



CALIFORNIA ISO

California Independent
System Operator

NEWS ADVISORY

FOR IMMEDIATE RELEASE

May 1, 2002

Contact: Stephanie McCorkle
Director of Communications
1 (888) 516-NEWS

CALIFORNIA ISO FILES MARKET REDESIGN WITH FERC

CEO Terry Winter Hosts MD02 Media Briefing in Washington, D.C.

(Folsom, CA) The California Independent System Operator (ISO) plans to file its proposed Market Design 2002 (MD02) with the Federal Energy Regulatory Commission (FERC) today, Wednesday, May 1, 2002. At the same time, ISO President and CEO Terry Winter is calling on FERC to extend market mitigation measures due to expire September 30, 2002 that have helped protect consumers from high wholesale power prices since June 19, 2001.

The California ISO—as the impartial operator of the wholesale power grid in the state—conducts a small portion of the bulk power markets. These are limited to markets used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time. Most of the state's energy needs are procured through short- and long-term contracts or generated from power plants owned by utilities and are scheduled the day ahead into the ISO, which is responsible for obtaining energy and reserve capacity to keep the grid in balance closer to when the electricity is consumed.

MD02 is aimed at improving reliability of the ISO grid, establishing better locational signals that encourage power plants to be built where they are needed most, adequately addressing congestion on the transmission system and giving the ISO new market power mitigation tools. The ISO's MD02 proposal is consistent with the intent and the specific elements of the Working Paper on Standardized Transmission Service and Wholesale Electric Market Design issued by the Federal Energy Regulatory Commission. The proposal is similar to many market design elements that the FERC has already approved for other ISOs and Regional Transmission Organizations (RTOs). The full details of MD02 are found in a series of documents available on the ISO's home page at www.caiso.com.

-MORE-

REMINDER: DC MEDIA BRIEFING TODAY

Wednesday, May 1 1:30 p.m. (EST)
National Press Club/Holeman Lounge
529 14th Street, NW
Washington, DC

MDO2 FERC Filing/News Conference
Terry Winter, ISO President & CEO
Lorenzo Kristov, Manager of Market Design
MD02 Project Manager

Call In Access: 877 381-5438 Passcode: ISO News

FERC's current west-wide market power mitigation plan:

- Implemented in April and June of 2001
- Includes a "soft cap" on prices that can fluctuate
- Cap is estimated to be at \$91.87 per megawatt-hour May 1, 2002
- Also includes "must offer" requirement on power generators in the west, covering 11 states

MD02-October 1, 2002 Elements:

- Modified Must Offer requirement--similar to FERC's current Must Offer requirement
- Damage control bid cap-set at \$108/mwh, to control magnitude of price spikes
- Bid screens and mitigation--to control frequency of price spikes
- Residual unit commitment- ISO can require generators to fire up to meet tomorrow's load
- Changes to day-ahead/hour-ahead markets-requires single energy curve per generator

(Most of the "October 1 Elements" will stay in place as part of the Comprehensive Plan. The Modified Must Offer and the Damage Control Bid Cap would be implemented by October 1, if FERC does not extend its west-wide mitigation plan.)

MD02 Comprehensive (implementation to begin April 1, 2003 and conclude fall of 2003):

- Available Capacity Obligation on Load Serving Entities-must obtain/disclose resources to meet demand forecasts plus reserves.
- Forward Congestion Management and Forward Energy Market-day ahead integrated market
- Bid Screens and Mitigation-to control frequency of price spikes
- Damage Control Bid Cap on ISO Markets-to control magnitude of price spikes
- 12-month Market Competitiveness Index and Pre-authorized Mitigation Provisions-automatic response to market power abuse
- Penalties for Excessive Uninstructed Deviations.
- Residual Day Ahead Unit Commitment-ISO can require generator to fire up to meet tomorrow's load
- Structure and Timing of Hour Ahead and Real Time Markets-tweaks market timing
- Real-time Economic Dispatch Using Full Network Model
- Demand Scheduling, Bidding and Settlement
- Point-to-Point Firm Transmission Rights
- Ancillary Services Market run simultaneously with Day-Ahead Congestion & Energy Market

#