

# Memorandum

**To:** ISO Board of Governors  
**From:** Steve Berberich, President and Chief Executive Officer  
**Date:** May 9, 2012  
**Re:** **CEO Report**

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***This memorandum does not require Board action.***

## **Pacific/Southwest Power Outage**

On May 1, FERC/NERC issued a joint investigative report on the Sept. 8, 2011 Pacific/Southwest power outage. The report clearly indicates that the western grid was not N-1 secure and points out a number of underlying causes. We are in the process of dissecting the report and will create an action plan addressing all of those issues of import to the ISO. Specifically, we will examine how we can better coordinate with other balancing authorities and WECC and whether relay setting and protection schemes are properly set in our own footprint. The degree in which we model other balancing authorities in our pre-contingency analysis will be discussed with WECC so as not to create overlapping responsibilities.

## **Summer Grid Outlook**

The summer outlook remains our top priority given that both units of the San Onofre Nuclear Generating Station may remain unavailable during peak summer months. We are working in collaboration with California state energy, air quality, and emergency management agencies and the affected utilities. With the knowledge that safe nuclear plant operations comes first, our key responsibility is to ensure reliable power for the people in Southern California.

Conservation, demand response and the return to service of Huntington Beach units 3 & 4, in addition to completing the Sunrise and Barre-Ellis transmission projects, remain the key components of our contingency plan. Working with the Huntington Beach plant operator, AES, we expect repairs to be complete by mid-May upon which we will contract for the plant's capacity using our capacity procurement mechanism. We are working on the best course of action to ensure the plant only runs to the extent needed to support the grid and supply energy.

An extensive program of conservation education, including to the minority communities, is being developed. We will host weekly coordination calls to assess the week ahead and convene emergency calls in the event of a significant event on the system. Demand response

will also play a key role and the utilities in Southern California are prepared to deploy demand response as needed.

### **Support for Distributed Resources**

At today's meeting, the ISO will present a proposal that streamlines the process for distributed resources to qualify for resource adequacy deliverability. Distributed resources will be an ever-growing part of the state's energy portfolio and this proposal enables distributed generation resources to obtain deliverability status in about half the time it takes to go through the normal interconnection process in areas that do not require additional delivery upgrades to the ISO grid.

The proposal revolves around four key initiatives:

- (1) Annually pre-determining amounts of distributed generation at specific locations that will not require system upgrades;
- (2) Allocating shares of the available deliverability to regulatory authorities for use by their jurisdictional load-serving entities;
- (3) Enabling both wholesale distribution access tariff and Rule 21 interconnecting resources to utilize the deliverability made available through the proposed process; and
- (4) Leveraging the assumptions of distributed generation portfolios from the transmission planning process.

### **Regulatory Must-Take Generation (Combined Heat and Power)**

Combined heat and power resources can provide substantial benefit to the grid. These resources often have excess capacity that can help supply energy and regulation services to the grid. We are presenting a proposal today to facilitate their participation in the ISO market, while recognizing the underlying contracts with the local utilities.

### **DMM Annual Report**

The ISO's Department of Market Monitoring produces an annual report on market issues and performance. The 2011 report highlights the continued competitiveness of the ISO market. In addition, it highlights the need to identify issues driving price spikes, understand the causes of exceptional out of market actions, and maintain gas fired generation to support the renewables. The Department of Market Monitoring did another exceptional job and I highly recommend the report to all those following the ISO market.