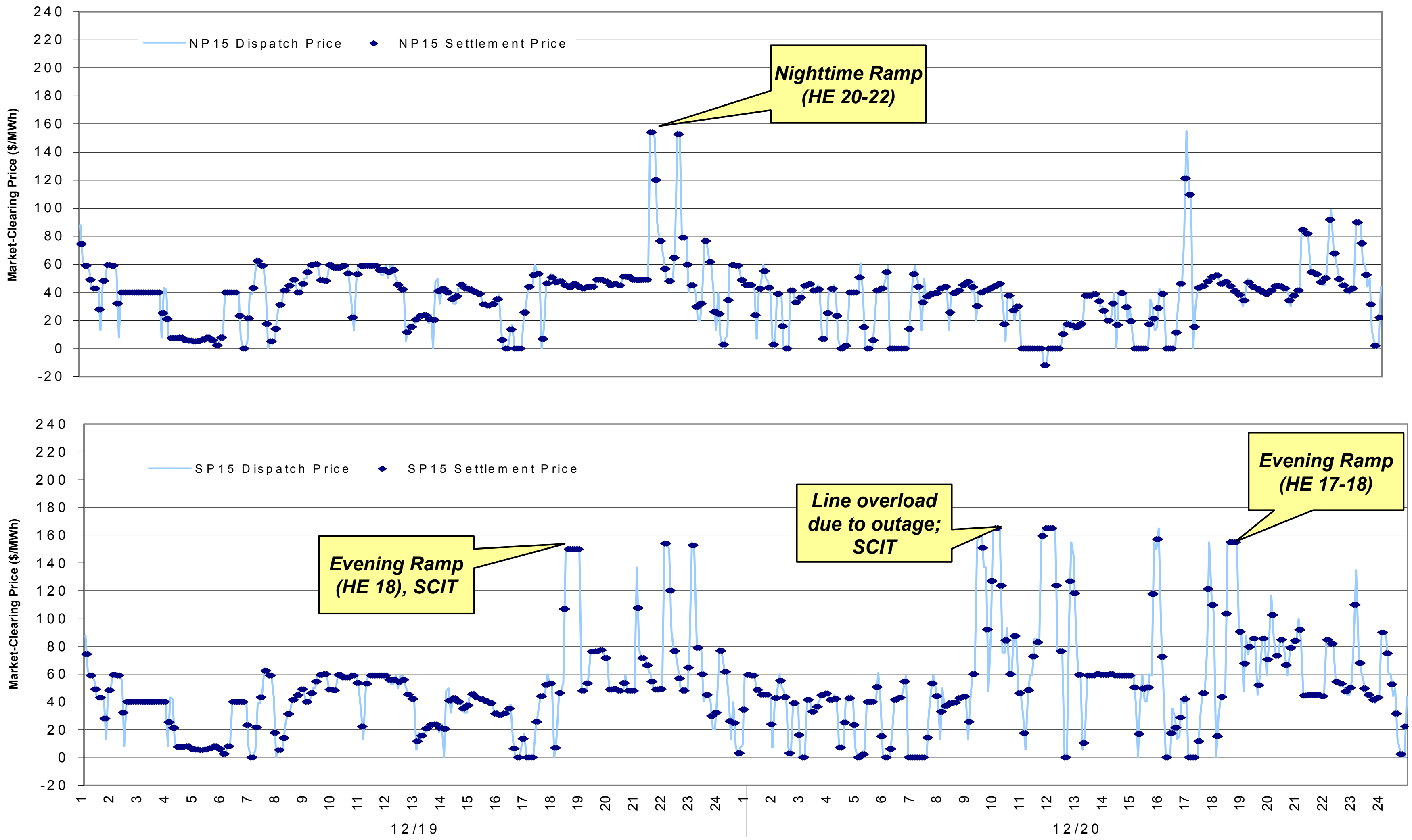
Average prices highest during evening ramp

