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California ISO Vision

California ISO strives to be a world-class electric transmission organization built around a globally-recognized and inspired team providing cost-effective and reliable service, well-balanced and transparent energy market mechanisms, and high-quality information for the benefit of our customers.

California ISO Mission

For the benefit of our customers, we:

- Operate the grid reliably and efficiently
- Provide fair and open transmission access
- Promote environmental stewardship
- Facilitate effective markets and promote infrastructure development

All through the provision of timely and accurate information.

California ISO Core Values

INTEGRITY

We are honest, ethical and trustworthy with each other and stakeholders in all business dealings, reflecting the highest professional standards.

TEAMWORK

We strive for one common vision and are inspired by working together, with clear points of accountability, to be a world-class organization in meeting corporate objectives and serving our customers.

EXCELLENCE

Internal and external excellence—we earn customer trust based on our understanding of needs, implication of decisions, quality, competence, innovation and discipline in our business dealings.

PEOPLE-FOCUS

We value diversity, promote employee development, support work/life balance and foster an invigorating and fulfilling work environment.

OPEN COMMUNICATION

We seek diverse ideas and opinions, value transparency, promote “thought leadership” and openly share information both internally and externally.

The 2009–2013 Five-Year Strategic Plan Update (“Plan”) reaffirms the direction the California ISO is taking to adapt to state and national economic forces, solve energy supply and delivery challenges, as well as manage workforce change.

The 2009-2013 Five-Year Strategic Plan Update (“Plan”) reaffirms the direction the California ISO is taking to adapt to state and national economic forces, solve energy supply and delivery issues, as well as manage workforce change. As managers of one of the largest electron superhighways in the world, we are working to maintain a superior level of service while matching innovation with reliability. The Plan updates the 2008-2012 plan, aligning corporate workflows with bold initiatives over the next five years to enable the organization to excel at a time when fiscal discipline is critical.

The Plan promotes excellence and transparency in grid and market operations with strategies that ensure open and non-discriminatory grid access, enhance service to our customers and, although mostly unseen by the public at large, create value for 30 million Californians. It also bolsters our commitment to the monumental state, national and global objectives of reducing greenhouse gases by welcoming in a new era of advanced technologies, such as the electrification of automobiles, renewable energy alternatives and enhanced grid functionality. Further, the Plan hones the ISO’s corporate initiatives that include improving our focus, performance measurements and accountability.

Driving Forces

In 2008, the ISO took proactive steps to meet or get ahead of the forces driving our economy and energy policies. These driving forces include:

- Unprecedented Economic Conditions
- Environmental Regulation
- An Increasingly Complex Compliance Landscape
- Integrating Renewables Into the Grid
- Workforce Challenges
- Infrastructure Concerns
- Technological Advances

Strategic Objectives

The events and policies at work in California, the nation and the world feed into and shape our three strategic objectives and their supporting sub-objectives, which together form the Plan’s foundation. The strategic objectives and associated sub-objectives are:

Excel in Grid and Market Operations

- Maintain Compliance
- Efficiently Operate The Market
- Embrace Technology Leadership

Effective and Timely Infrastructure Development

- Develop Infrastructure Guided by Reliability and Economics
- Develop Transparent and Well-Functioning Electricity Markets
- Advance State, Regional and Federal Priorities

Organizational Effectiveness

- Provide Superior Customer Service
- Practice Effective People Strategies
- Excel in Performing Capabilities

Corporate Initiatives

To support our objectives, the ISO developed a comprehensive set of initiatives designed to lead and move the corporation toward meeting goals. Those include, but are not limited to:

- Establish a sustainable enterprise-wide compliance culture
- Implement market settlement processes to minimize disputes and reduce financial exposure
- Improve visibility and transparency of operations activities
- Establish a framework to enable competition between generation, transmission and demand response in the transmission planning process
- Collaborate and help develop environmental policies and objectives
- Expand customer service processes to include measures of service quality
- Develop the ISO employee talent pool
- Enhance corporate performance with defined, measured and controlled processes

Measuring Success

The ISO takes a performance-based approach in achieving objectives and related initiatives and our related measurements track closely to the strategic objectives:

To excel in grid and market operations, the ISO will, among other things measure how well it meets federal, state and regional compliance rules, such as those mandated by the North American Electric Reliability Corp.

