



NEWS RELEASE

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ISO Board Approves Proposal for New Enforcement Rules
O&I Review Includes Penalties for Market Misbehavior

(Folsom, CA) The California Independent System Operator (ISO) Board of Governors today approved a plan to beef up the ISO’s authority to penalize market participants that engage in gaming, market manipulation or other activities that are detrimental to the efficiency of the market or grid stability.

“We urge the Federal Energy Regulatory Commission (FERC) to approve this proposal as quickly as possible,” said Board Chairman Michael Kahn. “In light of the California energy crisis and the ensuing revelations about misconduct in the market place, I think we are making a strong case that the ISO needs the authority to identify misconduct and swiftly penalize it where appropriate.”

The new rules contained in the Oversight and Investigation Review, (O&I) would be implemented parallel to Market Design 2002 (MD02) an ISO project designed to fix flaws and encourage efficient market behavior. The ultimate goal is a robust and competitive spot market that enhances reliability and lowers costs. The O&I proposal would act as an effective backstop to the redesigned market and would include clear market rules, explicit penalties, and close coordination with oversight and enforcement agencies.

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This would allow the ISO to minimize the risk of higher costs due to market manipulation, gaming, or non-compliance with obligations. These measures may also help bring stability to the market by enhancing the quality of information available to Market Participants regarding what behavior is expected, how rule violations will be investigated, and what consequences exist for non-compliance.

More information about the proposal is available at:

www.caiso.com/docs/2003/01/17/2003011711464727846.html.

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 more than 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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