



NEWS ADVISORY

FOR IMMEDIATE RELEASE

April 24, 2002

Contact: Stephanie McCorkle
Director of Communications
1 (888) 516-NEWS

ISO Board of Governors Votes on Market Design 2002 Plan

MDO2 slated for filing with FERC May 1; Media Briefing Schedule Set Up to Accommodate Reporters

(Folsom, CA) The California Independent System Operator (ISO) Board of Governors will consider approving the Market Design 2002 Comprehensive Plan on Thursday, April 25, 2002. The ISO plans to file the Board-approved ISO market repairs with the Federal Energy Regulatory Commission (FERC) by the May 1, 2002 deadline set by FERC, but will also call on FERC to extend market mitigation measures due to expire September 30, 2002 that have helped protect consumers from high wholesale power prices since June 19, 2001.

The California ISO—as the impartial operator of the wholesale power grid in the state—conducts a small portion of the bulk power markets. These are limited to markets used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time. Most of the state's energy needs are procured through short- and long-term contracts or generated from power plants owned by utilities and is scheduled the day ahead into the ISO, which is responsible for obtaining energy and reserve capacity to keep the grid in balance closer to when the electricity is consumed.

MD02 is aimed at improving reliability of the ISO grid, establishing better locational signals that encourage power plants to be built where they are needed most, addressing congestion adequately on the transmission system and giving the ISO new market mitigation tools. The ISO's MDO2 proposal is consistent with the intent and the specific elements of the Working Paper on Standardized Transmission Service and Wholesale Electric Market Design issued by the Federal Energy Regulatory Commission on May 15, 2002. The proposal is similar to many market design elements that the FERC has already approved for other ISOs and Regional Transmission Organizations (RTOs). The full details of MD02 are found in a series of documents available on the ISO's home page at www.caiso.com.

-MORE-

MDO2-2-2-2

MDO2 Media FYI Schedule

Thursday, April 25 **2:00 p.m. (PST)** **MD02 Presentation & ISO Board Vote**
Board Meeting Open to Public
151 Blue Ravine Road, Folsom
Call In Access: 877 381-5998 Passcode: ISO Board
Web Access: www.caiso.com

Friday, April 26 **10:00 a.m. (PST)** **Post-Vote MDO2 News Teleconference**
Call In Access Only:
877 381-5438 **Passcode: ISO News**
Michael Kahn, ISO Board Chair
Steve Greenleaf, ISO Director of Policy
(MD02 Project Manager)

Wednesday, May 1 **1:30 p.m. (EST)** **MDO2 FERC Filing/News Conference**
National Press Club/Holeman Lounge
529 14th Street, NW
Washington, DC
Terry Winter, ISO President & CEO
Lorenzo Kristov, Manager of Market Design
Call In Access: 877 381-5438 **Passcode: ISO News**

FERC's current west-wide market power mitigation plan:

- Implemented in April and June of 2001
- Includes a "soft cap" on prices that can fluctuate
- Cap is estimated to be at \$91.87 per megawatt-hour May 1, 2002
- Also includes "must offer" requirement on power generators in the west, covering 11 states

MD02-October 1, 2002 Elements:

- Modified Must Offer requirement--similar to, but less comprehensive, than FERC's Must Offer
- Damage control bid cap--to control magnitude of price spikes
- Bid screens and mitigation--to control frequency of price spikes
- Residual unit commitment--allows ISO to require generators to fire up to meet tomorrow's load
- Changes to day-ahead/hour-ahead markets--requires single energy curve per generator

(Most of the "October 1 Elements" will stay in place as part of the Comprehensive Plan. The Modified Must Offer and the Damage Control Bid Cap would be implemented by October 1, if FERC does not extend its west-wide mitigation plan.)

MD02 Comprehensive (implementation to begin April 1, 2003 and conclude fall of 2003):

- Available Capacity Obligation on Load Serving Entities
- Forward Congestion Management and Forward Energy Market
- Bid Screens and Mitigation
- Damage Control Bid Cap on ISO Markets
- 12-month Market Competitiveness Index and Pre-authorized Mitigation Provisions
- Penalties for Excessive Uninstructed Deviations.
- Residual Day Ahead Unit Commitment
- Structure and Timing of Hour Ahead and Real Time Markets
- Real-time Economic Dispatch Using Full Network Model
- Demand Scheduling, Bidding and Settlement
- Point-to-Point Firm Transmission Rights
- Ancillary Services Market run simultaneously with Day-Ahead Congestion & Energy Market

###