

# Memorandum

**To:** ISO Board of Governors  
**From:** Steve Berberich, President and Chief Executive Officer  
**Date:** September 15, 2014  
**Re:** **CEO report**

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

## **OVERALL CONDITIONS**

Operating conditions so far this year have been relatively smooth with the number of days exceeding 40,000 megawatts about the same as last year – until the week of September 15th. On September 15 and 16, the ISO anticipates experiencing record or near record loads in Southern California. This resulted in targeted calls for conservation and commitment of nearly all resources available in the South. Additional resources were committed in Northern California for energy transfers to the South. We deeply appreciate the public responses to conservation messages during this time and collaboration between the regional energy providers including CFE, the Imperial Irrigation District and the southern utilities to ensure reliable operations.

The operating conditions during the week of September 15 further highlight the need for substantially more dispatchable demand response in our markets. If we are to avoid continuing to rely on peakers and inefficient, older plants during high load periods, coupled with renewables and growing storage, California needs a targeted procurement around demand resources.

The drought also continues to create some operating challenges. Due to the statewide drought and the lack of normally available hydro generation, under certain outage conditions, localized loading problems have occurred. The three locations of issue have been PG&E's east of Manteca and Palermo/Rio Oso areas, and SCE's San Joaquin Valley load at Rector and Vestal. These are localized issues and have been challenging to manage from a reliability stand point.

## **ENERGY IMBALANCE MARKET**

On August 27, the Public Utilities Commission of Nevada approved NV Energy's participation in the energy imbalance market (EIM), which is scheduled for implementation on October 1, 2015. In the order, the PUCN required reports on the benefits related to PacifiCorp's participation in EIM. We are putting such reporting in place and will work with

NV Energy and the PUCN to provide reports once we have several months of data. We look forward to working with NV Energy and the PUCN to ensure rate payers receive the expected value from the EIM.

For the October 1 go-live with PacifiCorp, there remains tremendous work for PacifiCorp, BPA and the ISO. We are tracking the status of all open items closely and appreciate all of the immense work that has been and is going on to make this initial launch of EIM successful. Working closely with PacifiCorp and BPA, we have decided to tweak the implementation of EIM and we will run in parallel with all systems in place in October with financially binding transactions beginning in November. We believe this is the best way to ensure success and a seamless transition for the long term.

## **TRANSMISSION PLANNING STANDARDS**

At this Board meeting, Management will ask for approval of revisions to ISO planning standards for addressing long term reliability issues. In particular, this proposal defines the criteria for determining when the ISO will protect against N-1-1 contingencies and proposes an option for approving mitigation of a catastrophic event, such as an earthquake, on the San Francisco peninsula. The ISO recognizes the need to balance cost, reliability and environmental concerns in its transmission planning process but also recognizes the profound impact of large outages under certain plausible contingencies and believes the further refinement of the planning standards aligns all stakeholders around those principles.

## **ISO STUDIES IDENTIFY OVERGENERATION RISK**

The ISO recently filed study results in the California Public Utilities Commission's (CPUC) 2014 Long-Term Procurement Proceeding that identify large amounts of renewable curtailment and possible shortages of flexible generation to meet reliability standards. The work is based largely on study assumptions defined by the CPUC. The results are striking from an overgeneration perspective. The ISO is asking the CPUC to use the next phase of the proceeding to perform additional analysis and consider policy issues that will lessen curtailment and help ensure that state policy objectives can be met.

## **ISO SYMPOSIUM**

On October 22 and 23, the ISO will host its annual Stakeholder Symposium at the Sacramento Convention Center. The event this year will explore the driving forces behind the energy network of tomorrow, visions of the future grid model and hear from innovators and entrepreneurs about their efforts to bring new technologies to bear. We also welcome keynote addresses from Ralph Cavanaugh of the Natural Resources Defense Council, David Crane, President and CEO of NRG, and Phil Moeller, Commissioner on the Federal Energy Regulatory Commission. The event is already sold out with over 600 attendees from across the region.

## **RENEWABLE GENERATION**

New solar peaks continue to be established as new resources are connected to the grid. The latest solar peak of 4,835 MW on August 23 @ 11:27 a.m. The wind generation peak remains at 4,768 MW, which was attained at 5:48 p.m. on April 12.