

Desert STAR

- ◆ Voluntary Multi-state ISO
 - ❖ Arizona, New Mexico, West Texas, Colorado (???)
- ◆ Participants
 - ❖ 130 Members in 8 classes including:
 - ◆ Transmission owners, Retail customers, IPP, Transmission Dependent Utilities, Marketers, State Regulators
- ◆ Transmission only ISO without associated power exchange



Status

- ◆ Incorporated as non-profit member corporation September 21, 1999
- ◆ Organizational Meeting of Members November 10, 1999
- ◆ Board of Directors elected February 14, 2000

Proposed Schedule

- ◆ FERC filing late Summer, 2000
- ◆ FERC approval by end of year
- ◆ Initial Operations 12/15/01



Governance

- ◆ Eight Member classes
- ◆ Advisory Committee
 - ❖ Two members/class, elected by class
- ◆ Five Independent Board Members
 - ❖ Independent of Transmission owners and users
 - ❖ Elected by Advisory Committee
- ◆ Nine ex officio Board members representing Member classes & Federal PMA



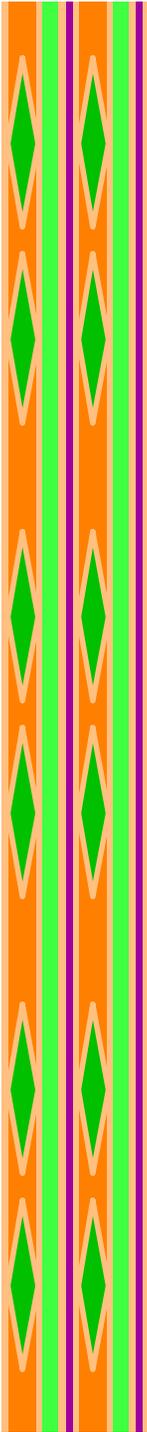
Transmission Pricing Goals

- ◆ Eliminate rate pancaking
- ◆ Allow transmission owner return on investment
- ◆ Mitigate cost shifts between areas
- ◆ Existing contracts will be honored



Transmission Pricing Model

- ◆ “License Plate” model. Load will pay a single charge for access to entire transmission system within Desert STAR area.
 - ❖ “Wheeling Out & Through” will pay DSTAR average rate.
- ◆ Access fee will depend on Pricing Zone in which load is located.
- ◆ Issue
 - ❖ *How will cost shifting be mitigated?*



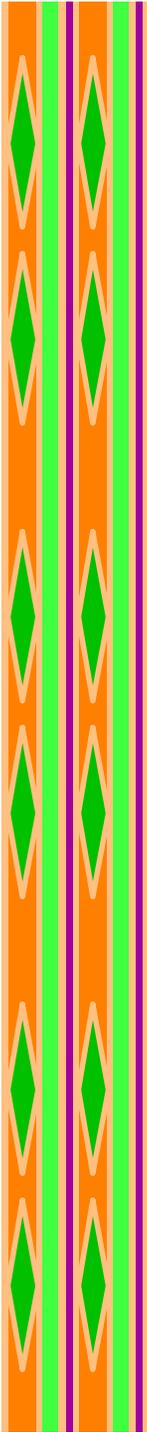
Congestion Management

- ◆ Desert STAR will have a market based congestion management system including Firm Transmission Rights (FTR)
- ◆ Issue
 - ❖ *Allocation of Congestion Revenues (FTR Auction Revenues)*
 - ❖ *Quality of FTR's*
 - ❖ *Responsibility for Intra-Zonal Congestion Costs*



Operations

- ◆ Use of the Transmission System will be reserved and scheduled through Desert STAR
- ◆ Will have authority for redispatch and maintenance scheduling for transmission and must run generation
- ◆ Initially existing Control Areas will remain
- ◆ Issue
 - ❖ *Relationships between various users and operators of the grid under the DSTAR model.*



Parallel Path Flow

- ◆ FERC has approved WSCC's Unscheduled Flow Mitigation Plan for Western Interconnection
- ◆ Desert STAR will cooperate with WSCC and other RTOs in Western Interconnection if additional measures would be beneficial



Ancillary Services

- ◆ Desert STAR will be the provider of last resort for all ancillary services which are not self-provided or secured from a third party
- ◆ Desert STAR will secure ancillary services through a bid process
- ◆ Issue
 - ❖ *FERC requirement to operate a real-time balancing market so Control Area operators and customers are treated same.*