To meet the complications of ensuring a reliable but expanding grid, the ISO is measuring how well it is advancing renewables generation integration and advancing state and federal energy objectives.

To improve organizational effectiveness, the ISO will measure aggressive benchmarks to improve customer service by decreasing the number of days to process customer inquiries.

Serving California

Our corporate vision serves to empower and incent employees, while collaborating with others in the industry, to build a strong organizational foundation and work toward a common goal — a modern, reliable grid that operates at the least cost to the benefit of California consumers.

It is our vigilance in maintaining grid integrity that allows the ISO to devote formidable expertise toward advancing state, regional and federal policy goals as well as developing management innovations that take advantage of the new technologies fueling today's new energy era.

The recent economic recession tested the California ISO 2008-2012 Five-Year Strategic Plan, but it held firm and remains a strong guide for the corporation as it works to meet important environmental, reliability and economic objectives. While the weak economy is testing the power industry, the ISO's solid foundation serves to reassure power companies that they can actively finance needed transmission development as well as contract for new renewable and conventional generation, which paves the way for developers to more confidently pursue financing from the capital markets. In turn, this means we as an industry can make meaningful contributions to federal and state efforts to stimulate new infrastructure investments and job creation while at the same time advancing important energy policy objectives.

The ISO developed this update to the 2008-2012 Five-Year Strategic Plan by testing it against scenarios that bucked conventional wisdom. The organization examined the influence of extreme events on our progress in achieving its goals, such as our ability to maintain reliability, comply with new operating and planning requirements, and advance California's public policy goals. The testing largely validated our prior assumptions about what should drive our strategic thinking, which include concerns over increasing stress on the existing infrastructure, meeting new mandatory compliance requirements, advancing environmental and renewable energy objectives and accelerating technological advances.

Despite the economic downturn, increased attention to energy security, climate change and the lingering drought, our prior plan continues to point us in the right direction. By using scenario planning and risk management principles to guide this update, we discovered it is possible to adjust to these forces by building on our standing objectives of excelling in grid and market operations, promoting effective and timely infrastructure development and achieving higher levels of organizational effectiveness. This Plan develops these objectives more fully and identifies key initiatives that will drive the ISO success in meeting them.

While reliable and efficient delivery of electricity is our primary responsibility, we recognize that we are a national leader and watched closely as we break new ground integrating renewables and using a smarter grid to find and use demand response as an alternative to building expensive power plants and transmission lines.

This Plan empowers the ISO to meet the future with confidence and armed with the vision to make things happen that benefit the electricity industry through enhanced efficiency, better reliability and lower costs. It also recognizes our unwavering dedication to fulfill our mission.

The expected result positions the ISO to successfully flourish in these difficult times regardless of the events that unfold.

The Plan has three sections and an appendix:

- **Executive Summary** provides a high-level overview including brief statements about the strategic objectives.
- **Driving Forces** describe the internal and external factors shaping the industry over the next five years including those identified in the enterprise risk evaluations.
- **Strategic Objectives and Sub-Objectives** form the guiding light for the corporate initiatives.
- **Corporate Initiatives** are the tactics in achieving the strategic objectives and sub-objectives.

The Planning Process

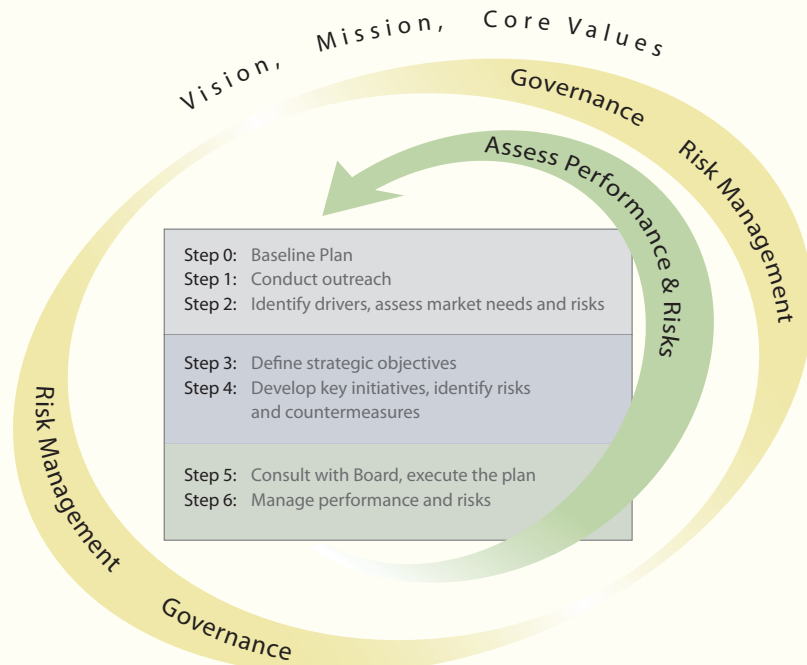
The ISO six-step development process (illustrated below left) identified key external driving forces and enterprise risks associated with our strategic objectives by collecting information from scenario planning exercises, an enterprise risk evaluation, market participants, policy makers and other stakeholders. The process validated the direction established in the 2008-2012 plan and culminated in a proposed revision in which the ISO Board of Governors provided input and guidance.

