

Memorandum

To: ISO Board of Governors
From: Steve Berberich, President and Chief Executive Officer
Date: October 25, 2016
Re: **CEO report**

This memorandum does not require Board action.

OVERALL SYSTEM CONDITIONS

Overall conditions on the grid have been stable, with little challenge meeting reliability requirements. We experienced some above-normal temperatures in September and October but dispatched ample resources to meet loads.

The California ISO's peak load for this year is 46,232 MW, set on July 27, 2016. Our all-time system peak is 50,270 MW, set on July 24, 2006.

SUCCESSFUL EIM DEPLOYMENT OF ARIZONA PUBLIC SERVICE AND PUGET SOUND ENERGY

On October 1, 2016, Arizona Public Service (APS) and Puget Sound Energy (PSE) successfully began participating in the Western energy imbalance market. All indicators suggest that the deployment was smooth and successful, with power flows quickly developing between the two new EIM entities and the existing EIM footprint. The successful launch is a testament to the great preparation and program management that APS and PSE put in place in advance of the launch.

INTERNATIONAL COLLABORATION

The transformation of the grid to a low carbon 21st century electric system is not limited to only the United States or California. In many respects however, California is leading the way in decarbonizing the grid. Correspondingly, we are increasingly collaborating internationally to share our best practices, while also learning from others. The number of international visitors to the ISO is significant.

Since January, the ISO has hosted over 250 international visitors from 75 countries. This marks a substantial increase in the number of international guests visiting the ISO to learn of our experience in integrating renewables, and illustrates the value and importance of sharing lessons learned with other countries.

REGIONAL GOVERNANCE

On October 7, 2016, the ISO posted a second revised regional governance principles document to the California Energy Commission (CEC) website. That document reflects discussions that have occurred over recent weeks between stakeholders, policymakers and the ISO and depicts the items that parties request to see included in a regional governance model that respects States' prerogatives while providing regional representation. The process is being conducted in an open CEC docket to provide an open public forum for comment and discussion of governance principles as well as to ensure due stakeholder consultation on key policy elements such as transmission access charges and resource adequacy provisions. The CEC hosted a Regional Grid Operator and Governance Workshop on October 17, and have requested any written comments by October 31.

BID FLOOR

The ISO has been conducting an active stakeholder process to consider lowering the bid floor from the current \$-150/MWh to \$-300/MWh. A change to the bid floor was being considered to ensure that we had a full economic stack of bids to reduce generation when conditions warranted. We believe that the change is not currently warranted because 1) we have an ample stack of bids, 2) currently, bids rarely reach the \$-150 level, and 3) DMM has concerns that require attention before such a change could be adopted. Further, we have confirmed with several of the scheduling entities that they have the option to significantly increase their decremental bids. Given this, we do not believe a change is warranted at this time, but we commit to watch market performance closely and take this step later, if necessary to ensure bid liquidity.

ISO EN ESPAÑOL

The ISO has begun including Spanish language features on the caiso.com website. Located on the upper right navigation bar of the ISO's homepage, the Spanish language element features sections on "About the ISO" and "How the markets work." This complements the Flex Alert tips, which are already published in Spanish. Other sections of the website are also slated for translation.

RENEWABLE ENERGY PRODUCTION

Several solar generation peaks have occurred since the last report, with the most recent solar peak of 8,545 MW occurring on September 14, 2016 at 12:06 pm. The wind generation peak remains 4,769 MW set on April 12, 2014.

PERSONNEL

Our Executive Director of Human Resources, Becky Regan has elected to retire from the ISO after a long and accomplished career. Her last day was October 14. We truly will miss Becky and appreciate all that she has done for the ISO.

Jodi Ziemathis, formerly a director in HR, has been promoted to Executive Director, to fill the open position, after Becky's retirement. Jodi is highly qualified for the position and is well equipped to help lead the ISO in this time of great change.