



NEWS RELEASE

FOR IMMEDIATE RELEASE
December 8, 2000

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CALIFORNIA ISO FILES EMERGENCY ACTION WITH FERC TO DEAL WITH ELECTRICITY SUPPLY CRISIS

(Folsom, CA) While grappling with another Stage Two Emergency today, the California Independent System Operator (California ISO) is taking swift action to deal with a critical shortage of bids in the ISO market as well as serious underscheduling of electricity in the forward markets. The proposed market changes create the incentive to sell power in existing markets and allow the ISO to compete better for regional energy, which is in short supply throughout the western United States.

This afternoon, the ISO filed an emergency tariff Amendment 33 filing with the Federal Energy Regulatory Commission (FERC). Commencing at 3:00 p.m. today Friday, December 08, 2000, the California ISO will implement a \$250 "soft cap" on the ISO's Real-Time Energy Market similar to that proposed by FERC in its November 1 Order Proposing Remedies for California Wholesale Electric Markets (93 FERC ¶ 61,121).

Analogous to the soft cap proposed by FERC, Energy bids prices in excess of \$250/MWh will no longer be rejected by the ISO's computerized scheduling system but, instead, will be evaluated in price merit order. The California ISO has recently been placed in the position of having to negotiate prices for power in real-time and is finding it increasingly difficult to manage these negotiations while at the same time balancing supply and demand; causing significant risk to the California ISO's ability to maintain reliable control of the power grid. The ISO will no longer negotiate prices in real-time. To the extent the ISO issues dispatch instructions to

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Scheduling Coordinators (market participants) for energy bid prices in excess of the \$250 soft cap, then settlement will be as-bid, subject to refund, if the costs cannot be verified. Market participants will be required to submit cost documentation to the FERC, with informational filings to the ISO and the state, supporting any Energy payments priced in excess of the soft cap.

The current \$250 price cap in Ancillary Service capacity bids is unaffected. Also, the market clearing prices for Ancillary Services and Imbalance Energy will continue to be calculated and posted up to the \$250 soft cap.

Amendment 33 proposes three key elements:

1. Implement a “soft cap” of \$250/MWh for Imbalance Energy. This soft cap would limit market clearing prices to \$250/MWh, but would allow market participants to submit bids over \$250 if they submit verifiable costs.
2. Allocate the costs for energy purchases above the soft cap to Scheduling Coordinators who rely on the ISO’s real-time energy purchases to meet their loads, rather than buying their own supplies in the forward markets; and
3. Impose penalties on Participating Generators that fail to comply with ISO dispatch instructions.

Amendment 33 is posted on the ISO’s website at www.caiso.com under FERC FILINGS on the home page.

The ISO has seen a dramatic increase in costs for the power it buys in real time. For the first five days of December we averaged approximately \$5 million per day. However, on December 5th we paid \$36 million, December 7th \$81 million. Failure to take action now would have the local utilities and ultimately their customers continue to face these extraordinary costs.

The California ISO is charged with managing 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

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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, facilitate markets and ensure equal access to a 12,500 circuit mile "electron highway."

TELECONFERENCE FOR MORE INFORMATION

When: **Friday, December 8, 2000 at 3:30 p.m. PST**

Phone: **800/374-1387**

Passcode: **energy**

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