



Via Fax and Federal Express

June 13, 2002

Senator Joseph L. Dunn
Chair, Select Committee to Investigate Price
Manipulation of the Wholesale Energy Market
State Capital Building, Room 2080
Sacramento, CA 95814

Dear Senator Dunn:

Norma Formanek passed on to me your request that the ISO agree to the public release of three emails sequences created during the fall of 2000 and produced by the ISO in the course of your investigation. The emails reflect (1) statements by Frank Wolak, Chair of the independent Market Surveillance Committee, following a hearing on the energy crisis convened by FERC in San Diego; (2) comments by Anjali Sheffrin, Director of the ISO's Department of Market Analysis, concerning development of unit availability penalties and sanctions; and (3) comments by Dr. Sheffrin concerning release of an MSC report on the subject of price caps.

While the purpose of your request has not been made clear, the ISO does not object to the public release of these emails. In reviewing the emails, the Subcommittee will want to consider them in context and we request that you provide a copy of this letter to anyone to whom you provide the emails. We understand that Professor Wolak has forwarded a letter to you (a copy of which we enclose for your convenience) describing the background of his comments. As the letter makes clear, Professor Wolak's comments preceded publication of separate reports by the MSC and the DMA detailing the performance of the California electricity markets throughout the summer of 2000, and documenting the effects of market power on that performance. As the letter further makes clear, following publication of those reports, Professor Wolak believed that Mr. Winter was firmly committed to acting upon the Committee's findings and developing effective remedies to market power.

With regard to the remaining emails, Dr. Sheffrin provided considerable background and testimony during her deposition in March of this year. With regard to availability

Senator Joseph L. Dunn
June 13, 2002
Page Two

penalties and sanctions, Ms. Sheffrin testified that management was reluctant to seek sanctions authority from FERC without first undertaking some preliminary steps, including better tracking of unit outages (a necessary step to determining unit availability and establishing a record for FERC action).¹

With regard to release of the MSC report, Dr. Sheffrin testified that the release was delayed due to management's focus on an urgent plan to curb market power (ultimately presented to FERC in an offer of settlement on 10/20/00).

Please do not hesitate to contact me if you have any additional questions.

Yours very truly,

Charles F. Robinson
Vice President and General Counsel

CFR:gd
Enclosure

¹ Additionally, management proposed to achieve the same ends served by unit availability standards (discouraging physical withholding of electricity from the markets) through the comprehensive market redesign effort then underway and presented to the ISO board for action in January 2001.