

June 16, 2004

**Summary of June 15, 2004 Conference Call at Cal ISO
Concerning CRR Study 2**

Below is a summary of items discussed.

1. Final Study Scenarios. It was decided that the ISO would run six scenarios for CRR Study 2. Scenarios 4, 5 and 6 will be identical to scenarios 1, 2, and 3, respectively, except that Market Participants may freely utilize trading hubs in scenarios 4, 5 and 6, but must strive to utilize only sources for scenarios 1, 2 and 3. An updated scenarios list is attached.

2. MSS "Upper Bound". The basis for the upper bound calculation for the long-term CRR requests from a MSS who chooses the "net settlement" option will be determined by subtracting the 2006 hourly forecasted generator dispatch from the 2003 hourly historical load on a monthly basis. The short-term CRR requests will be determined by subtracting the 2006 hourly forecasted generator dispatch from the 2006 hourly forecasted load.

3. Transmission Ownership Rights. For the study we will assume that TORs are not subject to congestion charges in the Day Ahead market so the capacity of these rights will be "removed" from the network by use of CRR options. These options will not be allocated to anyone.

4. CRR Allocations to Out-of-Control Area Sinks. The ISO will conduct a sensitivity study that will consider CRR allocations to SMUD and other entities identified to have out-of-control area load and who have significantly contributed to paying for the grid.

5. Non-Conforming Load "Upper Bound". The CDWR has decided to use year 2000 load for the basis of determining the upper bound of the CRR allocation requests as this year was a normal water year. MDW intends to do the same. Other entities who have non-conforming load will be contacted to determine what they intend to use as a basis for this calculation. The use of a normal water year should be used by all LSE's that have pump load when developing their historical and forecast load data to be used in calculating an upper bound for both long-term and short-term CRR requests.

6. OTC and Constraints. The ISO will work with its operating engineers to determine OTC and constraint values for purposes of the Study. A white paper will be released by the ISO by 7/9/2004 describing this information to the extent it is permitted.

7. Merchant Transmission White Paper. The ISO will prepare a white paper by 6/30/2004 describing the way the ISO proposes to handle requests for CRRs from merchant transmission.

8. ETC Sinks. Market Participants will provide the ISO with specific ETC sinks for purposes of the CRR Study. The ISO will aggregate these sinks into higher level load aggregation areas should the need arise during the study.

9. CRR Requests from Inter-Tie Points. Requests by LSEs for CRRs from an inter-tie scheduling point will be limited to each LSE's historic use of that inter-tie to serve its load. The LSE may request CRRs in excess of historic use provided they are confident they will have an energy contract over that tie in excess of historic use for purposes of this Study.

10. Final CRR Study 2 Assumptions Document. The ISO will update the current assumptions document and provide it to Market Participants on or about 6/25/2004.

11. Sensitivity Analysis. The ISO will conduct the following sensitivity analysis as part of CRR Study 2.

- A. A sensitivity will be run (based on one of the scenarios) in which out-of-control area load can request CRRs. The upper bound for this request will be based on historical usage of the inter-tie over which their energy leaves the ISO's grid.
- B. If needed, based on results of scenarios 1 to 6, a sensitivity may be run that would utilize San Diego's proposed priority scheme in which there would be no distinction in priority levels between ETC, Converted Rights and LSE CRR types.
- C. If needed, a sensitivity may be run that would model WAPA as a separate control area. This sensitivity would be based on a specified scenario.
- D. If needed, based on results of scenarios 1 to 6 and the modeling of outages in the short-term allocation runs, a sensitivity may be run that would change the scaling factor that is applied to determine the amount of long-term capacity. The new percentage would need to be determined as well as the scenario on which this sensitivity will be based.
- E. A sensitivity will be run that will not break down the standard load aggregation sinks into surrogate aggregation points, but rather keep the nominated sinks at the larger level during the actual optimization/SFT process. This will be based on scenario #1.
- F. If needed, a sensitivity may be run that would model the ETC sinks at their respective standard load aggregation point. This sensitivity would be based on a specified scenario.