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## COMPETITIVE ISO/RTO REGIONS PROMOTE EFFICIENCY, AFFORDABILITY, AND CLEAN ENERGY

### ISO/RTO Council Issues New Report on Organized Markets

The ISO/RTO Council, which represents the 10 independent electric grid operators operating in North America, released its [2009 State of the Markets Report](#) this week. Currently, two-thirds of the population of the United States is served by organized wholesale electricity markets run by ISOs or RTOs, which ensure that wholesale power markets in their regions operate efficiently, openly, and support the reliability of the bulk power system. Recent expansions of the Midwest Independent System Operator and the Southwest Power Pool in the last year have further highlighted the benefits of participation in independently-administered, organized wholesale power markets.

The Council's most recent report concluded that competitive power markets have reduced the cost of electric power relative to the cost that would otherwise have been incurred, incentivized improved generator availability, and facilitated investments in new, more efficient generating units. Additionally, regions served by ISOs and RTOs have nurtured increased development of renewable resources and seen an increase in demand response resources. ISOs, RTOs, and the competitive wholesale power markets they operate continue to provide consumers with efficient, clean, and affordable electricity.

- “In a competitive market, prices will rise when demand rises or when production costs rise (such as fuel prices). Conversely, prices will fall if demand falls or if fuel prices fall. These outcomes are seen in ISO/RTO wholesale electricity markets, which is consistent with evidence that these markets are competitive and that price changes are the result of market fundamentals such as changes in fuel prices and changing levels of demand.” P. 20
- “Declines in power prices within ISOs/RTOs, relative to the levels that would otherwise have prevailed, reflect a number of factors including: the cost reductions made possible through security-constrained economic dispatch, incentives for improved generator availability, investments in new more efficient generating units, and retirement of uneconomic facilities. The actions of individual market participants, acting under the decentralized incentives of wholesale market pricing, have resulted in higher power-plant availability, lower outage rates, the development of demand response programs, and new plant construction when and where needed, all of which have contributed to lower power prices.” P. 18
- “The economic incentives of individual participants in competitive wholesale markets administered by ISOs/RTOs improve system reliability. While a centrally managed system requires a single operator to direct activity on the grid, competitive markets also utilize transparent prices to communicate information about grid conditions simultaneously to hundreds of market participants, providing them with the information and incentive to take actions that support the transmission system.” P. 13

- “A variety of analyses have concluded that the implementation of competitive power markets based on centrally-coordinated economic dispatch has reduced the cost of electric power within the region, relative to costs that would otherwise have been incurred.” P. 15
- “Competitive wholesale power markets have provided incentives for generation owners to take actions to achieve higher power plant availability and lower forced outage rates, particularly during peak demand periods. This has reduced the cost of producing electricity and the need to construct new generating capacity... Competition has fostered construction of efficient new power plants with lower heat rates and lower operations and maintenance costs than older existing units... Operation of these more fuel-efficient generation resources has not only put downward pressure on power prices, it has also helped to reduce CO2 and other emissions.” P. 21
- “By coordinating real-time spot markets based on security-constrained economic dispatch and locational pricing, ISOs/RTOs provide transparent market prices for a variety of demand response products (capacity, ancillary services, and energy), making it easier for demand response providers to more accurately evaluate the prospective value of new demand response resources, and enabling regulators to better measure the value provided by demand response resources and approve appropriate levels of compensation.” P. 24
- “Advantages provided by ISOs/RTOs have stimulated a continuing increase in wind generation within the ISO/RTO footprints. Overall, wind generating capacity located within the 10 ISOs/RTOs has increased four-fold since 2004, and total wind generation output approached an average of 5,000 MW-hours per hour during 2008 (4,750). Moreover, close to 80 percent of total U.S. wind generating capacity is now located within the footprint of the ISOs/RTOs in the United States.” P. 4
- “In recent years, many states within ISO/RTO regions have established renewable portfolio standards that stimulate investment in renewables. Several ISOs/RTOs have experienced rapid development of intermittent renewable resources such as wind generation. Even more accelerated development may take place under forthcoming federal and state/provincial legislative requirements. ISOs/RTOs are facilitating the integration of renewable resources through advances in system operations and needed changes to market rules and grid planning methods.” P. 28

The full report can be found at [www.isorto.org](http://www.isorto.org)

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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.*

*For more information, go to [www.epsa.org](http://www.epsa.org).*