



## NEWS RELEASE

### FOR IMMEDIATE RELEASE

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

## California ISO Board Approves Reliability Requirement Language New Pre-MRTU Language Will Accommodate CPUC Resource Adequacy

(Folsom, CA) The California Independent System Operator Corporation (California ISO) Board of Governors today approved interim policies to support the State's Resource Adequacy (RA) rules. The California ISO needs the interim rules in place to synchronize ISO operations with California's new RA requirements that begin June 1, 2006. The interim rules will be in effect until the ISO's Market Redesign and Technology Upgrade (MRTU) goes live in November 2007.

The Resource Adequacy rules issued by the California Public Utilities Commission, (CPUC) require load-serving entities to contract for most of their power needs a year in advance, and to have 115 percent lined up a month ahead of time. The 15 percent planning reserve is intended to ensure that sufficient resources are procured to maintain an operating reserve of about seven percent in real time.

MRTU was designed to accommodate RA, but since it does not take effect until 2007, the guidelines approved today will provide a bridge that spans the 18 months between the current market structure and MRTU.

The California ISO worked closely with the CPUC and other stakeholders during the development of the RA rules and welcomes the stability this new process will bring to California's energy markets because it minimizes over-reliance on the ISO's Real-Time Market. To support this evolution, the California ISO must change some of its current market rules and operations. For example, based on day-ahead forecasts and other information, the ISO determines whether or not additional power plants need to be fired-up today to meet demand tomorrow. This process is called "unit commitment."

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RA Tariff 2-2-2-2

After June 2006, generators that have a resource adequacy contract will be classified as “RA Units” and those without a contract will be “non-RA Units.” Under the proposed new rules, the ISO would first call on the “RA units” during the unit commitment process, because their capacity has already been procured through the RA contract.

The rules governing that decision-making process need to be codified in tariff language approved by the Federal Energy Regulatory Commission (FERC). With Board approval in hand, the California ISO intends to file the pre-MRTU tariff language with FERC as soon as possible. The tariff language and the policy decisions it represents are the result of a number of stakeholder discussions that culminated in an expedited stakeholder process the ISO conducted over the past couple of months.

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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