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## **NYISO: Power Prices Drop as Fuel Costs Fall**

***Statewide average cost of wholesale electricity decreased by 54% since June***

**Rensselaer, NY** – Wholesale electricity prices in New York declined by 54% over the past several months as natural gas prices fell dramatically, according to an analysis of recent price trends by the New York Independent System Operator (NYISO).

While natural gas prices declined by 45% during the period from June to November of 2008, the statewide average cost of wholesale power dropped by 54%. That decrease comes after a period of wholesale electricity price increases that were also directly related to increases in natural gas prices.

“The analysis shows that wholesale prices appropriately reflect the cost of fuel in the production of power,” said Stephen G. Whitley, NYISO President and CEO. “Earlier this year, when gas prices went up, power prices went up. As the cost of natural gas has come down, the cost of power has come down with it.”

“This illustrates one of our concerns about fuel diversity. An overdependence on one fuel source can have negative impacts on reliability, price, and environmental sustainability.”

Data from prior summer seasons show a similar connection between natural gas and electricity prices. Between the summer of 2007 and the summer of 2008, wholesale power prices increased 48%, while natural gas prices rose 60%. Factoring out the increase in fuel prices over the past four summers, the average cost of wholesale electricity actually declined.

Since 2000, fuel adjusted wholesale electricity costs have decreased at least 11%, as of August 2008. This amounts to annual cost reductions of approximately \$1.2 billion in today’s dollars.

Even with taking into account the increased cost of natural gas, the average cost of wholesale electricity for the months of June, July, and August in 2008 was \$80.91 per megawatt-hour (MWh), an 8% decline from 2007, and the lowest of the four summer seasons examined. Summer average fuel adjusted electricity prices for those three months were \$87.81/MWh for 2007, \$100.09/MWh for 2006, and \$89.42/MWh for 2005.

While New York’s generating resources include relatively large supplies of hydropower and nuclear energy, the state still counts on natural gas and oil-fired units for 63% of its installed capacity. Unless the state reduces its reliance on fossil fuels, wholesale electricity prices will continue to be largely driven by natural gas prices.

“The recent drop in fossil fuel prices should not lull us into complacency when it comes to planning for the Empire State’s energy future,” Whitley cautioned. “Without sustained investment in efficient, non-polluting energy resources such as wind and hydropower, New York’s electricity consumers will continue to see power price swings tied to volatile fossil fuel prices.

“Fortunately, for New Yorkers, our markets are attracting investments in renewable energy resources. Now is the time to address how to leverage the advantages of New York’s wholesale electricity markets to best serve the economic, environmental and energy needs of the Empire State.”

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The New York Independent System Operator (NYISO) – [www.nyiso.com](http://www.nyiso.com) – is a not-for-profit corporation that began operations in 1999. The NYISO operates New York’s bulk electricity grid, administers the state’s wholesale electricity markets, and conducts comprehensive reliability and resource planning for the state’s bulk electricity system.