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Grid Congestion Costs Continue to Drop

Grid Upgrades Reduce Bottlenecks, Save Money for California

(Folsom, CA) Improvements and upgrades to the high-voltage power grid controlled by the California Independent System Operator (California ISO) are showing their value for California energy consumers as the costs associated with congestion—bottlenecks on the grid—continue to drop dramatically. The Market Monitoring Report delivered to the ISO Board of Governors details savings of nearly \$54 million in just two months.

The report also notes a collaborative effort between the ISO and major Load Serving Entities to reduce under-scheduling of load. Under a Memorandum of Understanding, the utilities agreed to schedule at least 95 percent of their expected load a day ahead of time. The result is reduced volume and costs in the ISO Hour-Ahead and Real-Time markets.

Recent improvements to the transmission infrastructure in southern California helped reduce congestion costs in August and September to levels well below last year for the same months.

The cost of one type of congestion mitigation known as “out-of-sequence redispatch” totaled \$3.2 million for the two months this year, compared to \$27 million in August and September of last year.

Must Offer commitments, another cost associated with congestion, dropped from \$52 million over the two-month period in 2004, to \$22 million in August and September of this year. That’s a combined savings of nearly \$54 million.

“We began to see these costs reductions earlier this year,” said Yakout Mansour, President and CEO of the California ISO. “As more transmission capacity became operational over the summer

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months, we saw even greater efficiencies. This is further proof that well planned transmission upgrades can pay significant dividends.”

The California ISO has recently taken a more proactive stance to revitalize the grid planning process and take the lead role in identifying the region’s grid infrastructure needs. The ISO has had some informal discussions with Transmission Owners, the California Public Utilities Commission and the California Energy Commission. Both the CPUC and the CEC officials have endorsed the effort and the ISO anticipates working with both agencies to develop the detailed processes necessary to support an effective and efficient infrastructure development process.

The recent upgrades include a series of three projects that increased transmission capacity into southern California by 1,000 megawatts.

- **Path 26 Upgrades:** (on line June 27, 2005) Pacific Gas and Electric, Southern California Edison and the ISO increased the operating limit from 3,400 to 4,000 megawatts allowing an additional 600 megawatts to flow into southern California.
- **“South of Lugo” Upgrades** (on line June 22, 2005) Southern California Edison added equipment that allowed the ISO to boost the rated capacity of the grid in the Victorville/Norco/Ontario area by 500 megawatts. The upgrade reduces congestion and supplies more electricity to the Los Angeles Basin.
- **New Miguel-Mission Line:** (on line June 6, 2005) With ISO approval and support, San Diego Gas and Electric accelerated the installation of a new 230-thousand volt transmission line from the Miguel Substation near Chula Vista to the Mission Substation in Mission Valley, increasing the capacity by 400 megawatts. SDG&E shaved about a year off the project timeline, reducing congestion costs by an estimated \$50 million.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California’s open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity, and ensure equal access to a 25,000 circuit miles of “electron highway.” As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.