

**Summary of MD02 Proposal and FERC Action**

MD02 Element	FERC Action	Effective Date
<i>Phase I</i>		
<b>Damage Control Bid Cap</b> – The damage control bid cap (DCBC) is equal to the higher of \$108/MWh or a price established by the product of the highest heat rate unit and a monthly gas index price.	Rejected and established a "hard" cap of \$250/MWh.	October 31, 2002.
<b>Automatic Mitigation Procedures (AMP)</b> – Automatic price mitigation based on threshold price and impact tests.	Accepted AMP but established price screen floor of \$91 and revised price and impact screens	Later of October 31, 2002 or date when Independent Entity provides Reference price information.
<b>Local Market Power Mitigation</b>	Incorporated local market power mitigation into AMP.	Effective date of AMP – Later of October 31, 2002 or date Independent Entity provides Reference Prices.
<b>Interim RUC - Interim Residual Unit Commitment ("RUC")</b>	Rejected. Directed continuation of existing ISO Must-Offer waiver policy.	N/A.
<b>Must-Offer - Modified Must Offer Requirement;</b>	Extended existing West-wide Must-Offer Obligation.	Currently effective.
<b>Economic Dispatch - Real-Time economic dispatch;</b>	Accepted, subject to availability of supporting and additional outage reporting and multiple ramp-rate accommodating software.	When software complete and when ISO's extended SLIC software available. (Current projection – 1/03). ISO believes that Economic Dispatch and Penalties on Uninstructed Deviations should be implemented together.
<b>Single Energy Curve - Use of a single Energy bid curve</b>	Accepted, subject to availability of supporting and additional software.	October 31, 2002, when AMP becomes effective.
<b>Penalties on Uninstructed Deviations - Penalties on generators that fail to comply with dispatch instructions;</b>	Accepted, subject to availability of supporting outage reporting and multiple ramp-rates software.	When software complete and when ISO's extended SLIC software available and ISO software is able to accommodate multiple ramp rates. (Current projection – 1/03).
<b>Extension of FERC Mitigation - Extension of the Commission's current market mitigation measures.</b>	Rejected – Extended existing Must-Offer and elements of ISO's alternative proposal.	N/A.
<b>12-month Index - A rolling 12-Month Competitive Index, including pre-authorized Mitigation</b>	Rejected as price mitigation tool but accepted as	October 31, 2002, as part of weekly reporting requirement.

	reporting/tracking tool.	
<b>Decremental Price Cap</b> - A price cap on decremental bids.	Accepted, but as a "soft" cap, where suppliers could seek to justify costs in excess of the cap.	October 31, 2002.
<b>Phase II</b>		
<b>Integrated Market</b> – The integrated day-ahead and hour-ahead markets (to include simultaneous energy, congestion management, ancillary services and unit commitment) <sup>1</sup>	Accepted proposal to establish integrated market.	January 1, 2003 (ISO had proposed May 1, 2003).
<b>Permanent RUC</b> - A permanent Residual Unit Commitment procedure that would operate for reliability purposes after the day-ahead and hour-ahead markets.	Unclear. FERC stated that discussion of long-term resource adequacy will be set for technical conference.	Unclear. Perhaps January 1, 2003.
<b>Market Separation</b> - Elimination of the Market Separation Rule and the balanced schedule requirement in the Day-Ahead and Hour-Ahead Markets.	Accepted as part of integrated market.	January 1, 2003 (ISO had proposed May 1, 2003).
<b>HA Timeline</b> - Moving the time line for the Hour Ahead Market closer to Real Time.	Accepted.	January 1, 2003 (ISO had proposed May 1, 2003).
<b>Transitional FTRs</b> – Transitional release of Firm Transmission Rights ("FTRs") in accordance with the ISO's current design, to cover the interim between when the current FTRs expire and the new FTR structure is in effect in Phase 3.	Unclear.	Unclear.
<b>Phase III</b>		
<b>Network Model and LMP</b> - The detailed network model and full implementation of locational marginal pricing (LMP) at the nodal level in the Day-Ahead, Hour-Ahead and Real-Time Markets.	Accepted and subject of Technical Conference. Directed ISO to begin development and to expend funds.	Unclear. Fall 2003.
<b>FTRs</b> - The redesign of FTRs to be consistent with LMP.	Subject of Technical Conference.	Unclear. ISO had proposed Fall 2003.
<b>ACAP</b> - An available capacity ("ACAP") obligation on Load Serving Entities.	Subject of Technical Conference.	Unclear. ISO had proposed January 2004.

<sup>1</sup> To be implemented at this point using the existing three-zone network model, until the nodal pricing structure is completed in Phase 3.