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## Wholesale power prices in 2013 remain competitive in California despite rise in natural gas costs

FOLSOM, Calif. – The California Independent System Operator Corporation (ISO) Department of Market Monitoring (DMM) released today its *2013 Annual Report on Market Issues and Performance*, which shows that overall prices in the wholesale energy markets were highly competitive although higher natural gas prices did push costs up. The report will be presented to the ISO Board of Governors during its meeting May 28-29.

While total wholesale electric costs increased by 31 percent in 2013, after controlling for the 30 percent in natural gas prices last year, costs rose by 5 percent, primarily because of implementing the state's greenhouse gas emissions cap-and-trade program. Another factor nudging prices higher in 2013 was a decrease in in-state hydro-electric generation, which was down about 40 percent in the fourth quarter from 2012. Over the course of 2013, prices were highly competitive, averaging very close to what market monitors estimated would result under highly competitive conditions.

Highlights from the report include the following:

- About 2,000 MW of peak generating capacity from mostly solar renewable generation was added in 2013. Wind and solar energy interconnected to the ISO grid provided about 8 percent of system energy, compared to about 5 percent in 2012.
- Energy from new wind and solar resources is expected to increase at a much higher rate in the next few years as projects to the state's renewables portfolio standard are built and come on line. This increases the need for flexible and fast ramping resources, such as new combine cycle natural gas, demand response and, in time, energy storage, to support the increasing amounts of variable energy. The ISO and the California Public Utilities Commission are working closely to develop the rules and requirements needed for flexible resources to integrate renewable resources.
- Over 3,500 MW of new gas-fired generation was added in 2013, mostly as part of the California Public Utilities Commission's long-term energy procurement process. However, this increase was mostly offset by 2,900 MW of thermal generation retirements in 2013, including both units at the San Onofre Nuclear Generating Station (SONGS).

- The generation gap caused by having less hydro-electric and nuclear generation was filled, in large part, by natural gas. Natural gas generators supplied about 40 percent of ISO energy in 2013, up from 39 percent in 2012 and 28 percent in 2011.
- Imports made up about 28 percent of electricity used in the ISO area, a slight decrease in percentage terms from 30 percent in 2012. Overall, energy from imports decreased by 7 percent.

Meanwhile annual, average and peak load all decreased in 2013. Annual total energy reached 231,800 gigawatt-hours, a 1.3 percent decrease over 2012. Annual peak load dropped by 3.7 percent compared to 2012 and was the lowest peak observed in the last 5 years.

To see the Annual Report click this link

<http://www.caiso.com/Documents/2013AnnualReport-MarketIssue-Performance.pdf>

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The California ISO provides open and non-discriminatory access to one of the largest power grids in the world. The vast network of high-voltage transmission power lines is supported by a competitive energy market and comprehensive grid planning. Partnering with about a hundred clients, the nonprofit public benefit corporation is dedicated to the continual development and reliable operation of a modern grid that operates for the benefit of consumers. Recognizing the importance of the global climate challenge, the ISO is at the forefront of integrating renewable power and advanced technologies that will help meet a sustainable energy future efficiently and cleanly.	