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New England’s Wholesale Electricity Prices Up in 2018

Total value of region’s wholesale electricity market was nearly 20% lower than the first year of competitive markets

Holyoke, MA—March 12, 2019—New England’s average wholesale electricity price in 2018 rose over the 2017 price, but still ranked as the six-lowest since the current wholesale markets were implemented 16 years ago, according to ISO New England Inc., the operator of the region’s bulk power system and wholesale electricity marketplace.

Wholesale prices rose last year primarily because the cost of natural gas used to produce electricity was higher, consumer demand increased year over year, and an extreme cold spell that covered the region during the first week of the year raised prices during that time period.

The preliminary total value of New England’s wholesale electric energy market in 2018 was \$6 billion, up 34% compared to 2017’s near-record low value of \$4.5 billion, but down 19% from the first full year of wholesale market operations in 2004. The energy market value in 2017 was the second-lowest since the current wholesale markets were implemented.

The preliminary average annual real-time price for wholesale power in New England last year was \$43.54 per megawatt-hour (MWh), a 28% increase over 2017, which scored the second-lowest price since 2004. The 2018 price was 16% lower than 2004’s average price of \$52.13/MWh.

Natural gas is the predominant fuel used in power plants in New England, so the price of natural gas is typically the major driver of wholesale electricity prices. Natural gas-fired plants generated 49% of the electricity produced in New England, or 41% of the region’s total energy when including power imports from neighboring regions. The average price of natural gas in 2018 in New England was \$4.84 per million British thermal units (MMBtu), a 30% increase over the 2017 price. The 2018 natural gas price was the sixth-lowest since 2004. (See table for year-by-year comparisons.)

2018 New England price highlights, based on preliminary data (see table below):

- **During extreme cold weather in January**, demand increased for natural gas for heating, leading to spiking prices for both natural gas and electricity. The total cost of wholesale electricity in the first week of January was about \$466 million, which was just over a third of the total cost (\$1.3 billion) for the entire month, and the costliest week of 2018.
 - January 2018’s average monthly real-time power price was the eighth-highest, at \$107.54/MWh, out of the 190 months of current wholesale markets.
 - The price of natural gas during January 2018 averaged \$15.37/MMBtu, the fifth-highest monthly average since March 2003.
- May 2018 had the eighth-lowest average real-time energy price, at \$23.89/MWh.
 - The average price of natural gas was \$2.36/MMBtu during May, the 12th-lowest since March 2003, when the current markets were launched.
- **Consumer demand for electricity rose** in 2018. Preliminary figures indicate demand for electricity rose by 1.8% to about 123,344 gigawatt-hours in 2018. Consumer demand is influenced by the economy, weather, and the effects of energy-efficiency measures and behind-the-meter solar arrays.

Wholesale electricity prices rise and fall in real time based primarily on fuel prices (which are generally the biggest cost for power plants), demand for power, and transmission system conditions. The retail default service rates paid by consumers are generally set for longer intervals by state utility regulators and include other charges in addition to the cost of wholesale power. The time lag between wholesale price changes and their effect on retail rates varies depending on each state’s approach to procurement.

**Average annual natural gas and wholesale electricity prices in New England
(Nominal dollars, from 2003 to 2018^a)**

	Avg. wholesale electricity price (per MWh ^b)	Avg. natural gas price (per MMBtu ^c)	Wholesale electric energy market value ^d (in billions)
2003 ^e	\$48.59	\$5.93	\$5.6
2004	\$52.13	\$6.82	\$7.5
2005	\$76.64	\$9.78	\$11.5
2006	\$59.68	\$7.34	\$8.9
2007	\$66.72	\$7.98	\$10.2
2008	\$80.56	\$9.97	\$12.1
2009	\$42.02	\$4.79	\$5.9
2010	\$49.56	\$5.26	\$7.3
2011	\$46.68	\$4.99	\$6.7
2012	\$36.09	\$3.94	\$5.2
2013	\$56.06	\$6.92	\$8.0
2014	\$63.32	\$8.04	\$9.1
2015	\$41.00	\$4.64	\$5.9
2016	\$28.94	\$3.09	\$4.1
2017	\$33.94	\$3.72	\$4.5
2018	\$43.54	\$4.84	\$6.0
% Change 2017 to 2018	+28.3%	+30.1%	+34.3%
% Change 2004 to 2018 ^f	-16.5%	-29.0%	-19.1%

^a 2018 figures are preliminary; ^b One megawatt-hour of electricity can serve about 700 to 1,000 average homes in New England for one hour; ^c 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; ^d Value of the electric energy market only; does not include the capacity or ancillary services markets; ^e Partial year—current wholesale electricity markets commenced in March 2003; ^f 2004 was the first full year of competitive wholesale markets in their current locational-pricing form.

Underlying natural gas data furnished by:



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.

