



# Briefing on 2011 Annual Report on Market Issues and Performance

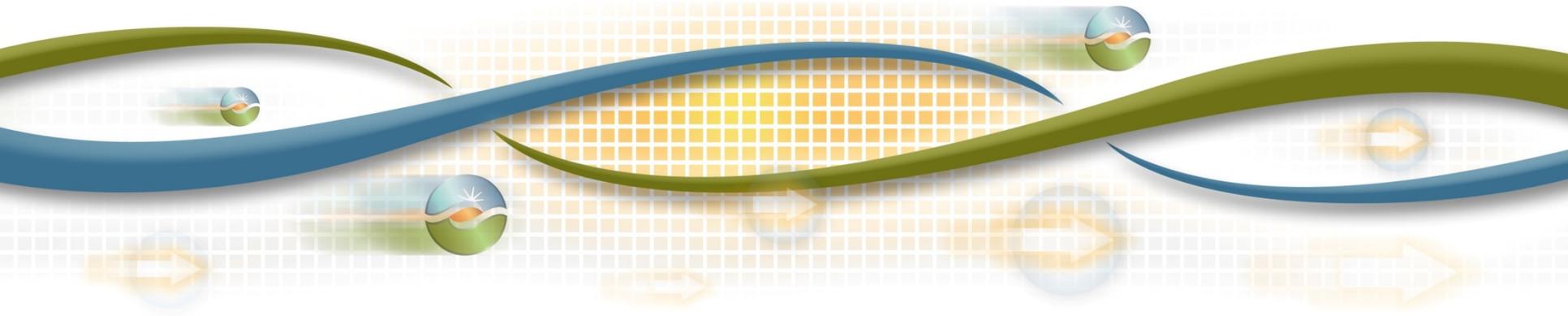
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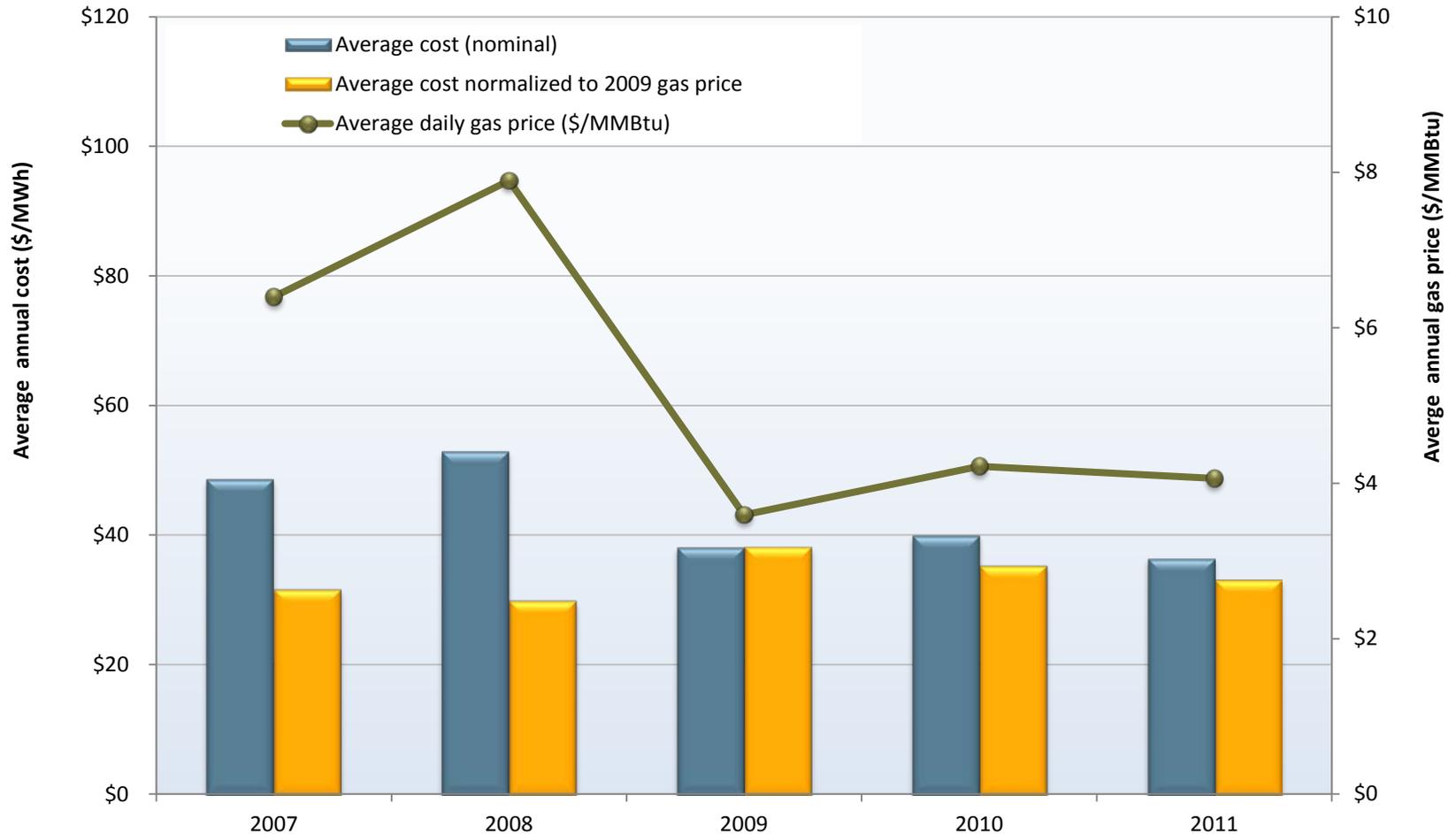
Board of Governors Meeting

