

Memorandum

To: ISO Board of Governors
From: Steve Berberich, President and Chief Executive Officer
Date: October 31, 2017
Re: CEO report

This memorandum does not require Board action.

OVERALL SYSTEM CONDITIONS

Fires have ravaged across the state over the last several weeks. In general, they have caused little impact to the electric grid. Nonetheless, the loss of life and property has been horrific and our hearts go out to all that have been impacted.

Loads have been relatively light since the heat wave of early September and we are now starting to see the usual beginning of maintenance outages across the system.

This winter is shaping up to be a challenging operating environment in Southern California. SoCalGas has identified several gas pipelines that require closer inspection and remediation that will restrict gas supplies in Southern California further than originally anticipated. Analysis is being performed with LADWP, SoCalGas, California Energy Commission, and California Public Utilities Commission to determine impacts to the California ISO and LADWP systems. Once those analyses are completed, we will have a better view of the pipeline outages to the electric system reliability.

INVERTER SETTINGS

During several system disturbance events over the last year, operators have noted that solar invertors did not ride through the events as expected and were slow to return. As a result, the ISO established a program to reach out to the solar operators to re-program inverter settings so they would ride through or quickly return after a disturbance. We are greatly appreciative of the support we received from the operators and, as a result, during a recent disturbance approximately 800 MW of solar reduced their output but returned very quickly. That action eliminated the need for operators to deploy reserves to compensate.

RELIABILITY MUST RUN DESIGNATIONS

At this Board meeting, Management is requesting an RMR designation for the Metcalf Energy Center. Metcalf is vital for local reliability requirements in the Bay Area. Of note, Metcalf is currently not under a resource adequacy contract for 2018 and lays bare critical

shortcomings in that process. When the resource adequacy program was first conceived coming out the energy crisis, it was an important tool for ensuring reliability and has served California well. Unfortunately, the California grid has dramatically changed with local requirements having evolved, ramping requirements emerging, and new technologies coming to the fore since the program was developed. We are committed to working with the Public Utilities Commission and critical stakeholders to get the program right so the ISO will not need to exercise its RMR authority to ensure reliability.

SYMPOSIUM

The ninth annual ISO symposium was held on October 18 and 19 with approximately 1,000 in attendance to discuss the ever-changing grid, network and collaborating on shaping the future electric system. We are deeply appreciative of those that took part, served on panels, spoke and generally contributed to a very constructive dialogue about the future of the electric system.

3RD QUARTER EIM BENEFITS REPORT

The energy imbalance market continues to deliver positive and growing results. With the addition of new participants and growing trading between existing EIM entities, almost \$255 million in cost savings have been realized since market inception. In the most recent quarter, \$40.5 million of savings have been recognized along with thousands of tons of carbon abated and significant renewable curtailments avoided.

RENEWABLE ENERGY PRODUCTION

No new renewable production records have been achieved since the last Board meeting. The most recent solar peak of 9,914 MW occurred on June 17, 2017 at 12:12 p.m. The most recent wind generation peak of 4,985 MW was set on May 16, 2017 at 5:26 p.m. We continue to also get significant renewable generation contributions from geothermal, small hydro and other sources contributing to our generation mix.