



NEWS RELEASE

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CALIFORNIA ISO BOARD OF GOVERNORS APPROVES LOWERING PRICE CAPS TEMPORARILY Concurrent to Looking for Permanent Solutions that Lead to Eliminating the Need for Price Caps

(Folsom, CA) The California Independent System Operator (California ISO) Board of Governors took action last night, June 28, 2000, to temporarily reduce price caps in the ISO real-time, ancillary services, and intra-zonal congestion management markets from \$750 per megawatt to \$500 per megawatt effective July 1, 2000 through October 15, 2000. In the same motion that passed 16-4, with 4 abstentions, the Board voted to 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.

The decision to temporarily lower the price caps was made with the following provisions:

- 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;

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- c. ISO 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 utility distribution companies;
- d. ISO Management shall urge generation and load to explore opportunities to enter into forward contracts;
- e. ISO 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, ISO Management shall direct generators to bid in all their capacity when system load exceeds 38,000 megawatts.

The California ISO is chartered by the state to manage the flow of electricity along the long-distance, high-voltage power lines that make up the bulk of California's transmission system. The not-for-profit public-benefit corporation assumed the responsibility in March 1998 when California opened its energy markets to competition and the state's investor-owned utilities turned their private transmission power lines over to the ISO to manage. The mission of the California ISO is to safeguard the reliable delivery of electricity, facilitate markets and ensure equal access to a vast 12,500 circuit miles of "electron highway".

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