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NYISO: Markets Cut Power Costs \$2.23 Billion
Fuel adjusted wholesale electricity prices 18% lower than 2000

Rensselaer, NY -- The New York Independent System Operator (NYISO) reported today in testimony to the New York State Assembly that 2008 wholesale electricity prices, adjusted for fuel costs, were 18% lower than prices in 2000 when the markets began operating in New York, a \$2.23 Billion reduction in wholesale electricity costs on a current annual basis.

“While the cost of fuel has driven the cost of electricity higher in recent years, the numbers here in New York show that, after adjusting for the cost of fuel, the markets have produced wholesale energy prices approximately ten percent lower than they were in the year 2000. In fact, if it had not been for the increases in the cost of fuel, competitive markets would have yielded wholesale prices for electricity, including both generating capacity and energy, 18 percent lower than in the year 2000, or over \$2 billion on a current annual basis,” said Stephen G. Whitley, NYISO President & CEO.

In his testimony, Whitley noted the significant impact of fossil fuel prices on electricity costs, “The greatest variable cost in generating electricity in fossil fuel plants is the cost of fuel. Needless to say, the costs of oil and natural gas are governed by world energy prices, beyond the control of the New York ISO or the State of New York. Despite this, the wholesale energy markets in New York have been effective to control other costs. In the second half of 2008, wholesale electricity prices in New York declined significantly as natural gas prices dropped. Natural gas prices decreased by 43 percent from June to December, and the statewide average cost of wholesale power dropped by 51 percent in that same period.”

“However, the recent drop in fossil fuel prices, and the decrease in demand linked to a troubled economy, must not lull us into complacency about planning for New York’s energy future,” Whitley cautioned. “Without sustained investment in diverse, non-polluting energy resources and the transmission infrastructure needed to transport these clean and renewable power supplies to high demand areas, New York’s electricity consumers will continue to see power price swings tied to volatile fossil fuel prices.”

He noted that New York’s wholesale electricity markets have produced an array of benefits, including:

- Renewable “green power” resources are flourishing in New York
 - *There are now more than 1,000 MW of wind generation in operation and over 8,000 MW of renewable resource projects proposed for grid connection.*
- Investment has added new generation and transmission serving New York
 - *Since 2000, over \$5.5 billion has been invested to build more than 6,000 MW of new generation, with more than 80% sited where demand is greatest (New York City, Long Island, and the Hudson Valley). New transmission facilities, with investments of nearly \$1 billion, have increased the capacity connecting New York and neighboring markets by nearly 1,000 MW.*
- Demand-side programs have developed and expanded in New York markets
 - *There are more than 2,000 MW in NYISO demand response programs, which provide incentives for electricity customers to reduce their power use during times of peak demand. The size of the programs, equivalent to four large power plants, has grown more than 10-fold since the inception of New York electricity markets.*

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“Fair and competitive markets are fundamental to some of the important goals we seek to achieve, such as the investment in renewable resources, increasing our fuel diversity and independence, which leads to a cleaner environment, and the addition of jobs to our struggling economy,” Whitley said.

“The current pricing method provides greater efficiency and the ability to monitor bidding effectively, thus providing transparency and protection to consumers. It creates a marketplace that enables smaller generators, such as wind and other renewable power providers, to compete more fairly and effectively with larger traditional power producers. Now is the time for us to move forward to build more enabling infrastructure – transmission and Smart Grid enhancements – to allow greater penetration of renewables, enhance energy efficiency, increase fuel diversity, lower emissions, and lower costs to consumers,” he stated.

The full text of the testimony is available on the NYISO website (www.nyiso.com).

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The New York Independent System Operator (NYISO) – 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.