The Plan

Most objectives in this update roll over from the 2008–2012 plan, but it includes enhancements to address changes in the driving forces and identified enterprise risks.

Successful implementation of related initiatives is essential to achieving these objectives. The ISO uses systematic management initiatives to align employee performance plans with corporate objectives and measure both individual and corporate-wide performance. The expected result positions the ISO to successfully flourish in these difficult times regardless of the events that unfold.

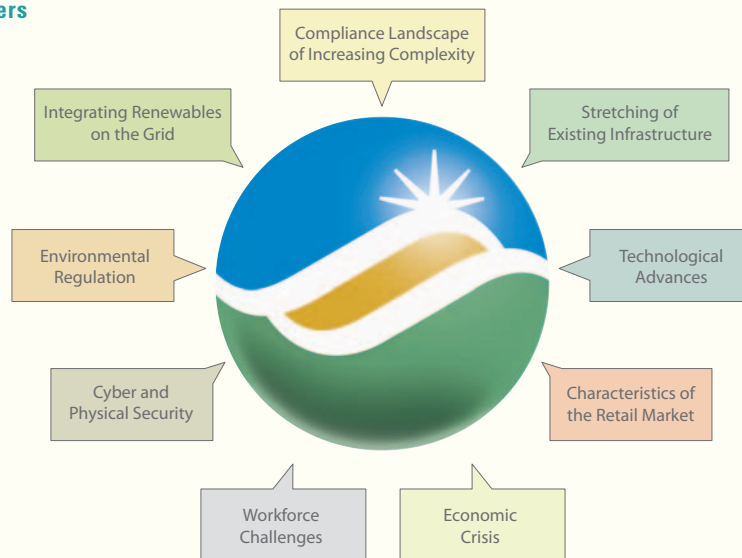
The California ISO Strategic Planning Process



Despite economic conditions, the ISO intends to offer a steady voice in promoting the construction of generation and transmission infrastructure.

The California ISO developed the Plan against a backdrop of unprecedented global economic upheavals, the push for greenhouse gas reductions, increasing use of renewable resources, compliance with mandatory reliability standards and competition for uniquely skilled professionals. These areas will to some degree influence the ability to meet overall objectives despite efforts to soften their impacts. The ISO, using an extensive scenario planning exercise, tested the existing plan under three plausible conditions and performed an enterprise risk evaluation as well. Even so, while some of the drivers present hurdles not thought of until recently, they also give the ISO opportunities to rethink its way of doing things and finding new strengths to use in going about our everyday business.

Key Drivers



Unprecedented Economic Conditions

Current economic conditions affect every industry including the power industry and the California ISO. However, the industry provides essential services and many in Congress view the power sector as a vehicle to improving the nation’s economy. As a result, the ISO took into consideration possible impacts on our business and on our customers, including infrastructure development, liquidity in our markets, the ability to finance projects at reasonable rates, the increased potential for participant defaults in our markets, and an increased focus on projects and priorities directly related to state, regional and federal policy initiatives. The uncertainty surrounding the economy in the short-term presents a

The California ISO plays a pivotal role in assuring the reliable integration of renewable generation.

unique challenge that requires monitoring and reassessing conditions beyond normal expectations. It is especially important to be watchful for economic impacts, such as electricity use spiking as demand follows the economy rebound. In addition, despite the weak economy, the ISO offers a steady voice in promoting the construction of generation and transmission infrastructure. Above all, now is a time for the ISO continuing its focus on financial discipline.

