

News Release

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California ISO Launches New & Improved Markets

New Market Design and Computer Systems Up and Running

(Folsom, CA) The wholesale power grid in California is more high-tech, friendlier to diverse resources and sending key signals for when and where to expand infrastructure. The California Independent System Operator Corporation (California ISO) successfully launched its Market Redesign and Technology Upgrade (MRTU) overnight. This program brings increased grid and market efficiencies, reduces barriers to alternative resources of power such as demand response and green generators, and gives grid operators new tools for managing transmission bottlenecks and dispatching the least cost power plants.

“We now have a grid that is a modern and efficient machine, with market and grid applications that enhance reliability while providing the flexibility and visibility of an intelligent grid,” said ISO President and CEO Yakout Mansour. “This is a big moment, not just for the California ISO, but for our stakeholders and others in the industry that helped us with the design and implementation.”

While the new market structure represents major steps forward in how the ISO, power generators and utilities do business, the average energy consumer will not see any immediate changes because it affects the wholesale, not the retail electricity markets. However, consumers will benefit from the redesign in the long run as new and more efficient approaches to buying, selling and delivering power begin to ripple through the wholesale market.

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The California ISO market structure historically represents five percent or less of the energy needed to serve California's needs on any given day. That is expected to increase now that the ISO is operating a day-ahead market for energy—something missing since the California Power Exchange closed in 2001. Utilities and other companies supply the bulk of the state's needs through long-term contracts or generators they may still own. However, all of that energy is scheduled through the California ISO system a day before it will actually flow.

These day-ahead electricity schedules are, for the first time, financially binding—meaning there are financial consequences if market participants do not adequately plan where they are getting their power from and how it will be delivered. This prevents grid operators from scrambling to manage transmission line overcrowding in real time. That is why the new market structure is so important; it provides greater visibility and reliability.

The new markets create power trading transparency by showing the cost of generating power at a certain location as well as the actual delivery price. This is possible because there are now 3,000 pricing nodes compared with just three pricing zones. This fine level of detail reveals key market signals and means grid log jams can be more easily addressed, which prevents the need to buy more expensive power at the last minute.

“Our systems look for the most economical and efficient megawatts available, squeezing maximum capacity out of a transmission network that, similar to our crowded California freeways, suffers congestion in certain locations, especially during peak summer high demand,” said Vice President of Corporate Services Steve Berberich.

MRTU offers three major design improvements to the California ISO wholesale markets:

- 1) A full network model that analyzes generation and transmission schedules submitted a day in advance to better manage or avoid real-time bottlenecks.
- 2) An integrated forward market that provides a “one-stop shop” for trading and analyzing the electricity, transmission capacity and reserves needed to keep the grid in balance.
- 3) Locational marginal pricing—a system that prices electricity based on the cost of generating and delivering it.

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The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity on 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 state's wholesale power grid, 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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