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California ISO Board Urges FERC to Keep Price Controls

New Mitigation Measures Kick In When Federal Market Controls Expire

(Folsom, CA) The California ISO Board of Governor's today is urging the Federal Energy Regulatory Commission (FERC) to keep in place the west-wide price mitigation measures scheduled to expire on September 30, 2002. Those measures, put in place in June of 2001, have helped protect California consumers from the unreasonable wholesale electric prices that ran rough-shod over the state a year ago. They are the preferred means of maintaining price stability in California's energy market.

"FERC should have imposed these measures far earlier than it actually did," said ISO Board Chairman, Michael Kahn. "Instead California was left exposed to crippling wholesale price spikes. Eventually, the new FERC Commission reacted to California's request for help and now the FERC has a chance to extend the protection they eventually offered. We are calling on them to do just that."

The ISO Board voted today to move forward with what it called "less preferred" October 1 Elements of its Market Design 2002 (MD02) that would be triggered if the federal market controls expire. The October 1 elements may not be as effective as FERC's June 19 market power mitigation plan due to the financial status of the Investor Owned Utilities in California, and the willingness of out of state suppliers to import power into California under those rules.

The October 1 elements of MD02 include a bid screen that would allow the ISO to cull-out bids that are abnormally high for the operating conditions and impose lower prices on that energy; and also an extension of the "must offer" rule that is part of the FERC's current mitigation plan.

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Market Design 2-2-2-2-2

The October 1 elements are part of the long term, comprehensive MD02 proposal that will eventually take the place of the FERC imposed mitigation measures, but are expected take more than a year to fully implement that plan. The ISO staff will present the long term proposal to the Board on April 25, and the plan will be filed with FERC on May 1 to meet a deadline FERC imposed last December. For a comprehensive understanding of the October 1 Elements approved today, and the long-term comprehensive MD02 proposal, visit www.caiso.com and look for “Market Design 2002” on the home page. The motion the ISO Board approved is available at: www.caiso.com/docs/09003a6080/15/bf/09003a608015bf2d.pdf.

The MD02 proposal is the result of hundreds of hours of work by a multi-faceted team of ISO employees. In addition, this team sought input from market participants and state agencies involved in the electrical industry. The ISO held two sets of four-day meetings to gather input, and most recently participated in a FERC Technical Conference held in San Francisco. Many of the design elements are patterned after wholesale electrical markets that are working in New York and other eastern States.

The California ISO is charged with managing the flow of electricity along the long-distance, high voltage power lines that make up the bulk of California’s transmission system. The not-for-profit public-benefit corporation assumed the responsibility in March, 1998, when California opened its energy markets to competition and the state’s investor-owned utilities turned their private transmission power lines over to the California ISO to manage. The mission of the California ISO is to safeguard the reliable delivery of electricity, facilitate markets and ensure equal access to a 12,500 circuit mile “electron highway.”

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