



COMPETE

Electricity Competition **IS** the Public Interest

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THE CALIFORNIA COMPETITIVE ELECTRICITY MARKET: THE RESULTS ARE IN

THE CALIFORNIA MARKET BENEFITS CONSUMERS

- In 2006, the average cost per megawatt-hour to serve load in the CAISO control area was reduced by nearly 18%. The wholesale cost decreased from \$57.83 in 2005 to \$47.55.

2006 Annual Report on Market Issues and Performance, CAISO, July 2007

- The costs for managing reliability on the CA grid have fallen by 57% since 2004.

Progress of Organized Wholesale Electricity Markets in North America, ISO/RTO Council, October 16, 2007.

- In 2006, intra-zonal congestion costs were reduced by 51% from the 2004 total of \$426 million to \$207 million.

2006 Annual Report on Market Issues and Performance, CAISO, July 2007

- Electricity costs in the state have decreased considerably since 1999. Normalizing 2004 annual costs for natural gas results in a total cost reduction of 30 percent in 2004 from 1999 levels. This is a direct result of the addition of significant amounts of new efficient combined cycle natural gas generation facilities in California over the past four years.

2004 Annual Report on Market Issues and Performance, CAISO, April 2005.

- Electric industry restructuring and the “dis-integration” of California utilities benefited customers by providing lower prices, reduced risk exposure, and improved incentives for efficient operations.
 - Had California ridden out the storm and paid the much maligned “spot market” price for the entire period from April 1998 through June 2004, the average commodity cost of electricity over the period would have been 4.7 percent lower than the “frozen” price in 1998 and over \$30 billion less than the rates actually charged by utilities over the same period.
 - Relying on the merchant model to build new generation meant that the shareholders of the merchant generators, not captive ratepayers, were held responsible for construction overruns and overbuilt capacity.
 - The merchant operators who purchased the utility power plants got more production out of them than the former utility owners did in the previous 20 years.
 - In other words, “deregulation” really did work in California. Had objective reasoning rather than political expediency reigned supreme, Californians

today could well be experiencing the low-cost nirvana envisioned when the restructuring process began 10 years ago.

"California's Shocking Secret: Deregulation Did Work in Spite of Itself," Philip Miller, December 2004.

THE CALIFORNIA MARKET IMPROVES SYSTEM RELIABILITY

- In 2006, the CAISO Board of Governors approved \$3.25 billion of transmission investment, represented by 41 new transmission projects within California.
2006 Annual Report on Market Issues and Performance, CAISO, July 2007
- In 2006, CAISO exceeded industry standards for safe and reliable operation of the grid.
2006 Annual Report on Market Issues and Performance, CAISO, July 2007
- CAISO has secured approval from FERC for a new funding mechanism to ease and accelerate the allocation of costs to interconnect thousands of megawatts of new renewable energy projects in remote areas.
Progress of Organized Wholesale Electricity Markets in North America, ISO/RTO Council, October 16, 2007
- CAISO was able to meet the record-breaking demand of 50,270 MW during the 2006 heat wave with reserves to spare.
Harnessing the Power of Demand: How ISOs and RTOs are Integrating Demand Response into Wholesale Electricity Markets, ISO/RTO Council, October 16 2007
- During the 2006 heat wave, a total of 2,700 MW from emergency demand-response programs and voluntary conservation helped keep California's electricity running.
Progress of Organized Wholesale Electricity Markets in North America, ISO/RTO Council, October 16, 2007

THE CALIFORNIA MARKET BENEFITS THE ENVIRONMENT

- New corporate initiatives reduced the barriers to development of additional renewable resources and helped to provide increased grid and market access to clean energy.
2006 Annual Report on Market Issues and Performance, CAISO, July 2007
- CAISO launched its Intermittent Resources Program July, 2003 – the first of its kind in the nation encouraging renewable resources such as wind to bid into the ISO's markets. Current estimates suggest that a total of 4,000 to 5,000 MW of new wind capacity may be integrated into the California transmission grid over the next 15 years.
"Plugging Wind into the Grid," Public Utilities Fortnightly, June 15, 2003