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## New England’s 2015 Average Wholesale Power Price Fell to Second-lowest Level Since 2003

*Low natural gas prices drove down power prices for most of the year*

Holyoke, MA—March 29, 2016—Low natural gas prices during most of 2015 pushed monthly wholesale electricity prices down to record or near-record lows in New England, according to preliminary figures from ISO New England Inc., the operator of the region’s bulk power system and wholesale electricity markets.

The average annual price of wholesale electricity dropped in 2015 to the second-lowest level in 12 years, tracking the price of natural gas, which also fell to its second-lowest level in 12 years. Natural gas is the predominant fuel used by New England power plants to generate electricity, at about 49% of total generation in 2015. As a result, wholesale power prices tend to reflect the price of natural gas. For most of the year, natural gas prices in New England and across the country were at their lowest levels in [nearly two decades](#), reflecting high production, high storage levels, and relatively low demand fueled by mild weather. As a result of the low natural gas prices, six out of the 10 months with the lowest average monthly power prices since 2003 occurred in 2015. March 2003 is when the region’s competitive wholesale electricity markets in their current form were introduced in New England.

Although natural gas and power prices were low for most of the year, the fourth-highest monthly natural gas price and the third-highest average monthly power price were recorded during February 2015. That month was the coldest month since at least 1960 in New England. The icy temperatures pushed up demand for natural gas for heating, causing gas prices to spike, which in turn pushed up wholesale power prices.

“The volatility we saw last year in wholesale power prices—going from the third-highest monthly price in February to the lowest in June, and staying low through the rest of the year—illustrates the impact of natural gas pricing, and natural gas pipeline constraints, on the region’s power system. When the weather is mild and heating demand for natural gas is low, New England’s natural gas infrastructure has room to carry in the low-priced natural gas available on our doorstep. Further, New England has an expanding fleet of newer, more efficient natural-gas-fired power plants. So when they can get fuel, New England wholesale power prices are on a par with the prices in other areas of the country that typically have lower prices,” said Gordon van Welie, president and CEO of ISO New England.

**2015 price highlights, based on preliminary data (comparisons back to March 2003; see tables below):**

- Lowest and second-lowest average monthly power prices: June at \$19.61 per megawatt-hour (MWh) and December at \$21.35/MWh
  - Six of the 10 months with the lowest monthly power prices since 2003 occurred in 2015 (see table)
- Second-lowest annual average price of wholesale electric energy: \$41/MWh
  - Lowest annual average price: \$36.09/MWh in 2012
  - 2015’s average power price of \$41/MWh was down 35% from 2014’s average price of \$63.32/MWh
- Second-lowest annual natural gas price: \$4.73 per million British thermal units (MMBtu)
  - Lowest: \$3.95/MMBtu in 2012

- Third-lowest annual electric energy market value: \$5.91 billion
  - Lowest: \$5.19 billion in 2012
  - Second lowest: \$5.88 billion in 2009
- Third-highest monthly wholesale power price: \$126.70/MWh in February
- Fourth-highest monthly natural gas price: \$17.27/MMBtu in February

Wholesale prices also are affected by consumer demand for power, which in turn is influenced by the economy, weather, and energy-efficiency efforts. Overall, demand for electricity remained flat in New England in 2015, falling just 0.2% to 126,899 gigawatt-hours (GWh). When annual variations in weather are factored out, allowing demand to be evaluated on a comparable basis from year to year, electricity consumption would have dropped 1.1% to 125,779 GWh in 2015 compared with the weather-normalized 127,114 GWh of electricity consumed in 2014.

While wholesale electricity prices rise and fall in real time based primarily on fuel prices, retail default service rates are generally set for longer intervals by state utility regulators. The lag between wholesale prices and retail rates varies depending on each state's approach to procurement. The retail rate is what consumers pay in their monthly electric bill. Both utility regulators and competitive retail suppliers use the wholesale market clearing price to help set the price of retail offerings.

