



Federal Energy Regulatory Commission
September 21, 2006
Open Commission Meeting
Statement of
Commissioner Suedeen Kelly

Item No. E-1: California Independent System Operator, Corp (ER06-615-000 *et. al*)

Ever since the California and Western energy crisis of 2000 and 2001, we have all known that the California market was of key importance to the West and that it was in dire need of a redesign.

I myself had an inside view of the California and Western energy crisis as I worked at the ISO in 2000 and did research on how it worked for the New Mexico Joint House/Senate Energy Committee, which was at that time considering restructuring legislation.

Accordingly, I know first-hand how necessary it is, for both California and the rest of the West, to correct the flaws in the current California wholesale market, many of which trace their history right back to the crisis.

As staff's presentation and the draft order explain, six years of intensive effort have followed the crisis, as the Commission and market participants have worked through the many issues involved.

In the meantime, I think it is fair to say that the California market has done little more than limp along at basically the bare minimum level needed to keep the lights on.

Considering the ever growing demand for electricity, there has not been much investment in transmission or generation in California.

Instead, California relies increasingly on imported energy that is, itself, becoming harder to get because the rest of the West is growing as well.

While California has been making great strides toward addressing these problems, for example with its recent adoption of progressive renewable portfolio standards, the current wholesale market design clearly had a lot to do with creating this unfortunate situation and, obviously, something had to be done.

Now I am aware that this case has raised concerns among many parties, most recently among Senators and Congressmen from the West.

However, I believe we have addressed those concerns in this order and, given that change was un-questionably needed and long overdue, I think we have done our very best to serve the interests of the public in California and the rest of the West."