



# COMPETE

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## **STUDY: COMPETITIVE REFORMS NET MISO CONSUMERS CLOSE TO \$200 MILLION PER YEAR IN ECONOMIC SAVINGS**

*Findings imply that savings over a 10-year period would equal \$1.72 billion*

WASHINGTON, DC – Competitive electricity market reforms adopted by the Midwest Independent Transmission System Operator (Midwest ISO) are estimated to produce **\$1.72 billion in economic savings over a 10 year period**, according to a new study sponsored by the COMPETE Coalition.

The study by experts at The Brattle Group, *“Generation Cost Savings From Day 1 and Day 2 Market Designs,”* **used Midwest ISO’s experience in adopting competitive market reforms** to evaluate the economic benefits provided by Regional Transmission Organizations (RTOs). The study assessed the economic gains as Midwest ISO progressively adopted competitive reforms on energy dispatch, eventually adopting the so-called “Day 2” market structure prevalent at RTOs in the Northeast and Mid-Atlantic regions.

“We used Midwest ISO as a case study to determine whether an organized wholesale power market produced system-wide generation cost reductions, and the clear and unambiguous conclusion was that it has,” said James Reitzes, co-author of the study and a Principal at The Brattle Group.

The analysis demonstrates that the establishment of a Day 1 market structure, in which the RTO facilitates regional transmission access but does not provide centralized generation unit dispatch to meet electricity demand, was associated with a 1.3% decline in power production costs. Midwest ISO’s adoption of Day 2 market reforms, in which the RTO administers an organized central market for wholesale power and dispatches generation on a least-cost basis, was associated with an additional 2.6% cost decline. **The combined cost savings from forming an RTO and adopting a Day 2 design was almost 4%.**

“Midwest ISO’s **annual savings attributable to the change from a Day 1 to Day 2 design are about \$172 million per year for energy dispatch alone.** And, as energy usage increases, the savings would only be expected to grow,” Reitzes observed. “To be conservative, our results imply that the **savings over 10 years associated with forming a Day 2 market are \$1.72 billion.**”

“This report confirms that adopting the RTO market design, with a Day 2 market and bid-based dispatch of the lowest cost resources available, provides real and tangible economic gains,” said William Massey, former FERC Commissioner and Counsel to COMPETE. “In addition, there is a growing body of persuasive evidence that well-structured organized competitive markets translate into greater

operational efficiencies, attract ever-increasing renewable and demand response resources, incent innovative solutions, and provide broad benefits to consumers and the economy.”

In fact, utilities are increasingly recognizing the benefits of the RTO structure and are joining competitive markets in growing numbers. Wisconsin's Dairyland Power recently announced plans to join Midwest ISO, following on the heels of Midwest ISO's integration of MidAmerican Energy and Iowa municipal utilities in Cedar Falls and Muscatine.

“We perhaps couldn't find a more compelling validation of the value of markets than the fact that municipal utilities and cooperatives, whose national trade organizations are at the forefront of efforts to roll back competitive reforms, have chosen to join Midwest ISO and Southwest Power Pool in recent months,” said COMPETE Executive Director Joel Malina.

In addition to measurable cost savings, the report also indicated that a Day 2 RTO competitive market design enhances the reliability of electric power delivery, leading to fewer “emergency” events.

And, The Brattle Group analysis complements [draft findings](#) by Midwest ISO quantifying the economic and reliability benefits of the RTO with a footprint spanning 13 states and the Canadian province of Manitoba. The “*Midwest ISO Value Proposition*” analysis is posted on MISO's website for public review and comment.

“The Midwest ISO is an essential link in the dependable and cost-effective delivery of electric power across much of North America. We are committed to reliability and creating cost-effective and innovative solutions for our industry and the customers we serve,” said Wayne Schug, Midwest ISO's Executive Director, Planning & Performance Management. “The Day 2 structure and the forces of competition are a critical component in our ability to do so.”

The full copy of “*Generation Cost Savings: From Day 1 and Day 2 Market Designs*” and video from the discussion can be obtained at [www.competecoalition.com](http://www.competecoalition.com).

**ABOUT COMPETE:**

The **COMPETE** Coalition represents 382 electricity stakeholders, employing over 7 million American workers, including customers, suppliers, generators, transmission owners, trade associations, and economic development corporations – all of whom support well-structured competitive electricity markets for the benefit of consumers. For more information, please visit [www.competecoalition.com](http://www.competecoalition.com)

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