

Ten Reasons ISOs/RTOs are Good for North America

1. Enhanced Reliability

Because they span large geographic areas, regional markets optimize the power grid by promoting efficiency through resource sharing. These organized markets are designed so that an area with surplus electricity can benefit by sharing megawatts with another region in the open market. This allows them to see the big picture when it comes to dispatching electricity in the most efficient way. By maximizing megawatts as the demand for electricity increases, ISOs/RTOs help “keep the lights on” during peak periods.

2. Efficient Grid Dispatch

Through the use of advanced technologies and market-driven incentives, the performance of power plants within regional markets tends to be better than performance in areas under monopoly control. There are lower power plant outage rates within competitive market regions because generation owners are motivated to keep plants online, especially during peak periods, to maximize their revenues.

3. Significantly Better Price Transparency

ISOs/RTOs are better equipped to analyze the reliability and economic considerations of congestion on the power grid and identify more efficient investment opportunities for upgrades and new facilities. In non-organized markets, consumers and investors face uncertainty when it comes to information about prices and locational value of transmission. This lack of transparency inhibits power grid investment in non-competitive markets vs. competitive markets where billions have already been spent to strengthen the power grid.

4. Ease of Entry and Private Investment

ISOs/RTOs develop standardized non-discriminatory rules for grid interconnection and provide important price signals for new investment. As grid planners, they provide the mechanisms for identifying the most economic solutions to transmission issues across a large footprint. ISOs/RTOs provide greater access for infrastructure investment necessary to keep up with growing demand for electricity in the United States and Canada.

5. Green Power Added to Grid

ISOs/RTOs level the playing field for diverse types of power plants to compete to bring the lowest cost electricity to consumers. Whether it's ensuring non-discriminatory access to high-voltage power lines or creating markets that open doors to renewable power, ISOs/RTOs are seeing robust investment in environmentally-friendly power generation in their regions.

6. Market Monitoring Benefits

ISO/RTO market monitors play an important role in enhancing the performance of competitive wholesale electric markets. Competitive markets benefit customers by assuring that prices properly reflect supply and demand conditions. Market monitors identify ineffective market rules and tariff provisions, identify potential anti-competitive behavior by market participants, and provide the comprehensive market analysis critical for informed policy decision-making.

7. Market Flexibility

Organized markets offer diverse power products and services, as well as an array of markets that can be used to hedge against price risks. Because average real time energy prices correlate to short-term forward bilateral prices, ISO/RTO markets foster forward contracting that can stabilize prices. More and better price transparency means better contract pricing.

8. Liquidity in the Marketplace

ISO/RTO markets have more buyers and sellers than non-organized markets. For instance, there are 90 companies now vying to bring the lowest-cost power to the California grid. Prior to restructuring, there were only a few companies trading power in the control area.

9. Market Diversity

Regions with organized wholesale markets have numerous buyers and sellers, but generator ownership is more concentrated in non-competitive regions. Formalized markets are able to monitor market power abuse and address market power through mitigation rules, recommending new operating procedures or proposing market structure changes.

10. Demand Response Development

ISOs/RTOs provide more information. Grid and market data is public information. As a result, more companies are encouraged to participate in energy markets—even those that are paid to reduce demand on the grid. Demand response bids are very important during peak periods of electricity usage because reducing demand is just as effective as increasing supply—and is often cleaner and more economical.