



## NEWS RELEASE

### FOR IMMEDIATE RELEASE

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## California ISO Welcomes Nor-Cal Municipal Utilities

*NCPA, Roseville and Silicon Valley form Power Partnership with ISO Via Metered Sub-System Agreements*

(Folsom, CA) The California Independent System Operator (California ISO) and the Northern California Power Agency (NCPA), Northern California's largest aggregator of municipal utilities, as well as the City of Roseville and Silicon Valley Power are asking the Federal Energy Regulatory Commission (FERC) to approve new contractual relationships that will enable the municipal utilities to more fully integrate into the ISO Control Area.

Once given the green light by the FERC, the City of Roseville, Silicon Valley Power, and NCPA, representing nine municipal utilities, will each have separate Metered Subsystem Agreements with the ISO. When their Interconnection Agreements with Pacific Gas and Electric expire on August 31, 2002, they will begin scheduling their generation and customer load directly through the California ISO. Eventually, the California ISO hopes that the municipal utilities will transfer operation of their transmission systems to the ISO.

"We're reaching out to the municipal community, and they have listened," said Randy Abernathy, ISO Vice President of Market Services. "The metered sub-system program responds to the FERC's January 2002 Operational Audit, which encouraged the ISO to seek broader municipal participation. The agreements will benefit consumers by potentially consolidating costs and strengthening reliability of the grid through enhanced coordination of transmission system operation."

A metered sub-system (MSS) can be a municipal utility, water district, irrigation district, State agency or Federal power administrator within the ISO Control Area. If the ISO has to call for rotating

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## **Metered Sub-systems 2-2-2-2**

outages due to a resource deficiency, governmental entities that have fulfilled their obligation to obtain enough resources to meet their customer's load will not have to participate in the outages. They do agree to participate in rotating outages if there is an emergency that threatens grid reliability for other reasons.

The MSS program will benefit both the ISO and the governmental entities in several ways:

- Develop workable market participation, scheduling, operational and settlement relationship with governmental entities that have load serving responsibility.
- Governmental entities assume expressed obligation to serve their load.
- Continue to honor existing contracts, provide for governmental entities to "follow load" with minimal, if any, economic consequences.
- Allocate costs based on cost causation principles and minimize cost-shifting among Market Participants.
- Encourage governmental entities to more fully integrate with the ISO.
- Provide for governmental entities to follow Load with minimal, if any, economic consequences.

"We're looking forward to working more closely with the ISO," said Tom Habashi, Electric Utility Director for the City of Roseville. "The MSS program addresses concerns we've had in the past, and gives us access to the ISO spot power markets."

George Fraser, the General Manager of NCPA echoed the sentiment. "This agreement reflects real progress in the continuing discussions between the ISO and NCPA to remove the barriers to our participation in their operations. It recognizes that we operate differently from the Investor Owned Utilities and is consistent with our historic commitment to provide our customers with low-cost, reliable electric service. The MSS program allows us to partner with the ISO to improve statewide reliability. That benefits NCPA, our members and their communities, and the ISO as well."

NCPA is acting has enacted an Aggregator Agreement on behalf of nine of its members. Silicon Valley Power and Roseville have executed separate MSS Agreements. Significant components of the agreements include:

- Generating Unit outages will be coordinated and approved by the ISO.
- The ISO will consider the MSS Operator's interests, including cost causation and load following, when unilaterally proposing changes to the ISO Tariff.
- The MSS may participate in the ISO's markets.
- The MSS will be allowed to use its own resources to "follow its own load" with penalties applied if it is off by more than three percent in either direction.
- The MSS will not have to pay Grid Operations Charges if intra-zonal congestion is outside the MSS. If intra-zonal congestion is inside the MSS, then it will bear all costs associated with the congestion.

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### **Metered Sub-systems 3-3-3-3**

- The MSS will not have to pay Voltage Support charges and Black-Start service charges to the extent the MSS demonstrates that it is providing those services for its own system.
- If the MSS provides documentation on an annual basis to the ISO that it has its own peaking resources to meet its peak Demand plus 15%, then the ISO will exempt it from paying for the Summer Reliability and Demand relief programs.

The MSS program is described in detail in documents the ISO filed with FERC as “Amendment 46.” They are posted at <http://www.caiso.com/docs/2002/07/16/200207160936581139.html>. The transmittal letter at that link contains an in-depth description of the MSS program, and how it will be implemented.

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.

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