
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACT:

Bryan Lee
(202) 502-8680

FOR IMMEDIATE RELEASE

June 30, 2005

CALIFORNIA POWER MARKET REDESIGN RECEIVES COMMISSION'S APPROVAL; FINDING ON CAISO BOARD INDEPENDENCE CLEARS WAY FOR CAISO TO ADMINISTER ENFORCEMENT PROTOCOL

In a group of orders today, the Federal Energy Regulatory Commission approved in principle key structural changes in California's electricity market and authorized the market monitoring unit of the California Independent System Operator (CAISO) to administer the enforcement protocol provisions of the CAISO tariff. The Commission also determined that the CAISO's governing board is sufficiently independent, and accepted the California grid operator's generator interconnection compliance filing.

The Commission provided approval to conceptual elements of CAISO's Market Redesign and Technology Upgrade (MRTU) proposal, including (1) the clearing of demand bids at load aggregation points; (2) a revised simplified hour-ahead market known as the hour-ahead scheduling process; and (3) market-power mitigation measures that would include as modified the CAISO's proposal to have an incremental, multiyear transition to a \$1,000 per megawatt-hour bid cap, a level consistent with caps in effect in other regional markets.

The order also directs Commission staff to convene a technical conference to explore opportunities for wholesale demand response in California.

Today's approval in principle of the MRTU design elements is the last in a series of orders intended to provide guidance to the CAISO so that it can make a detailed tariff filing in November that supports the market restructuring elements (Docket No. ER02-1656-026).

In a separate order, the Commission defines the universe of existing transmission service contracts that will be in place after the CAISO market redesign is implemented in February 2007. The order also addresses the applicable standard of review for each existing transmission contract in question (Docket Nos. ER04-928-000, ER02-1656-021 and ER02-1656-023).

Separately, the Commission concludes that the CAISO's proposed board selection process, which entails using an independent search firm to seek out qualified board candidates, is acceptable for the purposes of the independence requirements of Order Nos. 888 and 2000, and that the CAISO board as presently constituted meets the Commission's independence requirements (Docket Nos. EL05-114-000 and EL01-35-002).

The Commission in previous orders limited the CAISO's ability to unilaterally administer the enforcement protocol provisions of CAISO's market restructuring effort pending the establishment of an independent governing board at the grid operator. The Commission today found that CAISO's market monitoring unit, or MMU, "may now administer the Enforcement Protocol provisions related to behavior that is objectively identifiable and for which violations have clear Commission-approved sanctions set forth in the [CAISO] tariff." The order directs a filing within 30 days of tariff revisions to the enforcement protocol as outlined in the order (Docket No. ER03-1102-009).

Further, the Commission accepts in part and rejects in part the CAISO's proposed revisions to its *pro forma* large generator interconnection procedures and interconnection study requirements, required under Commission Order Nos. 2003, 2003-A and 2003-B. It similarly accepts in part and rejects in part the large generator interconnection agreement filed by the CAISO and the three participating transmission owners, Southern California Edison Co., Pacific Gas and Electric Co. and San Diego Gas & Electric Co. The Commission accepted the transmission owners' conforming tariff filings and, consistent with the finding that the CAISO board is independent, is evaluating the generator interconnection filings under the independent entity variation standard (Docket Nos. ER04-445-005, *et al.*).

For more information, see the Commission's website at www.ferc.gov.