### Average annual natural gas and wholesale electricity prices in New England (2003 to 2015<sup>a</sup>)

	Avg. natural gas price (per MMBtu <sup>b</sup> )	Avg. wholesale electricity price (per MWh <sup>c</sup> )	Wholesale electric energy market value <sup>d</sup> (in billions)
<b>2003<sup>e</sup></b>	\$5.96	\$48.59	\$5.6
<b>2004</b>	\$6.86	\$52.13	\$7.5
<b>2005</b>	\$9.75	\$76.64	\$11.5
<b>2006</b>	\$7.40	\$59.68	\$8.9
<b>2007</b>	\$8.17	\$66.72	\$10.1
<b>2008</b>	\$10.07	\$80.56	\$12.1
<b>2009</b>	\$4.79	\$42.02	\$5.88
<b>2010</b>	\$5.29	\$49.56	\$7.3
<b>2011</b>	\$4.99	\$46.56	\$6.7
<b>2012</b>	\$3.95	\$36.09	\$5.19
<b>2013</b>	\$6.97	\$56.06	\$8.0
<b>2014</b>	\$7.99	\$63.32	\$9.1
<b>2015</b>	<b>\$4.73</b>	<b>\$41.00</b>	<b>\$5.91</b>
<b>% Change 2014-2015</b>	<b>-40.8%</b>	<b>-35.2%</b>	<b>-34.9%</b>
<b>% Change 2004-2015<sup>f</sup></b>	<b>-31.0%</b>	<b>-21.4%</b>	<b>-20.8%</b>

<sup>a</sup> 2015 figures are preliminary.

<sup>b</sup> A British thermal unit (Btu) is used to describe the heat value of fuels, providing a uniform standard for comparison. One Btu is the amount of heat required to raise the temperature of a pint of water by one degree Fahrenheit. One million British thermal units are shown as MMBtu.

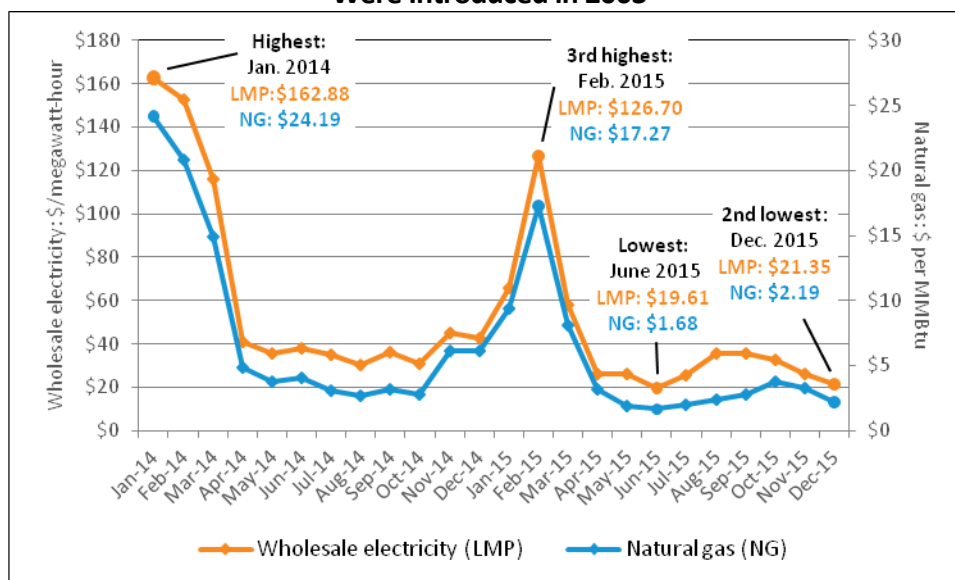
<sup>c</sup> One megawatt-hour of electricity can serve about 1,000 average homes in New England for one hour.

<sup>d</sup> Value of the electric energy market only; does not include the capacity or ancillary services markets.

<sup>e</sup> Partial year—current wholesale electricity markets commenced in March 2003.

<sup>f</sup> 2004 was the first full year of competitive wholesale markets in their current form

## 2014 and 2015: Highest—and Lowest—Monthly Power Prices Since New England’s Current Markets Were Introduced in 2003



### 10 Lowest Average Monthly Power Prices since March 2003

Rank	Month and Year	Wholesale electricity (\$/MWh)	Natural gas (\$/MMBtu)
1	June 2015	\$19.61	\$1.68
2	December 2015	\$21.35	\$2.19
3	March 2012	\$25.39	\$2.82
4	July 2015	\$25.40	\$1.96
5	April 2012	\$25.41	\$2.39
6	April 2015	\$25.88	\$3.18
7	November 2015	\$26.12	\$3.31
8	May 2015	\$26.12	\$1.85
9	February 2016	\$27.39	\$3.78
10	May 2012	\$27.99	\$2.63

#### ABOUT ISO NEW ENGLAND

Created in 1997, ISO New England is the independent, not-for-profit corporation responsible for the reliable operation of New England's electric power generation and transmission system, overseeing and ensuring the fair administration of the region's wholesale electricity markets, and managing comprehensive regional electric power planning.

