



NEWS RELEASE

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STATEMENT FROM CAL-ISO CEO JEFFREY TRANEN IN RESPONSE TO FERC PRICE CAP DECISION

Today, July 17, 1998 the Federal Energy Regulatory Commission ("Commission") issued an order addressing the California ISO's "Emergency Motion for Stay, Notice of Action Taken, Request for Rehearing, and Motion for Clarification" filed on Monday, July 13, 1998. The Commission accepted the ISO's proposal to cap prices it will pay to bidders that have been granted market-based rate authority for Regulation, Spinning, Non-Spinning and Replacement Reserves for an interim period of time until the Commission can gather additional information. Given the interim authority provided to the ISO, the Commission found the Stay of FERC's prior orders unnecessary and denied it, stating:

In view of the serious concerns raised by these parties we believe that further fact finding is necessary. In the interim, the ISO's rejection of bids in excess of whatever price levels it believes are appropriate for Regulation, Spinning, Non-Spinning, and Replacement Reserves are authorized as reasonable. The price levels could be based on costs, market or any factor the ISO determines will attract sufficient bids into the markets.

The FERC also accepted the ISO's proposal to have its market surveillance committee monitor the market and take actions to implement adjustments to the price level, based on the recommendations of the market surveillance committee. The ISO is required to give advance notice to all market participants of any adjustment of the price at which the ISO will accept bids in its ancillary service markets. The FERC directed both the ISO and California Power Exchange market surveillance committees to each conduct an independent study of the bidding behaviors and structural characteristics of the markets that they administer. These studies must be filed with the FERC by August 17, 1998.

The ISO appreciates FERC's prompt action in dealing with this difficult market situation. The ISO is taking prompt action to comply with the directives contained in the order, and to find long-term solutions to these market issues. This issue will be addressed at the ISO Board of Governors upcoming public meeting on July 22-23, 1998.

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