Memorandum

To: ISO Board of Governors

From: Steve Berberich, President and Chief Executive Officer

Date: November 10, 2014

Re: **CEO report**

This memorandum does not require Board action.

OVERALL CONDITIONS

On Monday, September 15 and Tuesday September 16, the ISO experienced record loads in the San Diego Gas & Electric service territory and near record loads in the Southern California Edison service territory. On Monday, ISO demand reached a new year-to-date peak of 45,090 MW driven by a new all-time peak for SDG&E, and a year-to-date peak for SCE of 23,266 MW. SDG&E's all-time peak went even higher on Tuesday (4,895 MW), although overall demand was slightly lower for the ISO at 43,916 MW. As a precaution on Monday and Tuesday, the ISO issued a restricted maintenance notice for southern California that precluded maintenance activities that may have otherwise jeopardized resources available to serve load. Demand continued to decline as temperatures cooled through the remainder of the week. The utilities called on their demand response programs during the peak load days this summer but the ISO did not request interruptible customer demand response or issue any Flex Alerts. Since that week, operating conditions have been typical for the season.

We continue to gain experience with the renewable fleet and unique operating conditions. For example, an afternoon partial solar eclipse occurred on October 23. At 3:16 p.m. the solar generation output was approximately 1,000 MW lower than at the same time the previous day. The next solar eclipse affecting California will be August 21, 2017.

ENERGY IMBALANCE MARKET

On November 1, the energy imbalance market went live with binding dispatches and pricing. This was after a major effort during the month of October to evaluate parallel operations and resolve issues – a problem solving approach that has continued since the launch. Importantly, the systems are now stable. But, like any new market, there have been issues. In particular, price spikes have been too frequent. Fortunately, we have been able to trace those price spikes to various input issues, have a joint working plan in place to resolve them, and will correct prices through our normal process as appropriate.

I would like to also note the efforts of the Bonneville Power Authority. They were enormously helpful in the lead up to deployment by helping work through issues related to their system. They have focused on balancing their system's reliability without constraining the opportunities available in the new market.

ISO SYMPOSIUM

On October 22 and 23, the ISO hosted its sixth annual stakeholder symposium. During the event, we hosted approximately 650 guests from across the region to discuss the changing power grid and how we can work together to make it reliable and clean. The conversations were productive and insightful and we are grateful to all of the panel members. In particular, we would like to thank Ralph Cavanagh of Natural Resource Defense Council, FERC Commissioner Phil Moeller and Southern California Edison CEO Pedro Pizarro for taking time out of their schedules to join us as key note speakers. Finally, we would like to recognize the enormous effort put in by ISO staff to once again organize, design and host such a successful event.

BOARD CHAIR AND VACANCY SELECTION PROCESS

ISO Board Chair, Bob Foster resigned from the ISO Board effective September 30, and the role of chair was assumed by Richard Maullin by unanimous vote. The ISO is starting the board selection process for the vacancy created by Bob Foster's resignation. Through that process, board candidates are identified, ranked by stakeholders, and forwarded to the Governor for his consideration. We will work closely with the Governor's office and his staff to ensure they have everything they need to fill the board vacancy.

RENEWABLE GENERATION

New all-time solar peaks continue to be established as new resources are connected to the grid. The most recent solar peak of 4,903 MW was set at 2:18 p.m. on September 29. The wind generation peak remains at 4,768 MW which was attained at 5:48 p.m. on April 12.