

Memorandum

To: ISO Governing Board
From: Alan Isemonger, Manager Market Information
Date: March 1, 2007
Re: *Market Performance Report – December 2006*

This memorandum is a status report and does not require Board action.

EXECUTIVE SUMMARY

Highlights for December 2006:

- Natural gas prices declined steadily during December from \$7.50/MMBtu to under \$6.00/MMBtu by month's end. Bilateral electricity prices also declined consistent with the fall in gas prices.
- Average real-time energy price increased slightly over the prior month from \$49.25/MWh to \$50.79/MWh. Average volumes of incremental and decremental energy remained relatively unchanged.
- Consistent with the increase in on-line capacity, the frequency of five-minute interval prices exceeding \$250 declined from 88 in November to 59 in December.
- Out-of-Sequence re-dispatch volumes increased by 60 percent while re-dispatch costs increased from \$610,000 to \$830,000, or about 36 percent. Most of these costs were due to intra-zonal congestion, which was driven by transmission line maintenance during December.
- Total unit commitment costs increased sharply to \$2.3 million in December, up from \$975,000 in November. The increase was driven primarily by Southern California Import Transmission (SCIT) nomogram generation requirements, because a significant amount of base load generation was off-line for maintenance through the first two-thirds of the month.
- Total inter-zonal congestion costs increased marginally from \$5 million in November to \$6 million in December. Two thirds of these costs occurred on the Palo Verde branch group and were driven by transmission line maintenance.

The complete Market Performance Reports for December is attached.