Net real-time dispatch heavily decremental throughout peak hours

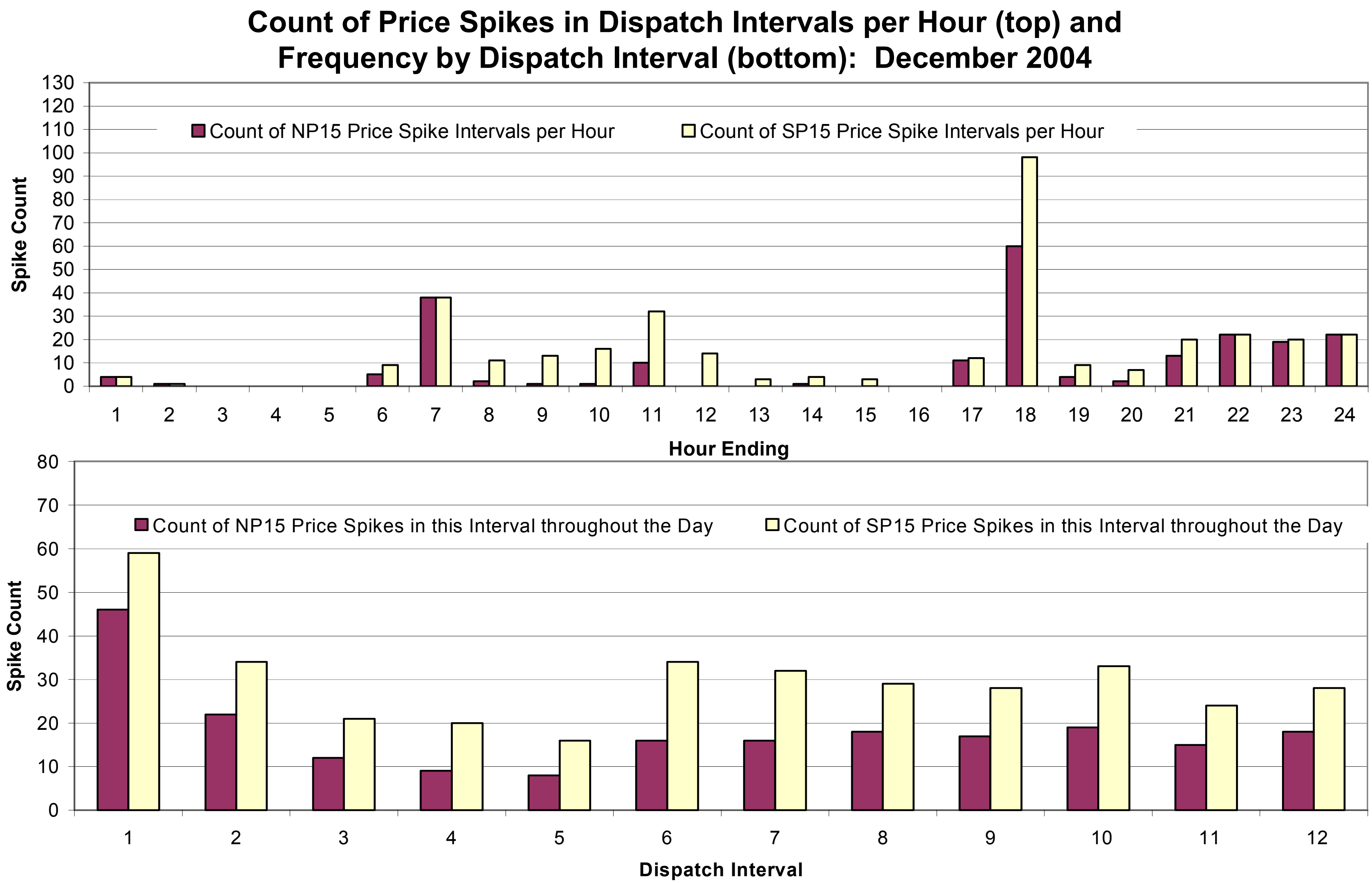
Hourly Average Prices and Net Dispatch Volumes
December 2004



Five-Minute NP15 (Top) and SP15 (Bottom) RTMA In-Sequence Prices: Dec 19 and 20



Spikes occur regularly during ramp hours, especially HE 18 (evening ramp)



