

Steve Berberich
President & Chief Executive Officer

Attachment 1

May 22, 2014

The Honorable Darrell Steinberg
President Pro Tempore
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

Dear Senator Steinberg:

The California Independent System Operator Corporation (ISO) is a non-profit, public benefit corporation that is a federally regulated utility under the Federal Power Act. We are committed to active collaboration with state agencies and stakeholders to advance California policy objectives, as described in previous correspondence.

The ISO commits that it will not file a proposal with the Federal Energy Regulatory Commission or otherwise endorse an ISO-managed auction, competitive bidding process (or similar mechanism) for the procurement of electric capacity products either to replace the backstop procurement mechanism which expires in February of 2016 or to facilitate procurement to satisfy any multi-year forward resource adequacy requirement the California Public Utilities Commission (CPUC) may adopt in implementing the Joint Reliability Plan [Rulemaking 14-02-001], unless the ISO Board has first made the formal determination that the following policies of the state of California will not be diminished:

- (1) Any state law or policy relating to the promotion of environmentally preferred resources, demand response, energy efficiency, renewable resources, or electric storage.
- (2) Any state law or policy relating to reductions of greenhouse gas emissions, including, but not limited to, the Global Warming Solutions Act (AB 32) and Executive Order S-03-05.
- (3) State efforts to ensure the timely development of new generating resources needed to ensure local reliability.
- (4) The ability of the CPUC to establish any procurement requirements or practices for electrical corporations and other CPUC-jurisdictional retail sellers.
- (5) The ability of the ISO to safely and reliably operate the bulk power system.

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The ISO will report any formal determinations, as defined above, to the Legislature, with an explanation of the basis for its conclusions, including potential cost impacts. In addition, the ISO will report annually to the Legislature to provide (1) a summary of its existing procurement mechanisms; (2) to report on any new procurement mechanisms it has under consideration; and (3) to the extent the ISO is reasonably aware, a summary of recent legal developments involving federal preemption as related to electric or capacity markets administered by an Independent System Operator or Regional Transmission Organization, provided that this particular obligation shall expire by December 31, 2019.

These commitments reflect our long-standing commitment to advancing California policy objectives. We look forward to continuing our efforts in this regard, as committed to in this correspondence. Thank you for your leadership.

Respectfully submitted,



Steve Berberich
President and CEO
California Independent System Operator Corporation

cc: The Honorable Alex Padilla, Chair, Senate Committee on Energy, Utilities and Communications

Robert Foster, Chair, California ISO Board of Governors

Martha Guzman-Aceves, Office of the Governor