

# Memorandum

**To:** ISO Board of Governors  
**From:** Yakout Mansour, President and Chief Executive Officer  
**Date:** March 17, 2010  
**Re:** **CEO Report**

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*This memorandum does not require Board action.*

Our continued effort to implement environmental policy initiatives seems to have gotten 2010 off to a very quick start here at the California Independent System Operator Corporation. To focus the ISO on this and other critical areas, we have developed a fitting set of 2010 corporate goals, and this report focuses on providing you a summary of them. We continue to raise the bar on expectations for the ISO's performance and, in doing so, challenge the entire organization. However, I am confident in our ability to demonstrate we have what it takes to succeed.

## **2010 CORPORATE GOALS**

Each year, the ISO develops corporate goals to drive performance in support of the strategic plan. The corporate goals focus the organization on high priority objectives and Management tracks, monitors and reports progress to the ISO Board of Governors. This year the corporate goals emphasize operational excellence, improvements in the market design and infrastructure development processes, and ensuring the organization's long term success.

### *Operational Excellence*

Above all else, the ISO is committed to operational excellence. The mandatory reliability standards continue to demand the highest level of performance and indeed measure the ability of the ISO to protect the bulk power system. At the same time that the ISO delivers this level of reliability, it is important for system operations and supporting functions to be efficient. The ISO has consistently improved in these areas, but by continuing to avoid mandatory standards violations we maintain our focus on an excellent measure of operations and critical support functions due to the correlation between these measures and the effective performance of ISO processes and procedures.

In addition, operators are at times required to intervene in the markets to maintain efficient and reliable operation of the system. Some of these interventions are unavoidable. On the other hand, some are caused by circumstances that perhaps could be improved by the ISO. The ISO

has achieved significant positive results with respect to such interventions as reported to the Board. Nonetheless, we intend to further minimize operator intervention in the markets to what is necessary so that we deliver reliability services in a more efficient manner.

A third system operations goal will also promote efficient operations and the success of dependent upstream ISO processes. Here again, the ISO has made significant progress towards producing accurate prices in the initial market publication. However, there is an expectation that the ISO market software should always produce accurate prices the first time, and any change in prices after the initial market publication causes some level of uncertainty in the market and rework within the ISO. As such, this continued emphasis enhances ISO performance in another area of significance to our customers and stakeholders.

### ***Infrastructure and Market Development***

It is incumbent on the ISO to foster effective and timely development of infrastructure required to meet demand in a reliable and cost-effective manner. Moreover, the drive towards reliable integration of renewable resources and planning for a 33% renewables portfolio standard requires an entirely new approach to long term transmission planning. Work is currently underway at the ISO to revise the long term transmission planning process in coordination with the collaborative planning effort spearheaded by the California Transmission Planning Group. The resulting transmission plan will be based on the existing ISO transmission planning processes and analysis methodologies, and includes both ISO and non-ISO entities within California that lie outside the ISO footprint. This year, the ISO's goal is to identify transmission requirements in a timely manner for a) current generation interconnection requests and b) a comprehensive statewide plan for achieving 33% renewables portfolio standard.

In April 2009 the ISO implemented the new market design and marked a fundamental change in the way we conduct business. Since that time, the ISO has made considerable progress to improve market efficiency. However, there remains further work to build on the platform. Continued market evolution is critical to our objectives and customers, and in some cases mandated by the Federal Energy Regulatory Commission. The ISO established a metric to measure the organization's progress on initiatives that deliver new market design functionality. The result of this goal will be increased alignment between market results and operating conditions, reduced reliance on exceptional dispatch, deepened market participant confidence, improved quality of operational decisions, and reduced credit risk.

### ***Organizational Effectiveness***

Foundational to the ISO achieving the commitments outlined in the strategic plan is the ability to continuously transform our people, processes and technologies to become a better organization, all at a reasonable cost. To support this objective, the ISO established three enabling goals.

The confidence and satisfaction of our customers and stakeholders is essential to the overall success of the ISO. We gain customer and stakeholder confidence both through delivering value to California and the region based on commitments we have made, as well as by providing

continued superior customer responsiveness. The ISO continues its focus on the timely response and resolution of customer issues by measuring average business days to resolve customer issues and inquiries logged into the corporate-wide tracking tool. In addition, the ISO measures progress towards delivering stakeholder responsive market quality functionality on time. Combined these measures effectively represent core aspects of our business that drive customer perception and satisfaction.

Fiscal responsibility is even more important in times of economic downturn, and particularly so in an environment such as we are experiencing today where the effects are widespread and long lasting. As people, process and technology strategies drive improvements across the organization the optimal utilization of our resources must remain constantly in balance to deliver value to our customers and stakeholders. As in years past, the ISO will continue to ensure that actual annual operation and maintenance expenses are managed and do not exceed the budgeted amount. In addition, the ISO's largest project, the new Iron Point facility, needs careful management to remain on schedule and budget while we target moving into the new control center and receiving LEED gold certification of the design.

Taken together the 2010 corporate goals deliver what matters most to our customers and stakeholders as the organization and the electricity sector begin the successful transformation to a smarter and greener future.

## **ISO BOARD OF GOVERNORS**

It is with great pleasure that I welcome our two newest members to the Board, Bob Foster and Tom Habashi. Bob Foster, of Long Beach, has been mayor of Long Beach since 2006. Previously, he worked for Edison International, Southern California Edison as president from 2002 to 2006, senior vice president from 1996 to 2002, vice president of public affairs from 1993 to 1996, Sacramento regional vice president from 1986 to 1992 and operations executive from 1984 to 1986. Prior to that, he owned and operated Robert Foster Consulting from 1978 to 1984. He served the California Energy Commission as deputy executive director and chief of the energy conservation division from 1975 to 1978. Bob's extensive industry and leadership experience will serve the ISO very well, and I look forward to working with him.

Tom Habashi, of Granite Bay, recently retired as the electric utility director for the City of Roseville from 1998 to 2009. Previously, he served the city of Palo Alto as assistant director of utilities resource management from 1995 to 1998, manager of supply resources from 1992 to 1995 and senior power engineer from 1986 to 1992. Tom's background and experience in the public power sector comes at an ideal time as the organization continues to collaborate on issues such as transmission planning and other statewide issues in support of environmental policy initiatives.

At the same time, it is with great pleasure that I recognize the contributions of two departing members of the Board, Linda Capuano and Tom Page. I personally learned a great deal from both Linda and Tom, and truly appreciate how much their leadership meant to the organization at a time of utmost significance.

In addition to Linda's and Tom's contribution as members of the Board, their leadership of the Audit Committee and the tireless effort in helping the organization adopt and follow best practices in risk management and audit is highly appreciated, and will always be part of their legacy at the ISO. On behalf of the ISO staff and management, I sincerely thank them for their invaluable contributions.