

For Immediate Release:

January 23, 2013

Record Low Power Prices, Sustained System Reliability Highlight Positive 2012 Market Developments

RENSSELAER, N.Y.—January 23, 2013— The average wholesale electric energy price for 2012 was the lowest in the 12-year history of New York’s competitive markets for wholesale electricity.

The New York Independent System Operator (NYISO) today reported that the average annual wholesale price of electric energy in New York state was \$45.23 per megawatt-hour (MWh) in 2012. Eclipsing the previous record low price of \$48.63 in 2009, the 2012 average of \$45.23 MWh was 52.5 percent lower than the 2008 average of \$95.31 MWh.

As more than 1,400 megawatts (MW) of generation with an average age of 43 years were retired or suspended operation in 2012, New York’s wholesale electricity markets continued to drive new investments in cleaner and more efficient generation that contributed to reliable market and grid operations. In keeping with recent trends, of the more than 745 MW of new generation that came online in 2012, most are powered by natural gas or wind. The NYISO estimates that New York has a reserve of 13,000 MW to meet the forecasted peak demand this winter.

“Our markets continue to function very well by sending the proper price signals to promote the development and use of the most efficient generation resources,” said NYISO President and CEO Stephen G. Whitley. “While the abundance and low price of natural gas are major factors in the current price of electricity in New York, our competitive wholesale markets continue to drive efficiency and produce benefits for consumers.”

Senator George Maziarz, chairman of the Senate Committee on Energy and Telecommunications, said, “The NYISO continues to promote sound policies and exercise efficient and judicious management of our energy markets and grid. This sends the right signals to the market and leads to lower prices and enhanced reliability. The news that New York’s wholesale energy prices hit their lowest level in 12 years in 2012 is further evidence that competitive markets work, not only for businesses but especially for consumers.”

Independent Power Producers of New York, Inc. (IPPNY) President & CEO Gavin J. Donohue said, “IPPNY has been a strong advocate of competitive markets since their inception, and the findings reported by the NYISO come as no surprise. Competition between private companies—of varying size, location, and using different technologies—leads to the promotion of the most efficient resources and the greatest benefits to consumers, such as lower prices, greater system reliability and a cleaner environment. In addition, generation facilities provide quality jobs, substantial tax revenues and other significant investments in communities across the state.”

In addition to these highlights, there were a number of other positive market developments in 2012.

Broader Regional Markets

The NYISO continued to make progress with neighboring regions on efforts to optimize resources and improve energy transaction scheduling between the regions’ power systems. This “Broader Regional Markets” initiative will expand competition and enable grid operators in the region to better respond to dynamic market and operating conditions across their borders by broadening the pool of resources through enhanced market design.

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state’s bulk electricity grid, administering New York’s competitive wholesale electricity markets, conducting comprehensive long-term planning for the state’s electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.

The NYISO and ISO New England received approval from the Federal Energy Regulatory Commission for Coordinated Transaction Scheduling (CTS) that will reduce costs for consumers by improving the scheduling of wholesale electricity sales between the two regions and enabling the more efficient use of transmission lines connecting New York and New England. It is estimated that full implementation of CTS will lower wholesale electricity costs and provide approximately \$66 million in annual savings to New York consumers.

In 2012, Enhanced Interregional Transaction Coordination was implemented to enable more frequent transaction scheduling between New York and PJM Interconnection. Reducing transaction scheduling from once every hour to once every 15 minutes will lower overall system operating costs in both regions, provide system operators with additional resource flexibility and increase the efficiency of real-time markets. A similar enhancement of transaction scheduling was initiated between New York and Québec in 2011.

While interconnected, the various power grids and wholesale electricity markets in the United States and Canada were developed separately and reflect differences in geography, climate, reliability requirements and available power resources. These differences, frequently referred to as “seams” in the fabric of the grid, can inhibit efficient coordination and grid operations. The Broader Regional Markets initiative is an effort to mend seams, enhance efficiency of existing resources and reduce costs for consumers.

Wind Integration

Efficient and effective integration of wind into the NYISO’s markets continued in 2012. A wind forecasting system implemented by the NYISO enables better utilization of wind resources by forecasting the availability and timing of wind-powered generation. The NYISO was the first grid operator in the nation to integrate wind power in its economic dispatch system, fully balancing the reliability requirements of the power system with the use of the least costly power. As a result of these initiatives, wind generators in New York were able to produce at full capability without restriction 98 percent of the time, producing 3,060 gigawatt-hours (GWh)* of electricity in 2012, more than 200 GWh* above levels achieved in 2011.

Jackson Morris, director of strategic engagement at the Pace Energy and Climate Center said, “As New York pursues ambitious goals to scale up renewable resources such as wind and solar, it is essential that our wholesale market rules and grid operations keep pace with these changes. With its continued efforts to efficiently integrate wind on to the grid, the NYISO has demonstrated its ability to innovate in order to optimize the performance of our evolving electric fleet.”

Valerie Strauss, interim executive director of Alliance for Clean Energy New York, a statewide coalition of clean energy advocates, said, “The NYISO’s fair and supportive market rules enable wind energy to prove its reliability and effectiveness as we see increasingly higher levels of wind coming on to the grid. In supporting wind power development, New York is benefitting from a homegrown fuel- and emissions-free resource that’s helping to create a more diverse and stable-priced energy supply.”

*The figures contained in the original press release have been updated and corrected.

Reduced Emissions

Complementing rigorous air quality regulations, competition in wholesale electricity markets has helped to stimulate investments in cleaner generation and encouraged operating changes to improve overall efficiency of power plants. Based on available emissions data from the U.S. Environmental Protection Agency through the third quarter of 2012, power plant emissions continue to decline in New York state. Compared to the first three quarters of 2011, emissions of carbon dioxide (CO₂) declined by 9 percent, nitrogen oxides (NO_x) were down by 28 percent and sulfur dioxide (SO₂) dropped by 63 percent. From 2000 through year-end 2011, these emissions rates have declined by 36 percent, 76 percent and 86 percent, respectively.

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“Our markets continue to evolve and improve, and we made very good progress in 2012,” said Whitley. “Working in collaboration with market participants, stakeholders, regulators and policymakers, we will continue to focus on optimizing grid operations, enhancing market efficiency, implementing comprehensive system planning and integrating technological advances into the grid that continue to provide consumers the benefits of competitive wholesale electricity markets.”

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