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California ISO Meets Deadline for Filing Market Design Details with FERC *800 Page Filing is the Most Significant Request to the FERC since ISO Start Up*

(Folsom, CA) The California Independent System Operator (California ISO) proposes revamping three-quarters of its Tariff in a filing made with the Federal Energy Regulatory Commission (FERC) that constitutes the most significant amendments to the ISO's Tariff since its start up in 1998. Today's filing, the size of two stacked telephone books, increases the transparency of the ISO's markets, institutes a Damage Control Price Cap, reduces the reliance on the Real-Time Market and encourages forward contracting for power.

The MD02 filing can be accessed at www.caiso.com under Current Issues (*click on California ISO's 6/17 Tariff Filing of MD02 Black Lines*).

"On a going forward basis, this proposed market overhaul is necessary in order to help us ensure a reliable power grid and reasonable wholesale prices," said ISO Vice President of Corporate and Strategic Development Elena Schmid. "It reflects the direction the FERC is taking in developing a standard market design for the country and supports the creation of a seamless western market that is compatible with our neighboring states and is beneficial to all consumers".

The MD02 filing calls on the FERC to extend market mitigation measures due to expire September 30, 2002. The ISO proposes that a modified Must-Offer requirement and a Damage Control Bid Cap be implemented by October 1, if the FERC does not extend its west-wide mitigation.

Additionally, the comprehensive MD02 plan establishes better locational signals that encourage power plants to be built where they are needed most, addresses electron traffic jams on the grid and gives the ISO new market power mitigation tools.

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MD02 Tariff Filing 2-2-2-2

The plan increases certainty about market rules, which may lead to much-needed investments in the electric industry. It also reduces the dependency on the ISO's Real-Time Market, creating incentives for forward purchasing of power by making utilities and other load serving entities responsible for covering the electricity needs of their customers well in advance of when the energy is consumed. If approved, MDO2 would require them to demonstrate a month in advance where the megawatts will come from to meet their customer load.

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 a 25,000 circuit miles "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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