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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

April 19, 2007  
Docket No. ER06-615-00, *et al.*

### COMMISSION LARGELY REAFFIRMS PRIOR APPROVAL OF CALIFORNIA ELECTRICITY MARKET REFORMS

The Federal Energy Regulatory Commission today largely reaffirmed a prior order approving power market reforms in California, reiterating the Commission's view that the reforms are necessary to help prevent a recurrence of the energy crisis that roiled California and neighboring Western states in 2000 and 2001.

The Commission granted in part and denied in part petitions for clarification and rehearing of its September 2006 order approving a filing by the California Independent System Operator (CAISO) to implement its proposed Market Redesign and Technology Upgrade (MRTU) tariff. While today's order accepted several suggestions that will further improve the MRTU tariff, the Commission stood by its prior finding that MRTU is just and reasonable.

Chairman Joseph T. Kelliher observed: "Our goal throughout our lengthy review of the MRTU proposal has been and continues to be avoiding a repeat of the energy crisis that occurred seven years ago. The MRTU tariff further fixes flaws in the California market design that contributed to the crisis and should help promote electricity supply additions that will help avert future shortages."

In today's order, the Commission stated that it "continues to believe that [the MRTU tariff will help avert a repeat of California's energy crisis] by, among other things, ensuring sufficient resources, fixing flawed market rules, increasing price transparency, improving transmission congestion management, enhancing market power mitigation and streamlining the CAISO's daily operations."

The Commission said that it remains sensitive to the "seams" concerns raised by parties outside the CAISO-controlled grid, noting that the Commission held a technical conference in Arizona late last year to solicit input on the issue. Today's order notes that the conference was "informative and helpful."

While the conference identified several pre-existing seams issues in the West, conference participants “generally agreed there were no new seams issues created by the MRTU proposal that necessitated a delay in its implementation in 2008,” the Commission said. Today’s order addresses the various seams issues in detail.

“We find that it is imperative that the CAISO and neighboring control areas continue to work collaboratively to mitigate or resolve the pre-existing seams issues. We believe this structured approach is necessary to bring stakeholders to the table and their issues to closure. Resolving these issues will serve to ensure greater service reliability across the Western interconnect at the lowest reasonable rates for consumers,” the Commission said.

Significant elements of the MRTU tariff that the CAISO plans to implement as of January 31, 2008, include:

- a day-ahead market for trading and scheduling energy;
- a more effective transmission congestion management system;
- improved market power mitigation measures;
- system improvements to increase operational efficiency and enhance reliability;
- a more transparent pricing system;
- the opportunity for demand resources to participate in the CAISO markets under comparable requirements as supply; and
- a process that respects the resource adequacy requirements established by the states or local regulatory authorities, with provisions to allow the CAISO to procure additional capacity to meet forecasted needs.