

# Memorandum

**To:** ISO Board of Governors  
**From:** Steve Berberich, President and Chief Executive Officer  
**Date:** January 29, 2015  
**Re:** CEO report

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*This memorandum does not require Board action.*

## OVERALL CONDITIONS

Operating conditions have been normal for the winter operating season and we have not had any significant operating challenges. ISO operations personnel have coordinated the numerous scheduled outages to key facilities necessary for maintenance and for new transmission line and resource integration. There were no reliability concerns from the winter holiday decorative lighting load which causes a rapid, challenging increase to the evening peak.

Trans Bay Cable, out since September 5, has been placed back in service. It was damaged by a cargo ship that dropped its anchor in a prohibited area, and dragged it across the cable, causing significant damage.

On January 1, 2015, ISO minimum system load occurred at 2:19 p.m. This was a significant departure from when the winter minimum load typically occurs, which is between 3:00 a.m. and 4:00 a.m. Several conditions on January 1 contributed to the mid-day minimum, including a sunny day that created high levels of solar production and also reduced lighting load, very cold overnight temperatures which increased electric heating load, and holiday conditions that reduced daytime commercial and industrial load.

## ENERGY IMBALANCE MARKET

The energy imbalance market continues to operate well, with the magnitude and frequency of price infeasibilities declining as processes improve. An analysis of flows between PacifiCorp and the ISO shows significant flows from PacifiCorp into the ISO representing the flow of cheaper power into California. Flows from California to PacifiCorp have been occurring when prices are low in California as we approach over-generation levels. This activity, which results in value to both PacifiCorp and ISO customers, will be the subject of the ISO's first quarterly report on EIM benefits in early February. The ISO has filed a tariff change with the Federal Energy Regulatory Commission to implement a one year transition period for new EIM participants. The transition period will feature a pricing mechanism that

will institute the last economic bid for prices when infeasibilities occur that do not reflect actual system conditions. The pricing mechanism is designed to help new EIM participants smooth out processes. We have asked that it be retroactive to the start of the new market on November 1.

## **CAPACITY PROCUREMENT MECHANISM**

The ISO's existing backstop procurement mechanism allows it to procure non-resource adequacy capacity under certain circumstances to meet reliability needs. The ISO pays resources that it designates a fixed administrative price. This backstop mechanism expires in February 2016, and FERC previously has indicated that the ISO should consider implementing a more market based approach. The ISO has been working with stakeholders in a settlement process to reach consensus and design a backstop mechanism that will be durable over time and respond to FERC's guidance. At this board meeting, Management will present a proposal for a new, durable backstop procurement mechanism that results from the stakeholder settlement process.

## **RENEWABLE GENERATION**

Solar and wind generation peaks remain as reported in my last report. The solar peak of 4,903 megawatts was set last year in September and the wind generation peak of 4,768 megawatts was set in April.

## **MARKET SURVEILLANCE COMMITTEE REAPPOINTMENT**

The Market Surveillance Committee is an advisory committee to the ISO Board of Governors that provides independent expertise and recommendations on market design and monitoring issues to ISO Management and the Board. The tariff requires that the Chief Executive Officer nominate members to the Board for appointment.

This year, I am pleased to nominate Dr. James Bushnell, an existing Committee member, for reappointment to the MSC. Dr. Bushnell is a nationally recognized expert in electricity market design with considerable experience in energy economics. Dr. Bushnell has been a valued member of the MSC for 13 years and is currently an Associate Professor in the Department of Economics at University of California, Davis.