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ORGANIZED WHOLESALE MARKETS ARE COMPETITIVE AND DELIVERING BENEFITS TO CONSUMERS

The market monitors for every Independent System Operator (ISO) and Regional Transmission Organization (RTO) in the country have once again found that the ISOs and RTOs have administered competitive electricity markets, based on detailed reports for 2009. These markets serve two-thirds of electricity consumers in the country independently dispatching the most cost effective supplies to reliably meet consumer demand. The annual reports note that the organized wholesale markets are appropriately reflecting dramatically lower fuel prices with electricity prices dropping by roughly 50 percent from 2008 levels across the markets. The reports once again underscore the benefits to consumers of independent operation of the transmission system and markets that are quickly responsive to lower costs. ISOs and RTOs, however, must continue to work to ensure that market rules reflect true market conditions for all resources – whether conventional generation, alternative technologies or demand side – so that suppliers can have confidence to invest in the infrastructure necessary to efficiently meet demand for years to come.

ISO New England

- “In 2009, the wholesale markets experienced decreases in electric energy prices, congestion, and reliability costs. These market outcomes essentially are a direct result of changes observed in several key inputs: lower, less volatile fuel prices; a continued near-record level of hydro production; reduced consumption of electric energy; and less need to operate generation for local second-contingency protection.” [2009 Annual Markets Report, Page 54](#)
- “The [Internal Market Monitor] analyzed the 2009 performance of the ISO-administered markets and determined that the outcomes were consistent with competitive markets. Market concentration is low, new participants seek to enter the market, and energy prices remain at levels consistent with the short-run marginal cost of production.” [Page 1](#)

New York ISO

- “Energy prices fell 46 percent in western New York and 51 percent in eastern New York from 2008 to 2009... Transmission congestion decreased by 61 percent due to lower fuel prices, lower load levels, and the reduced effects of circulation around Lake Erie.” [2009 State of the Market Report New York ISO Electricity Markets, Page 4](#)
- “The energy, capacity, operating reserves, and regulation markets performed competitively in 2009. We find no evidence that suppliers have withheld a material amount of generation to inflate energy, capacity, or ancillary services prices.” [Page 4](#)

PJM Interconnection

- “PJM [locational marginal prices (LMPs)] are a direct measure of market performance. Price level is a good, general indicator of market performance, although the number of factors influencing the overall level of prices means it must be analyzed carefully. Among other things, overall average prices reflect the generation fuel mix, the cost of fuel and local price differences caused by congestion. PJM Real-Time Energy Market prices decreased in 2009 compared to 2008. The system simple average LMP was 44.1 percent lower in 2009 than in 2008...” [State of the Market Report for PJM, Page 16](#)
- “The overall market results support the conclusion that prices in PJM are set, on average, by marginal units operating at, or close to, their marginal costs. This is evidence of competitive behavior and competitive market outcomes... The MMU concludes that the PJM Energy Market results were competitive in 2009.” [Page 2](#)

Midwest ISO

- “The Midwest ISO energy markets performed competitively in 2009... Prices in the day-ahead and real-time energy markets declined 44 and 45 percent, respectively, in 2009 due to sharp declines in fuel prices and reduced load.” [2009 State of the Market Report Midwest ISO, Page 4](#)
- “The Midwest ISO markets produce substantial savings in a variety of areas.” [Including, daily commitment of generation, efficient dispatch and congestion management, reliability and price signals.] [Page 3](#)
- “One of the most significant benefits of the Midwest ISO energy markets is that they provide accurate and transparent price signals that reflect congestion on the network.” [Page 12](#)

Southwest Power Pool

- “SPP performed as a healthy RTO in 2009. For the [Energy Imbalance Service] Market, the signs of good health include robust participation, prices and price volatility which compare well to neighboring ISOs, successful expansion to include new balancing authorities, and the absence of structural market power. For the Transmission Market the clearest sign of good health is the substantial investment in the transmission system.” [2009 State of the Market Report Southwest Power Pool, Inc., Page 1](#)
- “In comparison to 2008, SPP’s simple average annual price fell dramatically from \$53.21/MWh in 2008 to \$27.50/MWh in 2009, representing a drop of 48%.” [Page 5](#)

ERCOT (Texas)

- “The ERCOT wholesale market performed competitively in 2009, with the competitive performance measures showing a trend of increasing competitiveness over the period 2005 through 2009.” [2009 ERCOT State of the Market Report for the ERCOT Wholesale Electricity Markets, Page ii](#)
- “The average wholesale electricity price was \$34.03 per MWh in 2009, which is 56 percent lower than the 2008 average price of \$77.19 per MWh. This is the lowest annual average price experienced in the ERCOT wholesale market since 2002.” [Page i](#)
- “Lower wholesale electricity prices provide benefits to consumers in the short-term. However, pricing outcomes in 2009 continued to inadequately reflect market conditions during times of operating reserve scarcity. During such shortage conditions when demand for energy and operating reserves cannot be met with available resources, prices should rise sharply to reflect the value of diminished reliability as reserves are used to meet energy needs. Although these shortage conditions occur in only a handful of hours each year, efficient shortage pricing is critical to the long-term success of the ERCOT energy-only market.” [Page i](#)

California ISO

- “The overall performance of the new day-ahead and real-time markets in 2009 were highly efficient and competitive. Prices in the energy markets were approximately equal to competitive baseline prices that [the Department of Market Monitoring] estimates would result under highly competitive conditions.” [2009 Annual Report: Market Issues and Performance, Page 1](#)
- “Wholesale costs dropped significantly due to the lower spot market prices for natural gas, which averaged about 56 percent less in 2009 than in 2008. Increased operational and market efficiencies under the new market design also contributed significantly to the decline in costs in 2009.” [Page 4](#)

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EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for nearly 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.

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