



NEWS RELEASE

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Contact: Stephanie McCorkle
Director of Communications
888 516-NEWS

ISO Toll for Using Power Grid to Roll Back Below 1998 Level **Grid Management Charge to Drop 15% in 2006; 30% Targeted by 2010** *California ISO Maintains Grid Reliability While it Realigns & Reduces Costs*

(Folsom, CA) The California Independent System Operator Corporation (California ISO) announced today a comprehensive corporate realignment intended to enable it to achieve top quartile performance in three years, maintain a high-degree of grid reliability and gain efficiencies by reshaping the organization to reduce duplication and establish single-point accountability.

Utilizing a rigorous review, the corporate self-examination and reorganization will result in improved work processes and efficiencies, while reducing the ISO charges to access the power grid. The current Grid Management Charge (GMC) will decrease to the lowest rate ever, from a bundled 85 cents per megawatt-hour in 2005 to below 73 cents per megawatt-hour in 2006. As the not-for-profit grid operator pays off the debts incurred during its startup, the toll for wholesale users of the open-market grid should fall into the 60 cents per megawatt-hour range by 2010, with no reduction in services. As part of the realignment, the organization has been streamlined, with a reduction in workforce from 612 positions to 517 positions.

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REALIGNMENT-2-2-2

In order to achieve this goal, 11 employees have been released over the past two weeks, an additional 37 employees were released today, and many vacant positions will not be filled, bringing the total reduction in workforce to an estimated 100 positions. The California ISO's revenue requirement for 2005 is \$208 million and will be trimmed an estimated \$25 million in 2006.

Along with summer grid preparedness, the corporate realignment is one of the top priorities of the California ISO President and CEO Yakout Mansour who took the helm of the organization in mid-March.

“The realignment program, which began in March, is producing efficiencies throughout all levels of the organization including the ongoing Market Redesign and Technology Upgrade project. The realignment is progressing with substantial input from ISO employees and stakeholders, guided by management vision and industry best practices,” said Mansour. “The California ISO must mature from a startup organization, and one that has weathered a great many challenges in recent years, into a world-class organization that is well positioned to tackle transmission infrastructure challenges in a more timely and effective manner.”

Chair of the California ISO Board of Governors Ken Wiseman said, “The new California ISO will be stronger, more focused and in a position to lower transmission-related costs for wholesale customers and, ultimately, consumers. It will also allow us to maintain and improve our level of service to companies who access the ISO grid as they compete to bring electricity to Californians.”

Hundreds of internal and external interviews were conducted during the five-week assessment phase of the realignment. A common thread became a top focus—the need for the California ISO to provide clear leadership and direction.

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REALIGNMENT-3-3-3

To that end, the California ISO is pleased to announce its new Executive Team. In an effort to enhance coordination between grid and market operations, Vice President of Operations Jim Detmers will bring together Grid Operations and Market Operations under one division. Emphasizing an increasingly important role for the California ISO, all short-term and long-term transmission grid planning will come under the new Vice President of Planning and Infrastructure Development, Armando Perez.

With the critical importance of the ISO market redesign, an executive position has been developed—Vice President of Market Development & Program Management. Director of Market and Product Development Dr. Anjali Sheffrin will serve as the interim vice president while an executive search is completed.

To provide an increased focus on external relationships and promote collaboration within the electricity industry, there will be a Vice President of External Relations. Director of Customer Services and Industry Affairs Don Fuller will serve as the interim vice president while an executive search is completed.

Chief Financial Officer Bill Regan will also serve as Vice President of Corporate Services and will bring Human Resources into this division as well as Enterprise Risk Management and Procurement & Vendor Management. General Counsel/Vice President of Legal Affairs & Corporate Secretary Charles Robinson will focus on the legal arena as well as board relations.

Information Services is realigned to centralize functions in a more effective manner. A search process for a CIO will commence immediately. Former Chief Information Officer Dan Yee has chosen a different role within the new organization, but will serve as interim CIO until the position is filled.

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REALIGNMENT-4-4-4

The elimination of two positions—Vice President of Market Services and Vice President of Corporate & Strategic Development, was also announced.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California's open-market 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 transmission network, 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 and demand in real time.

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