

For Immediate Release:

April 20, 2009

Contact:

Ken Klapp (518) 356-6253

Power Plant Efficiency Improved with Competition *21% improvement in fossil fuel plant “heat rates” since onset of NYISO markets*

Rensselaer, N.Y. – The New York Independent System Operator (NYISO) reported today that over the past 10 years competitive markets have spurred investments in power plant efficiency improvements that have played a significant role in reducing wholesale electric energy costs in New York.

The system-wide heat rate for New York State fossil-fueled power plants has dropped by 21% since the onset of competitive electricity markets. 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.

“Competition has provided the incentive for producers to lower their operating costs,” said NYISO President and CEO Stephen G. Whitley. “This is a direct result of the sometimes misunderstood uniform clearing price methodology. By compelling generators to compete to sell power, the market encourages them to produce as efficiently as possible. We are seeing the effect of their efficiency investments in their heat rates, as well as in electricity market prices.”

In 2008, New York State’s 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.

“A pay-as-bid system would not foster this type of investment. Traditional ‘cost plus’ regulation provides generators less incentive to reduce costs,” Whitley explained. “Wholesale electricity prices in New York today are the lowest they’ve been since 2003. The improved efficiency and enhanced availability of New York’s generating units are major factors contributing to reduced costs.”

In March 2009, the average cost of wholesale electricity in New York State was \$45.63 per megawatt-hour (MWh) — the lowest level since November 2003 when costs averaged \$43.40/MWh. The prices in March were down 38% from an average of \$73.28 in January of this year.

The NYISO’s heat rate data findings are presented in the graphic, *New York State Power Plant Heat Rate*, on the following page.

###

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.

