



NEWS RELEASE

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CALIFORNIA ISO BOARD OF GOVERNORS GIVES GREEN LIGHT TO PURSUE TEMPORARY SUMMER RELIABILITY GENERATION

(Folsom, CA) The California Independent System Operator (California ISO) Board of Governors voted today, October 4, 2000, to let the California ISO staff pursue and enter into agreements for temporary peaking power generators that would be used on a limited basis to maintain electric reliability during the summer months. ISO management is authorized to sign peaking generation contracts at a cost of up to \$255 million per year. The projects under consideration amount to approximately 2,000 megawatts, after preliminary evaluation based upon environmental, economical and reliability criteria. The objective is to create a portfolio of generation resources that will meet the needs of California's skyrocketing demand for electricity, while minimizing costs to consumers and impact to air quality.

The action by the Board of Governors today allows the ISO staff to take the next step in fostering development of temporary peaking generation resources. Currently, the ISO forecasts a generation shortfall of approximately 5,000 megawatts for summer 2001.

"We never anticipated the ISO would take on the responsibility of stimulating development of generation resources this directly," said California ISO President & CEO Terry Winter. "However, if we do not assume this role, we will be increasingly challenged in our efforts to protect consumers from suffering rotating blackouts next summer."

The ISO would have the right to call on the peaking power for up to 500 hours each summer season (June 1 – October 31) in exchange for a capacity payment. The ISO would require that the generation be scheduled in the forward markets to the extent possible.

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The owners of the units would be allowed to operate in the markets of their own accord, as long as it did not interfere with the ISO's ability to call on such units to ensure reliability. It is currently proposed that costs associated with the agreements would be allocated to ISO Scheduling Coordinators (market participants).

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 Cal ISO to manage. The mission of the Cal ISO is to safeguard the reliable delivery of electricity, facilitate markets and ensure equal access to an open-market electron highway that spans 12,500 circuit miles.

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