CALIFORNIA ISO

California Independent
System Operator

NEWS RELEASE

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California ISO Cautiously Optimistic For Summer Power Supply

New Generation Online; Conservation Remains a Key Part of Grid Management Strategy

(Folsom, CA) There should be enough power to avoid rotating black outs this summer in California, but consumer conservation will still be a critical piece of the California Independent System Operator's (ISO) grid management strategy. The ISO recently released its "Summer Assessment 2002" report detailing the best case, middle case, and worst case scenarios for this summer's supply and demand for power.

Overall, the report shows that since January of 2001, there has been a net increase of available generation in California of more than 4,300 megawatts. Combined with a solid year for hydroelectric production and moderate demand associated with ongoing conservation and the state's economic conditions, there should be enough power available to meet California's needs this summer.

However, more than 62 power plant projects, worth 4,660 megawatts, have been canceled or deferred in the past year and conservation will still play a key role in maintaining electricity reliability in the future. The ISO continues urging Californians to reduce their overall electricity usage, and specifically to avoid the peak usage hours in the afternoon and early evening, with 4 – 6 p.m. being most critical.

"There are still going to be days this summer when conservation plays a critical role," said Jim Detmers, the ISO's Vice President of Operations. "Last summer we saw what a powerful tool conservation can be when the megawatts get short. We are going to need that tool again this year to help keep the grid stable and to help keep the wholesale cost for power as low as possible."

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Consumer conservation played a huge role in minimizing the number of days and hours when power was in short supply last summer. On a typical day, the peak demand for power was anywhere between 2,000 and 4,000 megawatts less than we might have expected to see based on historical loads, which was a major factor in getting through last summer.

There are several factors that have contributed to the improved power outlook this summer. Some of the highlights from the summer assessment report include:

- The net increase in control area generation capacity added since January 2001 is approximately 4,342 MW. (This figure "nets out" generation taken out of service for various reasons.)

- The ISO anticipates that the 2002 summer peak demand will be higher than the 2001 summer peak demand of 41,419 MW, but less than the July 1999 all-time peak demand of 45,884.

- Conditions for hydroelectric production vary greatly watershed to watershed, but over all 2002 should be a normal year for hydro power.

- The ISO has approximately 2,700 MW of emergency mitigation measures that could be implemented prior to curtailing firm load. This additional emergency resource includes approximately 1,400 MW of demand programs and approximately 1,300 MW of non-spinning reserves that can be converted to energy.

- The ISO anticipates that several older generating units will be retired and additional capacity may be lost as environmental regulations become more restrictive. To maintain comparable operating margins in future years, the ISO anticipates that net generation capacity additions of 1,000 to 1,500 MW/year will be necessary.

- Significant transmission constraints still exist on Path 15, and in the greater Bay Area, San Francisco specifically, and in the San Diego Basin.

Visit www.caiso.com to read the ISO's 2002 Summer Assessment or to pick up conservation tips. You can also follow updates on grid conditions via the ISO's web-based "Today's Outlook" that tracks supply and demand on an hourly basis.

The California ISO is the impartial operator of the state's wholesale power grid—maintaining reliability and directing electron traffic on the 25,000 circuit miles of transmission power lines that connect energy suppliers with utilities serving 30 million Californians. The not-for-profit public benefit corporation also conducts a small portion of the wholesale energy marketplace—those markets used to allocate transmission space, maintain operating reserves and match supply with demand in real time.

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