California Independent
System Operator Corporation

Memorandum

To: ISO Board of Governors

From: Jim Detmers, Vice President, Operations

Date: May 10, 2010

Re: **Operations Report**

This memorandum does not require Board action.

EXECUTIVE SUMMARY

Real Time Operations Highlights:

April Power Outage in San Diego

A few minutes after midnight on April 1, the ISO ordered load shedding in the San Diego area to comply with an import limit requiring that no more than 75 percent of San Diego's electric demand be met by imported power. The ISO's investigation of this event showed that shortly before midnight on March 31, 2010, a generating plant in the San Diego area requested and received approval from the ISO operator to shut down. A few minutes later, an alarm in the ISO control room indicated that the San Diego import limit had been exceeded. The limit was established to always have some local generation on line, and thereby reduce the impact to San Diego if there is a major electrical disturbance that isolates San Diego from the rest of the grid.

The ISO operator reacted to the alarm and took action to reestablish the ratio of generation and imports and bring operations back within the import limit. When it became apparent that increasing local generation was not occurring fast enough to restore the import limit within 20 minutes, a standard normally applied to stability rated paths, the ISO operator ordered SDG&E to shed firm load, affecting approximately 290,000 customers.

On April 6, the ISO issued a media statement taking accountability for the event. The ISO has since completed its internal investigation of the event. This investigation confirmed that, although the ISO staff acted in good faith and out of an abundance of caution to address the situation and protect the integrity of the entire electric grid, the ISO operator inappropriately allowed the generation plant to shut down, inappropriately applied a stability operating requirement and then called for load

shedding to reduce demand when increased generation did not resolve the issue. The ISO does not intend to issue any further public reports on its internal investigation.

In circumstances of this nature, the ISO evaluates its processes, systems and procedures to do what is needed to mitigate against similar situations occurring in the future, and we will continue to do so related to this event.

Trans Bay Cable Delay

Trans Bay Cable, the underwater 400kV transmission cable that runs from Pittsburg to San Francisco, was originally expected to be operational by now, but is experiencing a delay. The owner and the technology provider are working diligently on resolving the issues, and we expect them to advise the ISO as soon as they have a more certain timeline as to the expected commercial operation date of the project.

Trans Bay Cable was approved as a reliability project for San Francisco and, once operational, will allow Potrero Unit 3 to be removed from reliability must-run status and subsequently retired. The ISO is working with Trans Bay to ensure that when the line is ready for commercial operation at full capacity it will be able to operate reliably.

Other

Northern California snow pack indicates a good hydroelectric year.

The WECC reliability based control proof-of-concept field trial began March 1, 2010. The ISO is one of 21 balancing authorities volunteering to participate. Reliability based control supports the interconnection frequency by requiring balancing areas to take action to limit the duration of operating outside a variable area control error bound that gets "tighter" as actual frequency deviates further from 60 Hz. Compliance with the mandatory reliability standard related to frequency (that which measures the CPS2 metric reported on in our regular operations reports) is waived during the ISO's participation in the field trial.