

**Board of Governors**

**Motion on Price Caps - 2**

Moved that,

In response to market performance indicating that during high load conditions the California Independent System Operator’s real-time electricity, day-ahead and hour-ahead ancillary service markets are not workably competitive, the Board instructs ISO management to

1. Investigate the factors contributing to the **lack of a workably competitive market**, and identify the changes in market rules and operations which will eliminate the need for market price caps.
  2. Temporarily reduce caps in the ISO real-time, ancillary services (Regulation Up, Regulation Down, Spinning Reserve, Non-spinning Reserve and Replacement Reserve), and intra-zonal congestion management from +/- \$750 to +/-**\$500** effective July 1, 2000 through October 15, 2000, provided
    - a. The Board recognizes that this adjustment in the price cap may lead to difficulties meeting summer 2000 loads and that such difficulties could constitute a basis for an emergency Board of Governors Meeting;
    - b. The two summer 2000 trial load programs will be exempted from this change in price caps;
    - c. Management shall work with the responsible agencies and the legislature to streamline and accelerate the construction of power plants and transmission lines and to eliminate constraints to hedging opportunities for the UDC's;
    - d. Management shall urge generation and load to explore opportunities to enter into forward contracts;
    - e. Management shall reduce its purchases of replacement reserves and cap capacity payments at \$100;
    - f. To the extent permitted by **law, regulation and pre-existing contract**, Management shall direct generators to bid in all their capacity when system load exceeds 38,000 MW
1. Report at the September ISO Board meeting
    - a. proposals for changes in market rules and operations that would eliminate the need for market price caps, and
    - b. the level of price caps until such changes can be implemented.

<b>Moved: Ferrara Second: Kehrein Board Action: Passed Vote Count: 16-4-4</b>											
	<b>B</b>		<b>B</b>		<b>B</b>		<b>B</b>		<b>B</b>		<b>B</b>
Barkovich	A	Edwards	Y	Johanson	Y	McNally	N	Toenyas	Y		
Blue	A	Ferreira	Y	Kashiwada	Y	Parquet	A	White	Y		
Carnahan	Y	Fielder	N	Kehrein	A	Roscoe	N	Winter	Y		
Collins	N	Florio	Y	Kirshner	X	Smutny-Jones	Y	Wiseman	Y		
Cotton	Y	Hapner	Y	McGuire	Y	Swanson	Y	Woychik	Y		