First Year of SPP’s Energy Imbalance Service Market a Success

April 28, 2008, LITTLE ROCK, ARKANSAS – Two recent studies determined that the first year of the Southwest Power Pool, Inc. (SPP) Energy Imbalance Service (EIS) market was successful. SPP performed a study that found net trade benefits of $103 million from the first year of market operation. Separately, Boston Pacific Company, Inc., SPP’s External Market Advisor, published an annual report on SPP’s electricity market conditions reflecting a robust market.

At the request of its board of directors, SPP performed a market trade benefits study as a follow-up to a pre-market assessment. A 2005 CRA International cost-benefit study conducted in advance of market launch estimated $86 million in net trade benefits. The SPP study found actual net trade benefits for the first year were $103 million from the market settling 8% of total energy consumed in the EIS footprint.

According to Richard Dillon, SPP Director of Market Development and Analysis, “Not only has the EIS market been an operational success, but we are pleased to report that the trade benefits validated data used by our board of directors and members when they decided to implement the market.”

The Boston Pacific report found that market participation was robust. On average, 81% of online capacity was made available for dispatch. There was at least one flowgate experiencing congestion 56% of the time; 75% of the congestion occurred on just 10 flowgates. The market was able to resolve 85% of the congestion. Boston Pacific noted that SPP has made good progress in achieving market-based resolution of transmission congestion, and suggested the organization continue efforts to attract more market competitors.

Boston Pacific President Craig Roach stated, “The EIS market has been a success and should give the SPP board of directors and members the confidence to accelerate efforts toward creating new markets.”

Transactions went smoothly during the first year of the EIS market. SPP’s average daily prices were consistent with surrounding markets (Midwest ISO and the Electric Reliability Council of Texas) and significantly less volatile. Dispute activity was minimal, with the majority of disputes occurring in the first three months of market operation. Total disputes accounted for only 0.5% of transactions. The average dispute amount was $6,700, and resolution occurred in an average of 23 days.

SPP, a non-profit organization, operates the EIS market under a Tariff approved by the Federal Energy Regulatory Commission (FERC). The SPP Tariff is consistent with the mandate of FERC Order No. 2000, which requires Regional Transmission Organizations (RTOs) to provide real-time energy imbalance service and a market-based mechanism for congestion management.

SPP was granted RTO status by FERC in 2004 and, upon launch of the EIS market in February 2007, joins the ranks of only a few organizations worldwide to offer such services. SPP continues to be responsible for coordinating the wholesale electric transmission system and ensuring fair access to the transmission grid.

The reports are available on the Market Reports page of SPP.org.

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