

# Memorandum

**To:** ISO Board of Governors  
**From:** Steve Berberich, President and Chief Executive Officer  
**Date:** March 9, 2017  
**Re:** CEO report

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*This memorandum does not require Board action.*

## OVERALL SYSTEM CONDITIONS

Operating conditions have been challenging with storms continuing to move in and out of the state. While load and transmission performance has been normal for this time of the year, wind and solar production has been quite variable with increasing then decreasing cloud cover over the solar fields. The same has occurred with wind as storm fronts move through. Movements of 1,000 MWs have occurred several times over the last two months.

## TRANSMISSION PLAN

The ISO 2016-2017 transmission plan provides a comprehensive evaluation of the ISO managed transmission grid to identify upgrades needed to successfully meet California's policy goals, grid reliability requirements and to provide economic benefits to consumers. Continuing the recent trend of prior transmission plans, the number and capital costs of recommended transmission projects in this 2016-2017 transmission plan are considerably less than in previous years as no significant new projects are required on the system under any of the categories.

In this year's plan, Management requests that the Board approve two reliability-driven transmission projects identified as needed to ensure compliance with NERC and ISO planning standards. These projects have an estimated cost of approximately \$24 million and are not eligible for competitive solicitation. No policy-driven or economic driven transmission projects were identified as needed. This year's plan also included a review of previously-approved transmission projects, given material changes in circumstances underpinning the original need for the projects. This review resulted in the cancellation of 13 projects in the PG&E service area and 16 other previously approved projects being placed on hold pending further review in the 2017-18 planning cycle.

This year's transmission plan also included a number of special studies pertaining to key emerging issues. These included studies on the risk of natural gas generator retirements, gas/electric coordination, transmission needs for various 50% RPS portfolios, and the

benefits of large scale energy storage. All of these studies are informational only and several are the subject of further study.

## **PRELIMINARY SUMMER ASSESSMENT**

In the preliminary summer assessment being presented to the Board today, studies indicate there are adequate resources to meet loads for normal and high load conditions. However, significant uncertainties exist associated with the outcome of deliberations associated with storage injections in the Aliso Canyon Storage facility. Combined with that is the recent announcement of SoCalGas to limit all storage field injections and withdrawals to the tubing and not the entire casing space. All of the mitigations put in place last summer to ensure reliability because of constraints on the gas supply will remain.

## **AUDIT COMMITTEE**

The Audit Committee serves as a critical sub-committee and often has the opportunity to see deeper into ISO operations and the Governor's recognize the value of that insight. Governor Dave Olsen has resigned from the Audit Committee and the Board of Governors has agreed to a rotation among Board members to serve on the Audit Committee. We thank Governor Olsen for all he has contributed to the Audit Committee since its formation as a separate advisory committee. Audit Chair Bhagwat and Governor Ferron will remain on the Audit Committee until further rotations are decided.

## **RENEWABLE ENERGY PRODUCTION**

There have been several new solar production peaks since the last Board meeting. The most recent solar peak of 9,066 MW occurred on March 2, 2017 at 10:07 am. The wind generation peak of 4,773 MW was set on April 24, 2016 at 5:48 pm. Geothermal, small hydro and other renewables also contribute to California's renewables mix.

## **MARKET SURVEILLANCE COMMITTEE MEMBER RE-APPOINTMENT**

Dr. Scott Harvey has served as a member of the ISO Market Surveillance Committee since 2011. His term as a committee member expires on March 31, 2017. During his tenure on the MSC, Dr. Harvey has provided invaluable expertise and advice to the Board, ISO Management and staff on numerous issues relating to the operation of the ISO market.

The tariff requires that the ISO CEO, subject to approval by the Board of Governors, make appointments to the MSC. Therefore, I request that the ISO Board of Governors re-appoint Dr. Harvey as a member of the MSC and authorize execution of a contract for a three-year term.