Environmental Policies

California leads the nation in advancing environmental and climate change policies, such as requiring utilities to serve 20 percent of their load with renewable generation resources by 2010. In addition, all California industries must reduce greenhouse gas emissions to 1990 levels by 2020. More recently, an executive order from Governor Arnold Schwarzenegger requires utilities to increase their renewables mix to 33 percent by 2020. Also, a strong movement is forming to strictly protect water quality that could include banning once-through-cooling technology used by coastal power plants. Along with stricter enforcement of air quality rules, regulatory mandates threaten to take offline or affect nearly one-half of the state's installed generation capacity. The California ISO remains committed to plan for these important state, regional and federal environmental goals and increase its emphasis accordingly.

Integrating Renewables on the Grid

The California ISO plays a pivotal role in assuring the reliable integration of renewable generation. This effort includes making sure policy makers understand the power network and how integrating new generation changes power delivery patterns. In addition, stakeholders and others rely on the ISO to hear about and discuss the impact of new supply on the grid, demand response programs, energy storage and power delivery technologies. Equally important, the effects of one issue on other issues require careful attention, such as the need of demand response to effectively integrate renewable resources and the need for a smart grid to support those resources and new technologies. This represents an area of continued growth for the ISO and the industry.

Technological Advances

Technological innovation is instrumental to the success of many industry-wide initiatives, such as building efficient renewable generation, integrating intermittent generation, enhancing system operations and deploying demand response programs and energy storage devices. By using innovative technologies, grid operators can “see” the grid more accurately, which translates into more efficient grid management. The installations of smart grid technologies encourage demand response participation in our markets. New standards and collaborative planning with market participants are critical to the continuing success of these initiatives and the ISO is building on efforts already underway.

Competition for well-trained, skilled employees is fierce on national and global levels, and may increase as the Obama administration advances green, smart technologies.



Compliance Landscape of Increasing Complexity

The North American Electric Reliability Corporation (NERC) establishes the mandatory national reliability standards. The Western Electricity Coordinating Council (WECC), under NERC authority and oversight, enforces the standards in the West, in which the ISO uses strict processes to comply. In addition, ISO compliance efforts include adhering to our Federal Energy Regulatory Commission (FERC)-approved tariff, which includes the rates, terms and conditions associated with grid and market operations, market mechanism development and recommended infrastructure enhancements. The ambitious ISO compliance program also calls for our proactive involvement in regional standards development.

Existing and New Infrastructure Challenges

New or looming restrictions on existing generation, aging power plants, potential declines in the availability of imported power, persistent drought conditions and the need to gain access to remote renewable generation put a lot of stress on the existing transmission system and its aging infrastructure. The eventual return of load growth only compounds the problem. Meanwhile, public views over new generation and transmission and limited availability of air credits complicates new facility permitting and construction. These conditions raise questions about the continued operation of some existing plants. These factors also increase the urgency to develop ways to stimulate investment in generation, demand

response and transmission facilities. In addition, existing generators have to ramp up and down their plants more aggressively during the day to fill renewables production gaps. This means these units wear out faster, putting a greater emphasis on the timely siting and construction of replacement capacity. Infrastructure development and the associated planning efforts necessarily go beyond the duration of the Plan, emphasizing the need to maintain focus on these objectives at a time when the present state of reliability and short range indicators might suggest to some that other priorities are more important.

Workforce Challenges

A highly specialized and aging workforce makes it particularly challenging for our industry to attract and retain top talent. In addition, an increasingly complex electricity system operations put a premium on employees with certain types of experience, skills and advanced academic training, especially in the field of power systems engineering. Competition for well-trained, skilled employees is fierce on national and global levels, and may increase as the Obama administration advances green, smart technologies. The ISO must offer competitive salaries and benefits that satisfy current employees and attract new prospects. Meanwhile, the ISO is working to nurture the critical skills needed to operate a power grid by offering advanced training opportunities to employees as well as encouraging industry related curriculums at universities around the world.

The following three strategic objectives are the foundation of the Plan and direct the ISO business priorities over the next five years. Appendix A contains the corporate initiatives that support the objectives. The overarching strategic goal calls for the ISO fulfilling its mission regardless of how industry and other changes materialize in the coming years.

The core function of the California ISO is grid and market operations.