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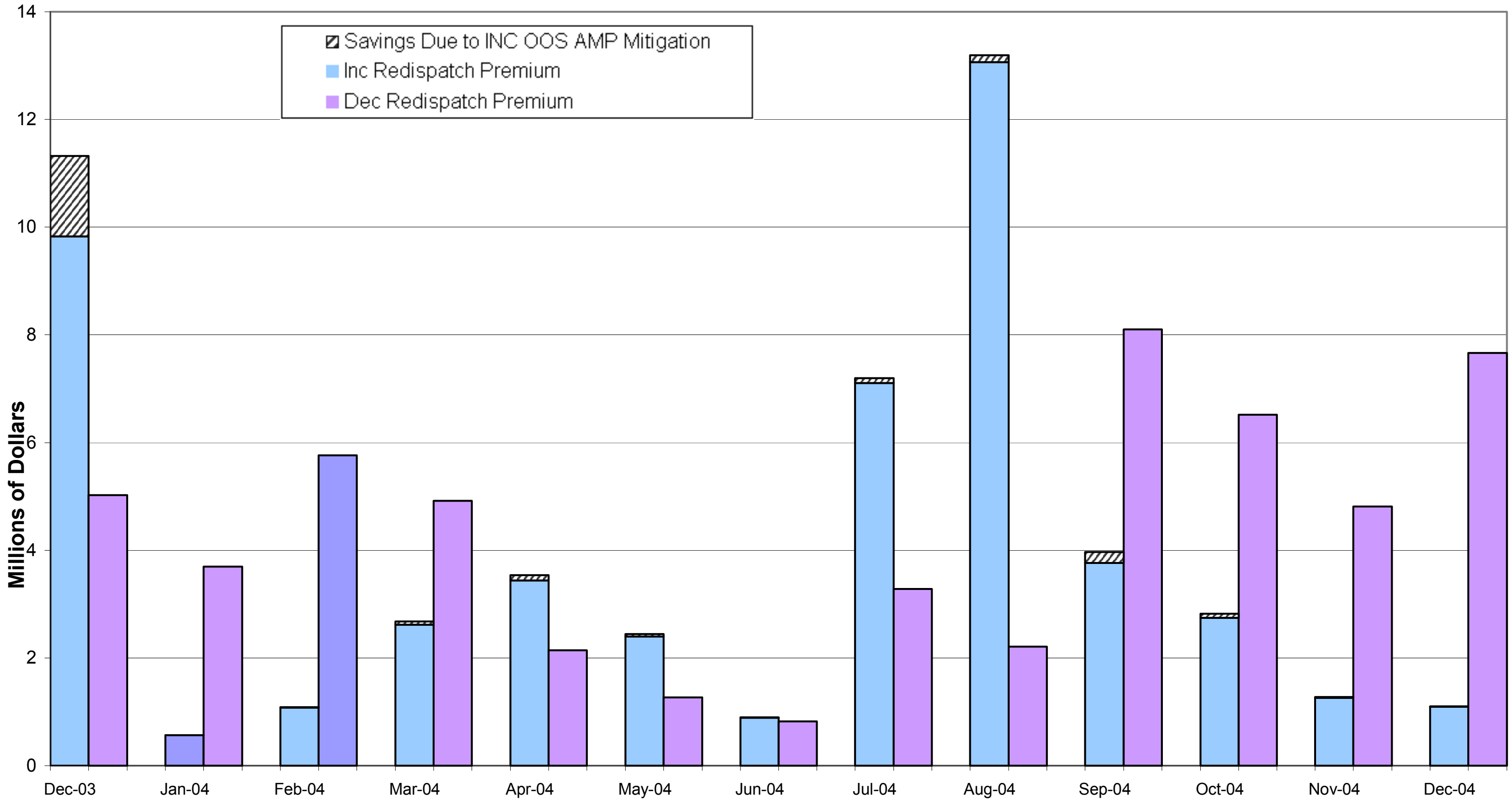
Intrazonal dispatches primarily decremental for mitigation Miguel congestion, often concurrent with counterbalancing INC dispatches and price spikes

