

Memorandum

To: ISO Board of Governors
From: Elliot Mainzer, President and Chief Executive Officer
Date: October 19, 2022
Re: CEO report

This memorandum does not require ISO Board of Governors action.

INTRODUCTION

For my October CEO Report, I sadly start with the tragic news concerning our dear friend and colleague, Therese Hampton, and then discuss the September heat wave, progress on EDAM and related issues, and plans for the ISO Stakeholder Symposium next month.

THERESE HAMPTON

On September 30, we received the terrible news that Therese Hampton, our dear friend and colleague who was chair of our WEIM Governance Review Committee, had passed away after a tragic cycling accident near her home in St. George, Utah.

For those of us who knew Therese, we will always cherish our memory of her as one of the most kind, compassionate, gifted and committed leaders in the energy community. Therese was not only highly skilled at finding solutions to tough challenges. Her warm personality, demeanor and great skill at bringing people together in pursuit of a common goal enabled her to have an enormous impact on every person she met along the way as she helped lead on so many important energy related issues.

All of us who worked with Therese and got to know her over the years are still coming to terms with the loss of such a treasured friend and colleague. I have no doubt that her memory and legacy will continue to have an impact on Western energy development for years to come. She was an amazing person and our thoughts and prayers go out to all her friends and to her family.

SEPTEMBER HEAT WAVE

The prolonged, record-breaking heat wave that began just before Labor Day weekend was arguably the toughest sustained test yet for our bulk power system. We saw high loads for ten straight days that peaked on Tuesday, Sept. 6 when demand on the ISO grid hit an all-time record of 52,061 megawatts (MW). Demand along the entire Western Interconnection also saw a record load that day of 167,500 megawatts. System operators at the ISO and throughout much of the West used every bit of their skill, training and tools to balance supply and demand without having to order rotating outages. I was extremely proud of how everyone within the ISO contributed to our success in meeting this very significant challenge.

We also benefitted greatly throughout the heat wave from all the advance planning we have been doing for extreme weather events and from the strong collaboration and assistance from a variety of entities, including our partners and neighbors in the West, state agencies and the Governor's Office. Everything and everyone working together enabled us to keep the power flowing despite grid and weather conditions we had never seen before.

The event was a ratification of the steps that California has taken over the past several years to put

additional capacity on the system, establish the new strategic reserve and other emergency measures, and significantly improve communication and coordination between the ISO and all of our partners in the state and region. The extreme heat and the challenges that came with it also underscore the urgency of our focused efforts to onboard new resources and improve the efficiency of our transmission planning and interconnection queue process. That last item concerning the next phase of our interconnection queue enhancements will be coming to the Board during this October meeting as we seek to make the process more efficient, disciplined and effective. Because regional coordination and cooperation were so crucial in getting us through the extreme weather without rotating outages, the event also highlighted the importance of our efforts to build on the success of the Western Energy Imbalance Market through creation of the extended day-ahead market. During the September heat storm, it became very clear that the additional visibility, transparency and liquidity of EDAM would have enhanced reliability and lowered costs for California and regional market participants, several of whom also experienced severely stressed grid conditions during the event.

Finally, our Market Analysis and Forecasting team has been working on an in-depth analysis of our performance and actions during the September heat event and I look forward to their findings and lessons learned. We will soon begin internal and external outreach on those findings, with a tentative public release date of October 20.

EXTENDED DAY-AHEAD MARKET (EDAM)

We continue to make solid progress on the extended day-ahead market initiative and are in the final stages of its design. Our EDAM team has been processing more than 500 pages of comments received from stakeholders on the revised straw proposal and we plan to release the draft final proposal at the end of this month. I am extremely excited that we have pulled together what we believe to be a very strong market design that is a reflection of the tremendous amount of time and effort that has been invested, including all the robust and constructive input from stakeholders across the West. We look forward to bringing a comprehensive market proposal to the ISO Board of Governors and the WEIM Governing Body in December for a briefing and early next year for your formal consideration.

WESTERN ENERGY IMBALANCE MARKET GOVERNANCE REVIEW COMMITTEE

The Governance Review Committee (GRC) has also been making progress on its EDAM-related work, continuing with the public process of developing a proposal to recommend to the ISO Board of Governors and to the WEIM Governing Body under their joint authority and in concert with the EDAM market design proposal. After receiving feedback and holding public meetings on its straw proposal, the GRC plans to publish its revised proposal in late October, publish a final proposal to reflect additional stakeholder feedback in early December, and provide a general session briefing to the ISO Board of Governors and WEIM Governing Body at their joint December 2022 meeting.

TRANSMISSION SERVICE AND MARKET SCHEDULING PRIORITIES

In mid-September, we received stakeholder comments on the straw proposal for the transmission service and market scheduling priorities initiative that introduces a framework for establishing scheduling priorities for wheeling through the ISO transmission system. In that proposal, we put forward an approach where the ISO would calculate available transmission capacity at the interties that can be accessed by wheels, across different time horizons, to establish wheeling through scheduling priority. Stakeholders generally supported the overall framework design of deriving an amount of available transfer capacity at the interties that can be accessed in advance, after accounting for reasonable native load needs. They also provided valuable feedback and suggestions for enhancing and improving the design. A key component of the design is to derive the transmission capacity needed for serving native load, including load growth, across the interties. We look forward to further enhancing the design based on stakeholder feedback and publishing the next iteration of the proposal in mid-November.

2022 ISO STAKEHOLDER SYMPOSIUM

I am looking forward to our first ISO Stakeholder Symposium since 2018, which is just a few weeks away on Nov. 9 and 10 at the SAFE Credit Union Convention Center in downtown Sacramento.

At last count, we had just under 600 participants attending and 16 different organizational sponsors. Going over the strong final agenda, I anticipate a lively and timely day and a half of discussions about some of the most salient energy related topics of the day. We have about 30 energy leaders from around the region confirmed in speaking and panelist roles.

One significant focus will be on our extended day-ahead market initiative and all the momentum that has been building in the West for creating a broader and more impactful electricity market and what that would mean for the region and for participating entities.

I am scheduled to help kick things off, along with Board Chair Bhagwat and WEIM Governing Body Chair Kondziolka, before moderating a CEO Roundtable with a diverse group of energy leaders from around the region. We have a dynamic set of additional panels on topics ranging from governance and western policy making to transmission coordination, customer and stakeholder engagement, technology innovation, and the longer term future of western market evolution. I am very grateful for the advance planning and the fabulous group of speakers who have agreed to participate.

The Symposium is a signature event for the ISO. It will be a real pleasure for us to again convene leaders in the field to meet in person on these and other vital issues. The Symposium will be livestreamed and recordings of the sessions will be available on ISO's public website following the event.