Strategic Objective 1.0

Excel in Grid and Market Operations

Deliver electricity from diverse resources innovatively and reliably at a competitive cost and in compliance with all applicable standards.

The core function of the California ISO is grid and market operations. An increasingly complex operating environment requires the need to better understand and manage varying supply schedules from such resources as imports, exports and renewable hydroelectricity, solar and wind generation. The looming development of storage and demand-side generation technologies, including plug-in hybrid vehicles, is already shaping grid and market management as the ISO plans for the future. In addition, new federal reliability standards and mandatory reporting requirements require improved processes to better record activities.

The new ISO market enables operators to rely on advanced technologies and new procedures to manage the grid, which include accelerating the settlement process to

gain efficiencies and reduce default exposures in the market. This means continuous training and the availability of up-to-date tools are vital for grid operators and market monitors to excel in a dynamic environment.

Sub-Objective 1.1
Maintain Compliance

Operators and technicians rigorously trained to meet industry standards and state and federal policies developed to maintain consistent, sustainable, transparent, and reliable services.

The Federal Energy Regulatory Commission, North American Electric Reliability Corporation and the Western Electricity Coordinating Council regularly develop new standards and modify existing ones. All balancing authorities, transmission operators and generation owners share a regional compliance role in maintaining reliability and protecting and securing critical infrastructure.

Using technologies that improve the ability to analyze the grid and to manage power, transmission and delivery in the most efficient manner are imperative.



The California ISO will proactively demonstrate excellence and leadership in achieving all applicable compliance standards. To do so, the organization must strengthen its compliance culture with documented, measured and controlled processes, as well as actively participate in regional and national forums that are developing and defining operational rules.

Sub-Objective 1.2
Efficiently Operate the Market

Reduce barriers to entry by providing predictable, accurate, and transparent price signals, and maintain efficient settlement and cash clearing processes.

Market participants rely on quality price signals, operating and capital costs, and the performance and integrity of market processes in assessing the extent to which they benefit by participating in the California ISO markets. Our new locational marginal pricing design, as well as the market enhancements set for implementation over the next five years, provides higher quality price signals than the current system while creating efficiencies in market-related processes. Also, the ISO will improve modeling quality by automating transmission outage tracking and streamlining the processes for analyzing grid changes.

ISO operators are experts in managing the grid in the most efficient manner, however, training continues as we leverage the benefits of using our new market design.

Customer support systems and processes are in place to quickly respond to any anomalous pricing thus assuring timely and accurate settlements. Transparent, understandable and efficient operations reduce ISO and market participant exposure to financial risks. New process improvements and automation and the training to go with them will help reduce the amount of resources necessary to operate the markets efficiently and economically.

Sub-Objective 1.3
Embrace Technology Leadership

Foster proactive leadership that empowers others to develop innovative technologies that support reliable and efficient operations, such as demand response and other smart grid technologies capabilities, consistent with state, regional and federal policies and priorities.

The next five years will see increasing integration of renewable resources into the grid, deployment of innovative and required transmission and generating technologies, and potentially a trend where the grid uses more distributed generation.

Using technologies that improve our ability to analyze the grid and to manage power, transmission and delivery in the most efficient manner are imperative. Furthermore, load and resource forecasting technologies must account for the dynamics of new types of generation and other technologies, as well as complex environmental factors.

The ISO independence empowers our market and infrastructure planners to seek out diverse interests and agencies in gathering information to define the best market and planning solutions.

Strategic Objective 2.0

Effective and Timely Infrastructure Development

Efficient and functioning wholesale electricity markets created in a collaborative planning process with stakeholders that produce accurate and transparent prices to encourage investment in transmission and generation infrastructure.

Existing and evolving environmental policies, developing new generation and transmission technologies, and demand-side generation and distribution trends require sound planning and accurate and transparent price signals. This will invite sufficient and timely investment and development, especially in addressing localized issues. The integration of renewable resources, greenhouse gas legislation, once-through cooling and increasingly stringent, but important emissions standards are only a few of the regulatory initiatives that impede expected infrastructure projects. Also, on-going economic uncertainty and the ability to acquire capital at a reasonable cost could further hamper investments.

The ISO independence empowers our market and infrastructure planners to seek out diverse interests and agencies in gathering information to define the best market and planning solutions. The organization will ensure its planning assumptions are consistent with existing and future environmental factors.

