



NEWS RELEASE

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Contact: Patrick Dorinson
Director of Communications
(888) 516-NEWS

California ISO Announces Sale of Approximately \$41 Million in Firm Transmission Rights *Proceeds from Electronic Auction May Lead to Lower Rates for Consumers*

Folsom, CA-- The California Independent System Operator (California ISO) used the Internet this week to conduct a wholesale market for Firm Transmission Rights (FTRs) that could lead to lower transmission costs for consumers. Preliminary results from the auctions, which began Wednesday, November 17, and ended Thursday, November 18, indicate that approximately \$41 million in FTRs were traded on the 19 available transmission paths (*please see attached for specific path prices*). The total revenues from the auctions exceeded projections by almost \$10 million. A total of 9,689 megawatts worth of FTRs were sold in the California ISO auctions. This represents about one-third of the total transmission capacity available into and out of California.

"The California ISO FTR auctions, the first of their kind, were an enormous success. Participation in the multi-round auctions was extremely high, involving 28 participants. The FTRs are unique in that they include both financial and physical rights, maximizing the efficiency of the transmission system. In addition, the California ISO provides to the participants a firm yearly transmission product, daily and hourly transmission products, and facilitates secondary markets in which to trade FTRs," stated the California ISO Director of Market Operations Ziad Alaywan.

Proceeds from the FTR auctions will go to the transmission owners and will be applied toward their transmission revenue requirements, reducing the transmission access charge for users of the California ISO transmission grid. Unlike other FTR auctions that award only financial transmission rights, the California

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ISO's online auctions offered both financial and physical rights to essential transmission routes. Energy traders can protect their energy schedules against curtailments when the transmission grid is heavily trafficked as well as lower their exposure to hourly "congestion" costs. When scheduling too much electricity to flow along the long-distance, high-voltage transmission system, congestion on the transmission lines occurs.

Currently, when congestion occurs on the system, traders take part in the California ISO's day-ahead and hour-ahead congestion management markets, and are subject to fluctuations in available transmission capacity. The new FTRs let market participants actually own rights to transmission routes for a 14-month period. They can also trade the FTRs in secondary markets, such as bilateral (direct two-way) contracts between market participants.

Trading of FTRs through the secondary market will start on December 13, 1999. The physical scheduling of the FTRs in both the primary and secondary markets will begin on February 1, 2000. Once the revenues are collected, no later than December 10, 1999, the California ISO will publish the list of FTR owners.

The California ISO assumed control of the bulk of the state's transmission power grid in 1998 after California enacted historic electric restructuring legislation to foster competition in the electric utility industry. The mission of the California ISO is to safeguard the reliable delivery of electricity and ensure equal access to the state's "electron highway", which spans 124,00 miles or three-quarters of the state. The California ISO is the second largest control area in the U.S. and the fifth largest in the world.

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Major Interface Point

Interface Points	Direction	FTR Sold (Mw)	Target Price \$/Mw (14 Months)	Clearing Price \$/Mw (14 Months)	Total Revenue
California/Oregon	Into Northern CA	422	\$21,000	\$31,500	\$13,293,000
Eldorado	Arizona to Southern CA	694	\$9,770	\$9,975	\$6,922,650
Nevada Oregon Border – DC Line	Northwest Into Southern CA	347	\$5,248	\$7,500	\$2,602,500
Paloverde	Arizona into Southern CA	1650	\$4,372	\$5,800	\$9,570,000
Path 26	Northern CA to Southern CA	1621	\$3,231	\$3,600	\$5,835,600
Silverpeak	Nevada Into Southern CA	10	\$1,934	\$8,985	\$89,850
Mead	Southern CA into Southwest	380	\$668	\$1,610	\$611,800
Mead	Southwest into Southern CA	366	\$500	\$870	\$318,420
Nevada Oregon Border	Southern CA into Northwest	442	\$500	\$555	\$245,310
Victorville	Into Southern CA	522	\$500	\$100	\$52,200
Victorville	Out of Southern CA	182	\$500	\$175	\$31,850
Silverpeak	Southern CA to Nevada	10	\$500	\$550	\$5,500
Imperial Irrigation	Into Southern CA	600	\$500	\$425	\$255,000
Interface Points	Direction	FTR Sold (Mw)	Target Price \$/Mw (14 Months)	Clearing Price \$/Mw (14 Months)	Total Revenue
Eldorado	Southern CA into Arizona	615	\$500	\$375	\$230,625
California/Oregon	Northwest to Northern CA	33	\$500	\$2,095	\$69,135
Mexico/California	Southern CA to Mexico	408	\$500	\$275	\$112,200
Mexico/California	Mexico to Southern CA	408	\$500	\$165	\$67,320
Path 26	Southern CA to Northern CA	127	\$500	\$630	\$80,010
Paloverde	Southern CA to Arizona	852	\$500	\$575	\$489,900
		9689	\$32,471,227	\$39,660,545	\$40,882,870