Monthly redispatch costs through December



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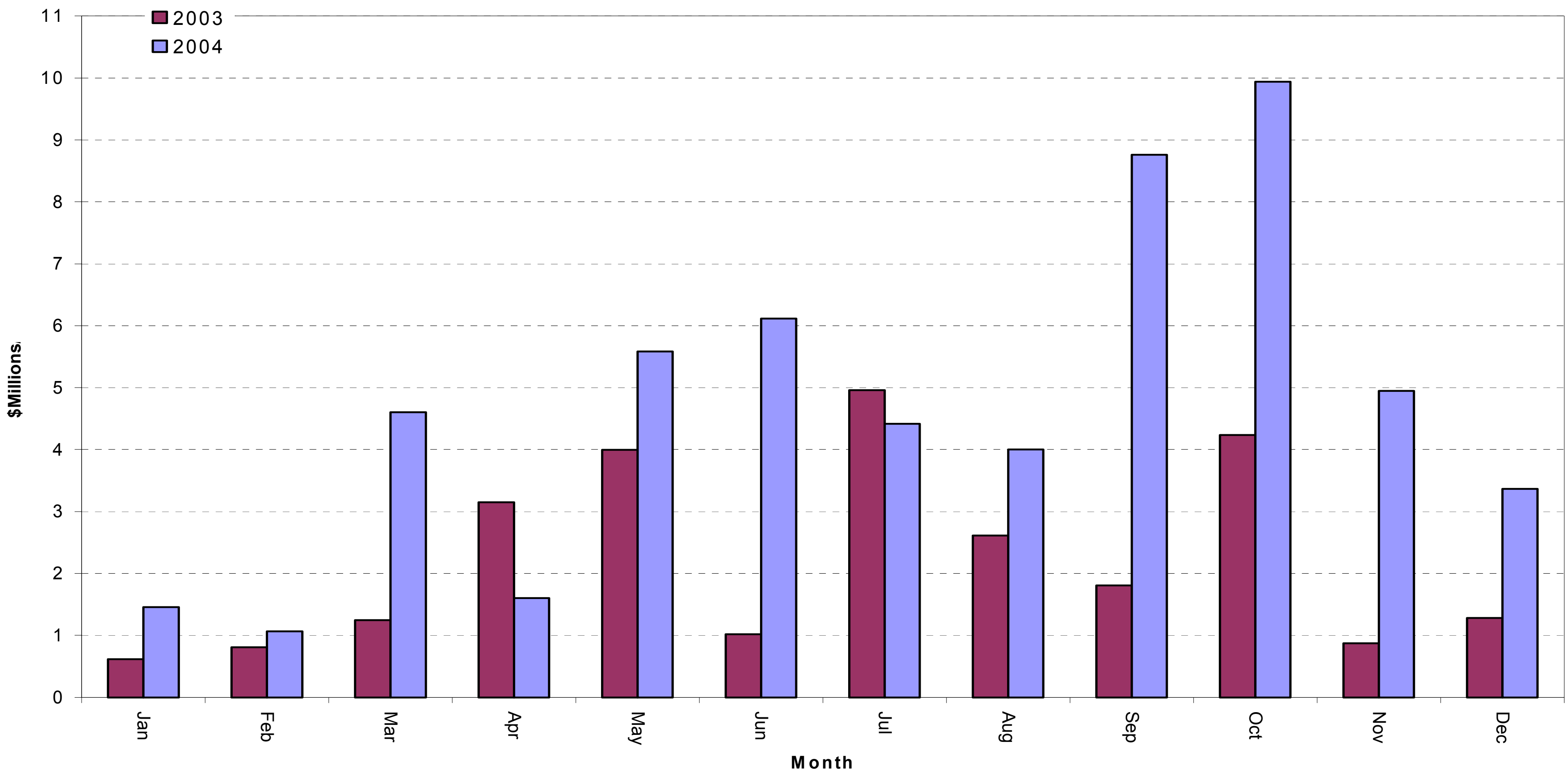
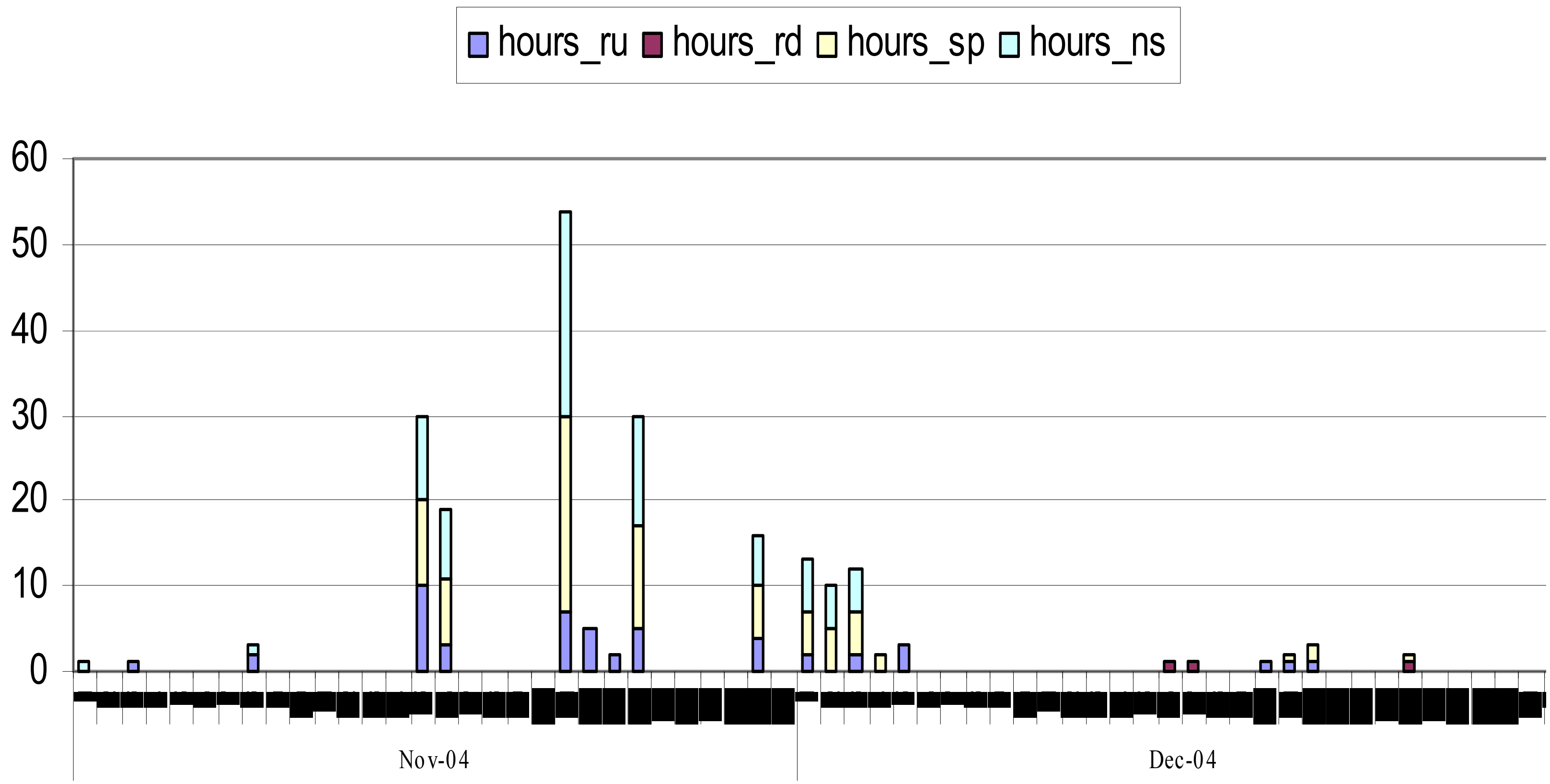
Congestion costs high due to transmission derates and strong imports

Monthly Interzonal Congestion Costs: 2004 vs 2003



Insufficient Ancillary Service Market bids continued to be problematic in November

Count of Hours with Bid Insufficiency in November and December



Ancillary Service market bid insufficiency and price spikes down in December