



NEWS RELEASE

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

California ISO Announces New MRTU Schedule, Budget New Implementation Date is November 1, 2007

(Folsom, CA) The California Independent System Operator Corporation (California ISO) announced today a revised implementation date for its important Market Redesign and Technology Upgrade (MRTU) program. MRTU represents a major overhaul to the ISO market structure, including new market rules and tools, and an almost complete replacement of its computer systems.

The start date for implementation of MRTU is November 1, 2007 rather than February 1, 2007. This is due to a number of different factors that include the results of a review of the effectiveness of the program's project management as well as resolution of issues that needed to be reconciled between the MRTU proposed tariff and new software. As an example, stakeholders asked that the ISO allow for capabilities to designate partial units as a way to meet the CA Public Utilities Commission new resource adequacy rules. Change orders are going into effect to make that possible and that means new software development, testing and installation.

The additional months will also provide more time to ensure that the ISO and Market Participants are ready for the changes, including more time to integrate new systems and train personnel to use them.

Additional funding to finalize and implement the MRTU program is required after a thorough assessment of the program. An increase of approximately \$30 million (including a \$7 million contingency fund that may or may not be used) brings the budget for the program to \$170 million, including already implemented phases 1A and 1B.

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To put the project costs in perspective, \$170 million is equivalent to the market cost savings generated in just the first eight months of 2005 thanks to improvements in the transmission grid that allowed the ISO to better mitigate congestion on the system.

Today's announcement comes after a major corporate realignment that reduced the toll for using the wholesale power grid to the lowest rate ever. The revenue requirement upon which the Grid Management Charge (GMC) is based decreased \$27 million in 2005 from 2004, or about \$40 million less than the limit established by stakeholders in the 2004 GMC settlement agreement. Funding for the additional costs of the revised MRTU budget is anticipated to come from a potential bond offering, and planned efficiencies in other elements of the ISO's budget. ISO Management also announced at today's Board of Governors meeting that the 2005 operating expenses were \$5 million under budget. Even with the additional costs of MRTU, the ISO expects the GMC to remain consistent with previous estimates.

Market Development and Program Management Vice President Charles King said the new MRTU budget reflects a more realistic estimate following a critical review of MRTU program management that revealed lack of effective project oversight.

"A bottoms-up schedule now estimates uniform, trusted budget assumptions," said King. "We now have an accurate timetable for implementation and enhanced transparency that mean a more successful implementation rollout".

MRTU affects only the California ISO wholesale power markets—typically two to five percent of the power needed on any given day. A well-functioning wholesale market optimizes use of the transmission and generation infrastructure in California and that will lower electricity costs, bringing benefits to all consumers.

ISO documents that further discuss the new timeline and provide a breakdown of the new budget are available at <http://www.caiso.com/1782/1782e20b33230.html>. See items number 3 and 12.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California's open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity, and ensure equal access to 25,000 circuit miles of "electron highway." As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.

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