Sub-Objective 2.1

Develop Infrastructure Guided by Reliability and Economics

Robust grid that considers both reliability and economics to support the addition of diverse energy resources in a timely manner.

The ISO has a principal role in ensuring an open transmission planning process that uses transparent price signals and analysis based upon reliability needs and is well coordinated across the region, and that considers state, regional, and federal policy initiatives and timelines. We see a rising need for collaboratively collecting planning data and analysis as market participants and investors use this information to evaluate need for localized transmission and non-transmission opportunities.

Sub-Objective 2.2

Develop Transparent and Well Functioning Electricity Markets

Transparent and well-functioning electricity markets help investors make informed decisions, foster demand response capability and supply competition, facilitate renewable resource integration, reduce greenhouse gas emissions, encourage technological innovation and provide appropriate risk sharing.

The new market is a pivotal step in developing California's electricity markets. It improves operating efficiency and reliability, achieves the most economic mix of resources to meet electricity needs, fosters demand and supply participation, and serves as a platform for increasing demand response as a dispatchable resource.

The ISO will work across multiple interests groups and agencies in implementing mechanisms to maintain grid reliability and efficient markets consistent with those priorities.

Evolving environmental policies highlight the need for greater regional coordination, as does the growing operational complexity of the electricity system. The ISO envisions wholesale markets that make best use of the existing electricity infrastructure as well as providing vital information about prices at specific grid locations to inform the investment decisions needed to meet economic, reliability and environmental goals.

Sub-Objective 2.3

Advance State, Regional & Federal Priorities

Advance state, regional and federal policy objectives and priorities through active leadership that addresses the impact of environmental goals, climate change regulation, demand response, public power projects and the California preferred resource loading order on the electric system and markets.

Success of state, regional and federal policy goals depend, in part, on the ISO taking a holistic approach to studying public and industry initiatives and sharing the results with customers and stakeholders. The ISO will work across multiple interests groups and agencies in implementing mechanisms to maintain grid reliability and efficient markets consistent with those priorities. The corporation commits to ensuring that our market initiatives, transmission-planning processes and other activities contribute to the advancement of these policy goals and priorities.

Strategic Objective 3.0

Organizational Effectiveness

Ensure productivity through continuous employee development and talent management, financial discipline, excel in our business processes and capabilities, and focused attention to customer priorities.

In this Plan, the ISO commits to excel in grid and market operations and effective and timely grid resource development by requiring the successful implementation of a variety of initiatives and aggressive external outreach, coordination and collaboration.

Therefore, the ISO will adopt a process quality framework that consistently gains efficiencies and improves performance by defining metrics, and following up with effective measurement and control, as well as commit to a cross-organization customer focus.

Sub-Objective 3.1

Provide Superior Customer Service

Enhance customer service by responding promptly and effectively to customer inquires, addressing the root cause of incoming issues and developing tools and processes that facilitate effective interactions with stakeholders, policy makers and market participants.

The ISO recognizes the need to adopt a truly cross-organizational customer focus to exceed customer expectations and deliver value through the initiatives defined in this Plan. The ISO will improve customer service by identifying ways to reduce the cause of incoming issues and proactively alert customers to problems as soon as they become visible.

The ISO recognizes that people are our greatest investors.

To improve service to our clients on an ongoing basis, we will reach out to better understand their concerns and respond appropriately. Our efforts should continue to recognize employees who are particularly responsive to customer inquiries, which help support the customer-centric transformation of the ISO. This also requires cross-organization coordination to tell customers about stakeholder forums and create opportunities for communications between the Board and stakeholders.

Sub-Objective 3.2

Practice Effective People Strategies

Promote continuous professional growth and development of people whose capabilities and performance align with the strategic objectives, provide the information and tools necessary to support them, and to attract, retain and motivate highly qualified professionals.

The ISO provides employees with work that promotes innovative thinking that leads to inspired solutions to industry and related societal issues. The ISO recognizes that people are our greatest investors as highly skilled people want to contribute to our company's success and are willing to devote their efforts to produce superior results. The ISO wants people to rise to corporate and unforeseen needs. Our human resource programs reflect a commitment to employees and the level of importance assigned to finding the right skills at the right place at the right time. Employees also consider training programs as a huge premium to compensation packages, which helps motivate them to align their efforts with ISO goals and gain confidence in their capabilities to perform the

needed work. Career and talent management and enhanced recruitment efforts will further cement the reputation of the ISO as a sought after employer.