General Session

May 16-17, 2012



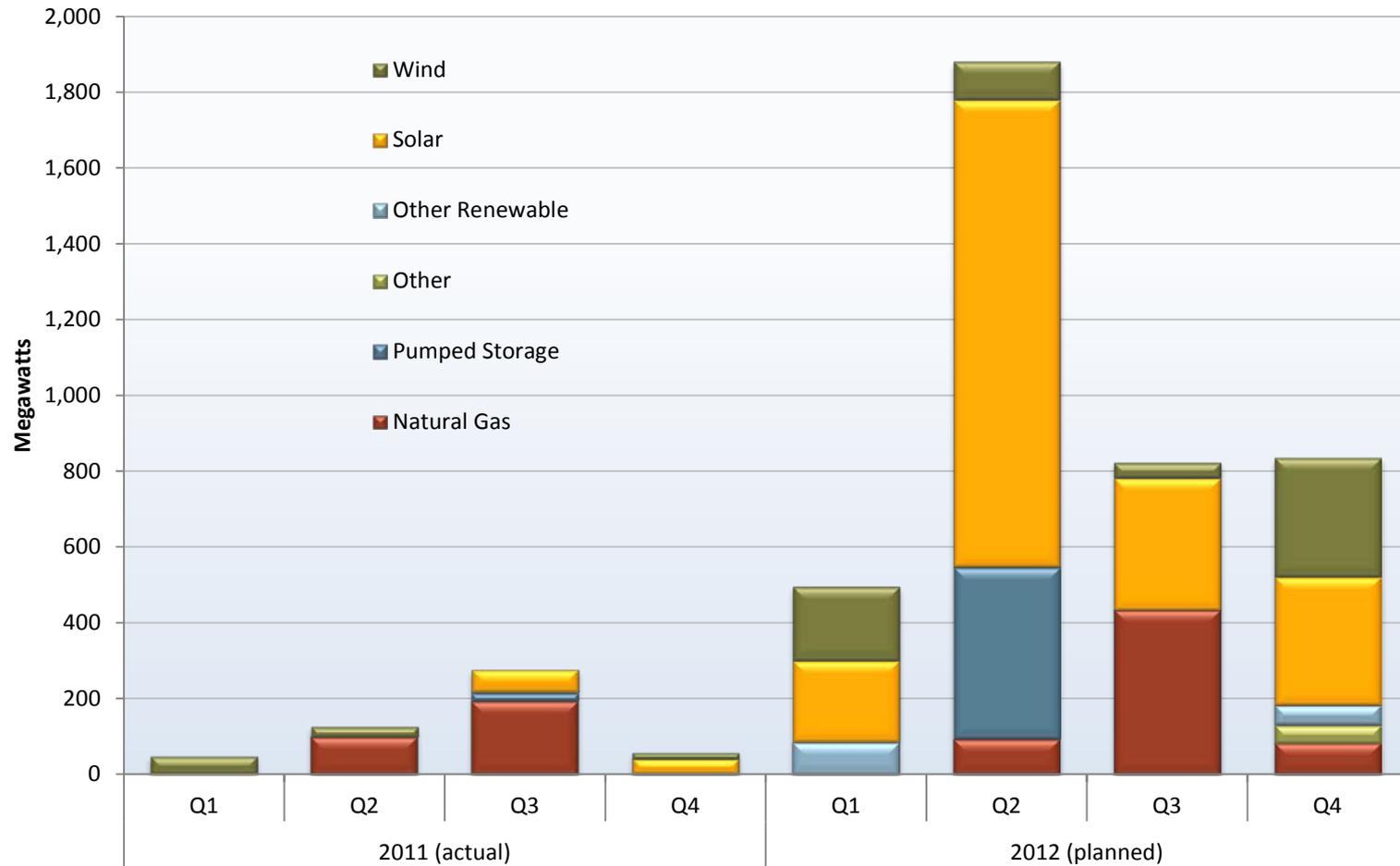
# Total annual wholesale costs load decreased 6% after accounting for lower gas prices.



