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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

November 20, 2001  
Docket No. EL02-7-000

### **COMMISSION: CALIFORNIA ISO MUST STOP PREFERENTIAL TREATMENT FOR STATE AGENCY**

The Federal Energy Regulatory Commission today told the California Independent System Operator (ISO) that it may not give preferential treatment to the state's Department of Water Resources (DWR), which it said must be treated like any other scheduling coordinator.

The Commission's action follows complaints from the Reliant and Mirant companies that the ISO is buying energy from the DWR outside of, and in preference to, the mechanisms provided in the ISO tariff and is sharing confidential information with the DWR, giving it a competitive advantage.

The DWR purchases power on behalf of Pacific Gas and Electric Company and Southern California Edison Company, and the ISO has asserted that the DWR's role as a guarantor of third-party transactions for these utilities allows it to receive nonpublic information.

The Commission rejected this assertion. In addition to its instruction to the ISO to treat the DWR the same way it treats other participants in the market, the Commission said the ISO should provide market transparency by posting on its website detailed reasons and circumstances for its out-of-market actions.

Complainants had suggested that a high level of more-expensive, out-of-market purchases was evidence that the ISO was favoring the DWR. Out-of-market transactions are bilateral contracts designed for last-minute purchases when normal bidding procedures would not meet the demand for energy.

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The Commission noted that the ISO does not deny the bulk of the allegations made by complainants, claiming, incorrectly, that the DWR was entitled to special considerations as a sole guarantor of payment.

The Commission denied the complainants' request for an investigation, which it said was unnecessary given that material issues of fact were not in question.

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