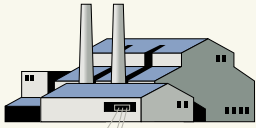


HOW THE ELECTRICITY FLOWS

THE ISO GRID WORKS TO DELIVER ELECTRICITY WHERE AND WHEN IT IS NEEDED.

1: Power Plants

Electricity is produced by a variety of resources, including natural gas-fired generators, hydroelectric units, nuclear stations, wind farms, geothermal fields, solar facilities and biomass plants.



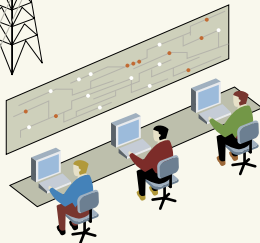
2: Wholesale Power Market

Utilities and other energy service providers use their own power plants or negotiate short- and long-term contracts for power deliveries. Most of the state's electricity is traded through these contracts prior to being scheduled on the California ISO grid.



3: Scheduling Coordinators (SCs)

Companies that schedule their electricity deliveries through the California ISO are called Scheduling Coordinators.

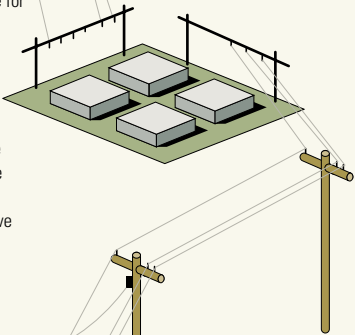


4: The California ISO Grid

As the nerve center for the majority of California's power grid (some municipal utilities operate their own transmission lines), the California ISO routes electricity from power plants to substations using the wholesale transmission system.

5: Substations/ Utility Companies

Power is "stepped down" in voltage for distribution by local utilities to homes and businesses.



6: Consumers

End-users of electricity create the "demand" for power, which can rise and fall depending on weather, time of day and economic conditions. Consumers may be asked to conserve when demand is high or supply is low.



The Mission: FOR THE BENEFIT OF OUR CUSTOMERS, WE:

- OPERATE THE GRID RELIABLY AND EFFICIENTLY
- PROVIDE FAIR AND OPEN TRANSMISSION ACCESS
- FACILITATE EFFECTIVE MARKETS AND PROMOTE INFRASTRUCTURE DEVELOPMENT

ALL THROUGH THE PROVISION OF TIMELY AND ACCURATE INFORMATION.

The Vision: CALIFORNIA ISO STRIVES TO BE A WORLD-CLASS ELECTRIC TRANSMISSION ORGANIZATION BUILT AROUND A GLOBALLY-RECOGNIZED AND INSPIRED TEAM PROVIDING COST-EFFECTIVE AND RELIABLE SERVICE, WELL-BALANCED AND TRANSPARENT MARKET MECHANISMS, AND HIGH-QUALITY INFORMATION FOR THE BENEFIT OF OUR CUSTOMERS.



California ISO
Your Link to Power

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Core Values

- INTEGRITY
- TEAMWORK
- EXCELLENCE
- PEOPLE-FOCUS
- OPEN COMMUNICATION



California ISO
Your Link to Power



MORE POWER TO YOU

UNDERSTANDING THE POWER GRID



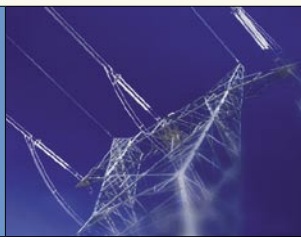
KEEPING THE LIGHTS ON

Electricity is the lifeblood of our society. Our very way of life would not be possible without the collection of electrons we call kilowatts. Electricity is a unique commodity and cannot be stored, so it must be created the instant before it is consumed.

This makes “keeping the lights on” in California an around-the-clock job. Every minute of every day, the California Independent System Operator (California ISO) matches the demand for electricity with just the right amount of power.

The California ISO is a not-for-profit public benefit corporation brought on line in 1998 when the state restructured its electricity industry. It is the impartial link between power plants and the utilities that provide electricity to customers. Although utilities still own transmission lines, the California ISO ensures equal access to power lines formerly under private control.

**THE IMPARTIAL LINK
BETWEEN POWER PLANTS
AND THE UTILITIES THAT
PROVIDE ELECTRICITY TO
CUSTOMERS**



DEDICATED SERVICE

California’s electrical grid is an intricate network of high-voltage power lines that stretch more than 25,000-circuit miles. The ISO control room, one of the largest in the world, directs the delivery of more than 200 billion kilowatt-hours of power annually, providing a fair and level playing field for about 90 energy companies using the wholesale transmission grid.

Neither buying nor selling electricity itself, the California ISO acts as a clearinghouse for nearly 30,000 market transactions every day and is the gatekeeper to power lines connecting California to neighboring states as well as to Canada and Mexico.

During the summer months, about one-quarter of California’s power comes from outside the state. The California ISO operates interstate transmission lines and

is regulated by the Federal Energy Regulatory Commission in Washington, D.C.

To ensure safe and reliable operation of the grid, the California ISO manages power line bottlenecks that could overload key components and stop the flow of electricity. As part of balancing electricity supply and demand, it puts megawatts on standby to avert blackouts.

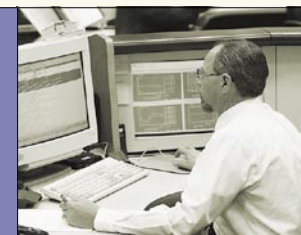
SAFEGUARDING ACCESS, SECURING RELIABILITY

In providing open, non-discriminatory access to the grid, the California ISO operates competitive markets for power. These electricity auctions help maintain the reliability of the power grid. The markets are run a day ahead, an hour ahead and within minutes of when electricity is consumed.

ISO RELIABILITY MARKETS

- The Ancillary Services Market creates operating reserves. Standby power is bought and sold and can be dispatched within seconds, minutes or hours.
- The Transmission Market allocates space on the transmission lines. Scheduling Coordinators who trade in this market submit bids to curtail power or generate more.
- The Real-Time Imbalance Market (Spot Market) provides supplemental energy, dispatched every five minutes to accommodate changes in energy forecasts just moments before the electricity is used.

**ELECTRICITY AUCTIONS
HELP MAINTAIN THE
RELIABILITY OF
THE POWER GRID**



**LEADING THE WAY IN
REDUCING MARKET BARRIERS
TO ENVIRONMENTALLY
FRIENDLY POWER SUPPLIES**



GETTING GREEN ON THE GRID

The ISO reduces barriers for renewable energy sources by helping them gain access to the California grid and its markets. This will help the state reach its Renewables Portfolio Standard goal of

increasing the environmentally friendly portion of California’s energy mix to an ambitious 20 percent by 2010. By participating in working groups throughout the state and completing the necessary technical studies, the ISO is partnering with industry organizations to address challenges associated with integrating renewable power onto the grid.

INFORMATION WITH INTEGRITY

Trust is an essential element in the role the California ISO performs as an information provider. Policymakers and industry leaders must have the information they need to make the markets work well and to plan for the energy future of the Golden State. The California ISO is committed to transparency so that such decisions are enlightened by accurate resource forecasts, current grid conditions and timely market data.