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NYISO: Wholesale Electricity Prices Drop Again

Wholesale energy price in April at a level not seen since 2002

Rensselaer, N.Y. – The prices of wholesale electric energy in New York State have dropped to their lowest level since 2002, the New York Independent System Operator (NYISO) reported today.

The average price of wholesale electric energy in the state was \$39.64 per megawatt-hour (MWh) in April — a 13% drop from prices in March and almost half the January price of \$73.28/MWh. The last time wholesale electric energy prices were this low was in May 2002 when the average price was \$37.44/MWh.

“This is good news for consumers, and further evidence that New York’s competitive markets are working as designed,” said NYISO President & CEO Stephen G. Whitley.

“While the latest drop in energy prices is largely attributable to lower natural gas costs, New York also has a much more efficient fleet of power plants today. Natural gas prices may go back up, but the efficiency improvements will not disappear,” Whitley said.

As the NYISO previously reported, the efficiency of fossil-fueled power plants in New York, as measured by the system-wide “heat rate,” has improved by 21% since the onset of competitive electricity markets in late 1999. The heat rate is a measurement of how efficiently a generator uses heat energy. The operating cost of a fossil fuel/steam-driven power plant is a function of the unit’s heat rate.

“New York’s competitive pricing methodology motivates producers to pass their cost savings on to the market. If units are not selected to run or do not perform, they do not get paid. The results speak for themselves, as cost savings from lower natural gas prices and reduced demand for electricity translate into lower wholesale energy prices,” Whitley explained.

Most power plants in New York burn fossil fuels to generate power, and their costs are highly influenced by the prices of natural gas and oil. The cost of natural gas has dropped to \$4.10/MMBtu (one million BTUs) in April, down from \$5.00/MMBtu in March and \$9.55/MMBtu in January.

Lower demand for electricity permits a larger proportion of electricity to be generated by more efficient and less costly facilities. Average daily electricity usage in New York State was 400 gigawatt-hours per day (GWh/day) in April 2009, down from last month (422 GWh/day in March 2009) and below last year’s levels (406 GWh/day in April 2008).

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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.