CALIFORNIA ISO

California Independent
System Operator

NEWS RELEASE

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Contact: Stephanie McCorkle
Director of Communications
1 (888) 516-NEWS

California Grid Congestion Costs Plummet

Grid Upgrades Carry More Power, Help Reduce Bottlenecks

(Folsom, CA) Improvements and upgrades to the high-voltage power grid controlled by the California Independent System Operator (California ISO) are starting to pay big dividends for California energy consumers as the costs associated with local bottlenecks on the grid have dropped 58 percent, from $205 million in the first seven months of 2004, to $87 million for the same period this year.

"This is real progress for the consumers of California," said Yakout Mansour, President and CEO of the California ISO. "Strategically planned transmission upgrades to the grid can be very cost effective—money well spent when it reduces costs in the long run."

When bottlenecks on the grid prevent energy from flowing as planned, the ISO must "redispatch" various generators, reducing output from those affected by the bottleneck and increasing the output from other generators that, because of their location, can deliver power to the intended area.

The difference between the cost of the scheduled electricity and the electricity that replaces it is the cost of congestion. The ISO may need to ask additional generators to start-up and produce power—incurring start-up or minimum-load costs. Less efficient generators, if needed, are more costly to run.

The California ISO Department of Market Monitoring tracks those costs and is reporting the numbers to the ISO Board of Governors today. There were fewer hours this summer when bottlenecks, known as "congestion" affected the grid. Congestion can fluctuate seasonally, but the grid upgrades that helped reduce it so far this year will continue to help energy flow more efficiently. The upgrades include a series of three projects that, together, increased transmission capacity into Southern California by 1,000 megawatts. This additional capacity gives the skilled operators at the ISO more tools to work with and more options to manage California's often over-booked transmission grid.

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The three projects are:

- **Path 26 Upgrades:** (on line June 27, 2005) Pacific Gas and Electric and Southern California Edison and the ISO worked together to increase the operating limit from 3,400 to 4,000 megawatts on the north-south transmission line. The improvement allows an additional 600 megawatts to flow into Southern California.
- **"South of Lugo" Upgrades** (on line June 22, 2005) Southern California Edison added equipment that allowed the ISO to boost the rated capacity of the grid in the Victorville/Norco/Ontario area by 500 megawatts. The upgrade reduces congestion and supplies more electricity to the LA Basin.
- **New Miguel-Mission Line:** (on line June 6, 2005) With ISO approval and support, San Diego Gas and Electric accelerated the installation of a new 230-thousand volt transmission line from the Miguel Substation near Chula Vista to the Mission Substation in Mission Valley, increasing the capacity by 400 megawatts. The original in-service date for the project was June 2006. SDG&E shaved about a year off the project timeline, reducing congestion costs by an estimated $50 million over that year.

In addition to these three most recent projects, a major upgrade to Path 15 came on line in December of 2004, increasing capacity by 1,500 megawatts and easing a bottleneck in California's main south-north transmission corridor. The California ISO worked with the transmission owners to identify the need for these projects and support them through the approval process. The ISO also carefully managed the grid to make sure power was available during the construction outages needed to bring these projects on line as soon as possible.

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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