



NEWS RELEASE

FOR IMMEDIATE RELEASE
October 20, 2000

Contact: Patrick Dorinson
Director of Communications
888 516-NEWS

California ISO Offers Market Stabilization Proposal *Calls for Forum for Reaching Consensus on Market Power Mitigation*

(Folsom, CA) Hoping to trigger consensus building that will lead to solutions to volatile energy prices, the California Independent System Operator (California ISO) filed a Market Stabilization Proposal with the Federal Energy Regulatory Commission (FERC) today, Friday, October 20, 2000. The plan was unveiled during a news conference at the ISO's Folsom Control Center this morning. California ISO CEO Terry Winter described the plan as a discussion platform—a document not etched in stone but rather introduced as a means for putting the brakes on market prices and finding long-term solutions that will protect consumers from high bills while stimulating new investment in power plants.

The California ISO is asking FERC to consider the following regulatory steps:

- Institute Payment Cap of \$100 in all markets with the following exemptions:
 - Generators that can prove they will lose money if capped at that rate
 - Generators that contract 70 percent of their supply to serve California customers
 - Renewable generation
 - Generation facilities less than 50 megawatts
 - New power plants
 - Imported power

-MORE-

MARKET STABILIZATION PROPOSAL-2-2-2

The existing \$250 per megawatt hour price cap would still exist and serve as the absolute price ceiling for suppliers exempt from the \$100 payment cap.

“We cannot simply apply a short-term patch for market power, without also addressing the underlying problems causing sky-high prices,” said California ISO CEO Terry Winter. “Consumers have little control over how they can respond to high prices. There are traffic jams on the transmission systems that keep us from moving electricity efficiently around the state, not to mention that fact there are not enough megawatts to meet the needs of consumers. And, the lack of forward contracting and scheduling means the California ISO is making up for huge shortfalls ten minutes before the power is consumed.”

Along with providing the incentive for generators (sellers) to sign formal contracts, the California ISO also recommends requiring utilities (buyers) to contract for 85 percent of their customer requirements for power in advance of when its needed.

The lack of adequate forward contracting also adds to an operational problem facing the ISO—the fact that 20-30 percent of total consumption is frequently bought and sold in the ISO’s Real-Time Market, which was designed to handle only five percent of the electricity traded in wholesale markets. This problem—known as under-scheduling—is also addressed in the ISO’s filing by a real-time trading charge.

“Because of the visibility of the ISO’s markets—the fact we are so public—and as a result of the distortion of the intended market design, the ISO has been called upon to take on responsibilities it was never intended to handle,” said Winter. “This proposal would take the ISO back to its original mission of operating the markets of last resort, allowing ISO operators to focus on maintaining reliability of the power grid.”

-MORE-

MARKET STABILIZATION PROPOSAL-3-3-3

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

To obtain a copy of the ISO filing with FERC please visit the ISO web site at www.caiso.com under Public Information, FERC Filings and Rulings.

-ISO-

ISO-10.20.00