

**NEWS RELEASE**

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February 26, 2007

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## Costs for Coping with Power Grid Bottlenecks Plummet Nearly \$200 Million

*California ISO Posts Best Year Ever for Grid Operations While  
Wholesale Electricity Costs Continue to Drop*

(Folsom, CA) Good news for the California Grid. Thanks to the ISO's collaborative efforts with utility transmission owners, market participants, and state and federal energy agencies, the California Independent System Operator Corporation (California ISO) was able to reduce the costs for maintaining grid reliability by \$192 million dollars in 2006 as compared to the year before. The savings are associated with actions taken by operators in the ISO control room and include techniques taken to battle bottlenecks on the transmission lines.

Wholesale energy costs, when adjusting for fuel costs, maintained record low levels as they did in 2005, with the average costs for both years representing the lowest in nearly 10 years. Additionally, the California ISO topped its operational performance goals in 2006. Grid operators in the ISO Control Room exceeded industry standards for safe and reliable operation during a year in which California experienced a historical heat storm that drove demand for electricity to record-setting heights.

The results were accomplished with a reduced budget. The California ISO operations and maintenance expenses came in net \$1.8 million below the 2006 budget of \$133.8 million, which was reduced from a peak level of \$171.7 million in 2003.

"All sectors of the electricity industry are working together on key policy issues and that is helping the California ISO achieve savings for the industry," said California ISO President and CEO Yakout Mansour. "In the past year, more than \$3 billion in new transmission investment has been approved by the California ISO Board of Governors. In addition, 1,100 megawatts of new capacity has been installed, which further eases access to the grid."

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## Grid Savings 2-2-2

For 2007, in tandem with the California Public Utilities Commission’s local resource adequacy procurement process, the California ISO reduced the number of Reliability Must Run (RMR) power plants needed in the future for local reliability. The drop of nearly 60 percent, from 120 units or 9,963 megawatts to 65 units equaling 3,995 megawatts will bring even more dramatic savings to the industry.

With regard to the overall efficiency already achieved, multiple factors influence the costs including the decisions ISO operators make on a minute-by-minute basis and innovation in grid operations engineering. The table below shows the total operator-controlled reliability costs for the past three years. The reduction of nearly \$200 million dollars in 2006 comes on top of the substantial reduction achieved in 2005. Reliability management costs include Reliability Must Run (RMR) generation, Out-of-Sequence and Out-of-Market energy dispatches and Minimum Load Cost Compensation.

### **Approximate Reliability Costs**

2004	2005	2006
\$1.1 billion	\$670 million	\$476 million

Mansour notes that the California ISO posted its best year ever in terms of compliance with Western Electric Coordinating Council operating standards.

“In every category, the ISO operations team not only met the standards—but exceeded them by a substantial margin,” he said. “They accomplished this even during last July’s 1-in-57-year heat wave and thin power reserves. It is a testament to the skill and dedication of ISO operating personnel and all who support them.”

Mansour said the ISO will work with policymakers, regulators and others in the industry to ensure energy challenges of the future will be met. “We will continue to support state policies regarding renewables and conservation and will continue to do so until state targets are achieved,” said Mansour.

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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