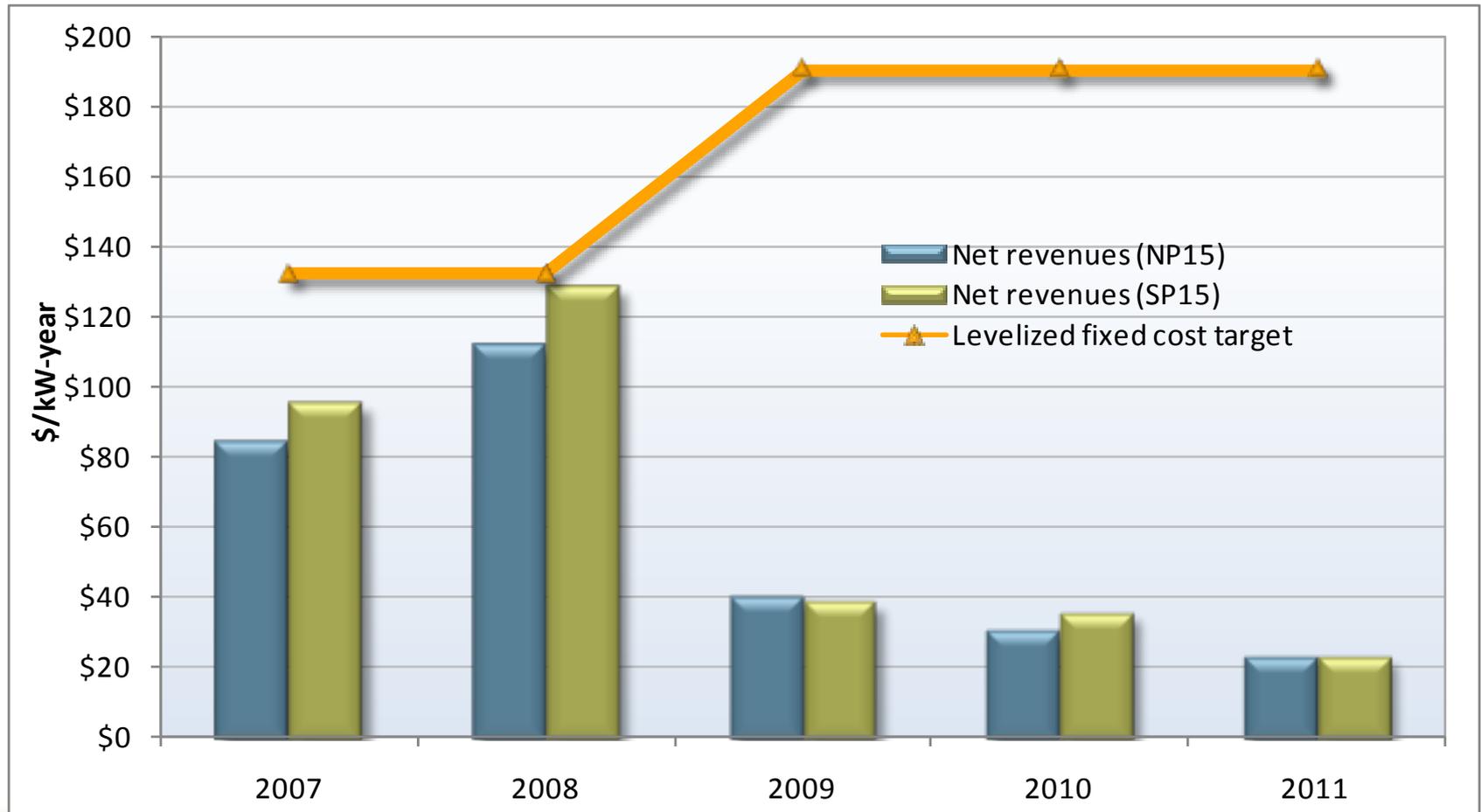
Some smaller components of total costs increased, but were declining by end of 2011.

- Real-time imbalance offset costs increased 15%, and accounted for 2% of total costs.
  - Addressed by steps to improve convergence of hour-ahead and real-time prices and suspension of virtual bidding on interties.
- Bid cost recovery payments rose from less about 1% to 1.5% of total costs.
  - Addressed through two special tariff filings.
- Ancillary service costs increased from about 1% to 2% of total wholesale costs, primarily due to system conditions.
- Exceptional dispatch costs rose from \$25 million to \$43 million, but accounted for only .5% of total costs.

# ISO is on verge of dramatic increase in solar and wind resources within the ISO system.



Net operating revenues earned by typical new gas units from the ISO energy market continue to fall well short of the fixed costs of new capacity.



## Key recommendations

- Continued focus on consistency of hour-ahead and real-time dispatches and prices.
- Take time needed to make necessary modifications to hour-ahead market before re-implementing virtual bidding on inter-ties.
- Continue to work with CPUC to develop forward capacity requirements for resource adequacy program.
- Incorporate clear link between forward procurement of flexible generation and an obligation to offer this capacity in ISO markets at reasonable price.