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New Reports Show ISOs and RTOs Provide Tangible Benefits

ISO/RTO Council Issues Reports on Markets, Demand Response, Renewables

WASHINGTON, D.C.— Three reports were released today by the ISO/RTO Council (IRC) highlighting the value North America's 10 Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs) bring to the electricity markets they administer. The three reports focus on the progress of competitive markets, as well as how ISOs and RTOs help foster development of demand response and renewable energy resources. The reports were unveiled during a media briefing in Washington, D.C., hosted by IRC-member CEOs and senior executives.

"These new studies focus on important areas in which ISOs and RTOs are benefiting consumers and the environment," said Gordon van Welie, President and CEO of ISO New England Inc. and Chairman of the IRC. "ISOs and RTOs are meeting the challenges of increasing bulk power system reliability and efficiency, supporting new investment in generation and transmission, enabling demand response to play a significant role in the electricity industry, and enhancing the growth and development of renewable resources."

The three reports are titled: *Progress of Organized Wholesale Electricity Markets in North America*, *Harnessing the Power of Demand: How ISOs and RTOs Are Integrating Demand Response into Wholesale Electricity Markets*, and *Increasing Renewable Resources: How ISOs and RTOs are Helping Meet This Public Policy Objective*. The reports are available on the IRC Web site at www.iso-rto.org.

The following summarizes the findings of the three reports:

Progress of Organized Wholesale Electricity Markets in North America

Reviewing the 2006 results of the organized electricity markets, this report concludes that organized wholesale electricity markets are working well and reflect meaningful competition. Despite record peak demand levels in 2006, the ISOs and RTOs maintained high levels of reliability. In addition, electricity prices in the majority of these markets have been falling, regional planning is producing new transmission investments, and markets are providing price signals that support investment in new generation.

More than 110,000 megawatts (MW) of new generation were added between 2001 and 2006. Transmission investment, which is the result of open planning processes in ISO and RTO regions that includes the participation of state government officials and market participants, has reduced congestion costs by hundreds of millions of dollars.

Harnessing the Power of Demand: How ISOs and RTOs Are Integrating Demand Response into Wholesale Electricity Markets

ISOs and RTOs provide a market framework that enables demand response—the ability of consumers to respond to emergency, peak-demand, or high wholesale price conditions—to realize its full value. They do so by providing transparent market prices, lowering the barriers to market entry, reducing transaction costs, and offering large, liquid markets that can support significant demand reduction. As of June 2007, this market framework has resulted in 23,129 MW of demand response participating in the ISO and RTO markets, representing about 4.5 percent of their combined electricity demand.

Increasing Renewable Resources: How ISOs and RTOs are Helping Meet This Public Policy Objective

Renewable resources, including hydroelectric generation, currently supply approximately nine percent of the energy provided by the members of the IRC. According to the report, the markets operated by the ISO and RTOs are enabling significant growth and development of renewable resources.

Renewable resources represent 44% of the 300,000 MW currently being proposed in the 10 ISO and RTO regions. Wholesale markets facilitate this development by fostering an environment that is open to investment by all parties, providing price transparency that informs the developer, operating a 5- to 15-minute dispatch that reduces integration costs of renewable resources such as wind power, and managing stakeholder planning processes that make it possible to build the transmission needed to bring renewable energy to market.

“Taken together, these studies point to the importance of ISOs and RTOs in advancing competitive electricity markets, ensuring bulk power system reliability, and supporting environmental objectives,” said van Welie.

The reports follow a November 2005 study issued by the IRC, *The Value of Independent Regional Grid Operators*, that described the value and benefits provided by regional transmission operators in managing the flow of electricity in their regions.

About the ISO/RTO Council

The IRC is an industry organization that includes 10 Independent System Operators and Regional Transmission Organizations that serve two-thirds of electricity consumers in the United States and just over 50% of Canada’s population. The members are:

- Alberta Electric System Operator (AESO)
- California Independent System Operator Corporation (CAISO)
- Electric Reliability Council of Texas (ERCOT)
- Independent Electricity System Operator, Ontario (IESO)
- ISO New England (ISO-NE)
- Midwest Independent Transmission System Operator (Midwest ISO)
- New Brunswick System Operator (NBSO)
- New York Independent System Operator (NYISO)
- PJM Interconnection (PJM)
- Southwest Power Pool, Inc. (SPP)

The IRC’s mission is to work collaboratively to develop effective processes, tools, and standard methods for improving competitive electricity markets across North America. In fulfilling this mission, the IRC’s goal is to balance reliability considerations with market practices resulting in efficient, robust markets that provide competitive and reliable service to electricity users. IRC-member communications representatives are:

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