Sub-Objective 3.3

Excel in Performing Capabilities

Defined, measured, controlled, and sustainable business processes with an internal and external customer focus to support sound business decision-making and quality assurance, and position the ISO to successfully implement corporate initiatives, programs and projects.

The goals defined in the Plan will continue to mature the organization and provide fundamental improvements to forward-thinking strategic and disciplined business planning, internal and external impact assessment, efficient human and financial resource deployment, and on-going performance measurement and control. The ISO is committed to adopting an effective process-centered management approach that enables the organization to measure, monitor and report on performance, assess enterprise risks and opportunities, define improvement initiatives, and plan and deploy appropriate resources to implement the Plan.

INITIATIVES FOR SUB-OBJECTIVE 1.1

Maintain Compliance Standards

1.1A *Establish a sustainable enterprise-wide operational compliance culture. (2009–2011)*

Establish enterprise-wide ownership and accountability for compliance with NERC/WECC standards, SAS-70 audit standards and the ISO tariff through defined, measured and controlled processes.

1.1B *Construct a new facility to meet operational and security needs. (2009-2012)*

Construct a new California ISO headquarters as approved by the Board that meets compliance, physical security and operational needs, is functional, and demonstrates energy efficiency features and technologies.

INITIATIVES FOR SUB-OBJECTIVE 1.2

Efficiently Operate the Market

1.2A *Implement settlement processes to minimize disputes and reduce financial exposure. (2009)*

Institute an efficient cash management process and associated credit policies to reduce the initial settlement statement period from 38 business days to nine, including invoice generation, as well as other settlement process enhancements to minimize disputes.

1.2B *Improve network model systems and operational processes. (2009-2013)*

Implement process and other enhancements necessary to minimize non-market dispatch of energy, assure operations

and market models reflect all grid constraints, and produce timely and accurate pricing results. Automate the process of updating the real-time and day-ahead network models to include near real time outage information — down to the switch level — with approved quality assurance checks.

INITIATIVES FOR SUB-OBJECTIVE 1.3

Embrace Technology Leadership

1.3A *Implement advanced analysis tools and control room technologies. (2009–2010)*

Enhance control room situational awareness and early warning systems by providing more technology and policy options to maintain system stability, dispatch and frequency control, and implementing advanced tools and training that allow effective and efficient resource usage in an increasingly complex environment.

1.3B *Implement projects to facilitate integration of renewable resources. (2009-2013)*

Implement the processes to support renewable resource integration by using advanced forecasting tools, analyses and market improvements as well as related infrastructure upgrades. Provide leadership in establishing standards for new resources, including wind and solar.

1.3C *Improve visibility and transparency of operational activities. (2010-2013)*

Improve visibility and transparency of our business through secure monitoring and reporting capabilities, and safeguarding our cyber infrastructure.

INITIATIVES FOR SUB-OBJECTIVE 2.1**Develop Infrastructure Guided by Reliability and Economics**

2.1A *Support development of needed and economic transmission additions and upgrades through proactive planning processes and participation in other forums. (2009-2013)*

Support development of the recommendations identified in the Long-Term and Short-Term Transmission Plans through accurate and timely studies, by complying with Federal Energy Regulatory Commission Order No. 890, actively participating in the Renewable Energy Transmission Initiative, and involved with rebuttable presumption dockets at the California Public Utilities Commission.

2.1B *Establish a framework for enabling competition between generation, transmission and demand response in the transmission planning process. (2010-2013)*

Implement and align coordinated transmission planning process to promote competition between generation, transmission and demand response, recognizing the need to increase demand participation in the ISO markets.

INITIATIVES FOR SUB-OBJECTIVE 2.2**Develop Well Functioning and Transparent Electricity Markets**

2.2A *Launch the new market design. (2009)*

Meet established timeframes and objectives for the start of the Market Redesign and Technology Upgrade and demonstrate success through appropriate performance measures.

2.2B *Implement value-added market design enhancements. (2009-2013)*

Implement planned market enhancements after start up of the new market. (2009-2013)

Develop market enhancements and improved market-monitoring abilities to assess the efficiency and quality of market results consistent with FERC orders, including convergence bidding, scarcity pricing and forbidden region functionality.

