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# FEDERAL ENERGY REGULATORY COMMISSION

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WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

October 28, 2003  
Docket Nos. ER02-1656-003,  
et al.

## COMMISSION ACCEPTS CALIFORNIA ISO CONCEPTS FOR MARKET REDESIGN, PROVIDES FURTHER GUIDANCE

The Federal Energy Regulatory Commission acted today to help the California Independent System Operator (CAISO) establish a framework to make California energy markets more efficient and reliable by approving the general concepts of a market design proposal.

The CAISO's proposal is part of its Comprehensive Market Design 2002 (MD02), a three-part plan to redesign its congestion management system in addition to creating and implementing a day-ahead energy market. The proposal stems from a review of best practices to address flaws in the California market design and earlier Commission orders which directed the CAISO to submit a market plan that would help stabilize the California energy markets.

The proposal represents a conceptual plan, rather than a detailed comprehensive tariff revision. The CAISO has made significant progress and taken a pragmatic approach to redesign, the Commission said. With the Commission's further guidance, it will be able to move forward in developing a better functioning wholesale market for the benefit of its customers.

In today's order, the Commission:

- Accepts the CAISO's proposal to implement Locational Marginal Pricing and the Integrated Forward Market in redesigning its congestion management system;
- Conditionally accepts the CAISO's residual unit commitment process;
- Accepts the CAISO's proposed bidding and scheduling concepts, subject to further review;

- Directs the CAISO to complete the study of a proposed congestion revenue rights allocation process, requires the CAISO to file detailed information on the proposed first year allocation, and directs the CAISO to make an initial filing of this allocation information at least three months prior to its tariff filing;
- Directs the CAISO to conduct further analysis of its Existing Transmission Contract proposal;
- Directs the CAISO to file any changes to its market redesign proposal as a result of any final California Public Utilities Commission ruling on procurement;
- Revises the CAISO's proposed day-ahead/hour-ahead/real-time, must-offer obligation to give generators the choice to fulfill the must-offer obligation either in the day-ahead or real-time market; and,
- Sets the CAISO's proposed market power mitigation measures for a technical conference to create a mitigation package that will be effective within the CAISO's market design.

In addition, the Commission encouraged the CAISO to continue development of its demand response programs and expressed confidence in the CAISO's work toward creation of a seamless western market. The Commission encouraged the participation and input of a Regional State Committee in helping to overcome seams issues.