Create framework to increase demand participation in the ISO markets. (2009-2012)

Increase demand participation in the ISO markets by identifying and developing characteristics necessary to ensure equal access consistent with FERC Order No. 719, making the necessary software design and operational changes, supporting pilot programs and encouraging smart grid technologies that will sustain demand response programs.

Develop long-term capacity market and mechanisms. (2009-2013)

Implement in 2009 a standard capacity procurement product and follow with development and implementation of a capacity market consistent with market design principles and state policy initiatives.

2.2C *Establish regional presence and enhance planning coordination. (2009-2013)*

Collaborate with neighboring areas to establish effective procedures for west-wide scheduling and congestion management, minimize the problem of unscheduled

flows in real time and improve the accuracy of the Full Network Model at ISO boundaries. In coordination with the state, advance the formation of regional environmental regulatory approaches that rely on the ISO markets in meeting environmental policy objectives.

INITIATIVES FOR SUB-OBJECTIVE 2.3

Advance State, Regional and Federal Priorities

2.3A *Collaborate and help develop environmental policies and objectives consistent with reliable and efficient system operations.*

Continue strategic engagement on state, regional and federal environmental policy objectives and priorities to ensure mandates are consistent with maintaining system reliability by fostering an efficient and open collaboration between the wholesale electricity markets and transmission planning processes with policy development efforts that include renewable integration issues, once-through-cooling rules, greenhouse gas regulations, air quality mandates, public power projects, the resource loading order and demand response programs.

INITIATIVES FOR SUB-OBJECTIVE 3.1

Provide Superior Customer Service

3.1A *Expand the customer issue resolution process to move from measures of timeliness to measures of service quality. (2009-2010)*

Work with clients to better understand their perception of service “quality”, including the timeliness and overall

management of issue resolution and to design related metrics, as appropriate. Enhance the organizational efficiency of processes that touch customers and train all employees on the importance of customer service and communication.

3.1B *Assess and implement a corporate-wide customer relations management system. (2009-2013)*

Expand customer service efforts by implementing a corporate-wide customer relations management system, beginning with an assessment in 2009.

INITIATIVES FOR SUB-OBJECTIVE 3.2

Practice Effective People Strategies

3.2A *Develop ISO employee talent pool, thus leveraging the expert technical knowledge and leadership skills needed to nurture quality customer service and to create optimal efficiency. (2009-2013)*

Expand academy educational courses to include a leadership certification program that sustains executive-level ownership via consistent alignment of the corporate Talent Management Strategy, provide highly-capable professionals with hands-on working knowledge of core business areas through a rotation program, and launch division-level career development strategy so managers and employees can proactively pursue learning opportunities.

3.2B *Build and sustain an effective recruitment pipeline. (2009-2013)*

Establish alliances with U.S.-based universities with distinguished masters level engineering programs to identify high potential interns and offer them challenging and rewarding work as a means to sustain a robust recruitment pipeline, and partner with credible international learning institutions to market the California ISO as an exciting and viable employer for talented engineers with advanced academic training.

INITIATIVES FOR SUB-OBJECTIVE 3.3

Excel in Performing Capabilities

3.3A *Enhance corporate performance with defined, measured, and controlled processes, disciplined business decision making, quality assurance and implementation.*

Enhance Process Centered Management in all areas. (2009-2011)

Expand business process management capabilities by establishing value streams for the end-to-end processes and each core process, confirming objectives, and developing metrics and a performance baseline to build on.

Increase measurement capabilities by implementing activity-based costing. (2009-2010)

Execute the phased implementation of activity-based accounting to fully understand the end-to-end cost of processes and projects.

Further develop system availability and implementation capabilities. (2009-2010)

Further mature IT, program management and vendor management capabilities.

3.3B *Improve strategy execution. (2009-2013)*

Expand enterprise risk management capabilities. (2009-2010)

Mature the enterprise risk management program to a repeatable level by defining process measures and controls information that identifies and dynamically monitors strengths, weaknesses, opportunities and challenges associated with achieving strategic objectives.

Implement integrated strategic planning process and measurement capabilities. (2009-2012)

Integrate all key internal and external inputs in a strategic business planning effort that prioritizes process improvements and measures monitoring and reporting of corporate performance using a transparent, enterprise-wide dashboard tool.



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