

Memorandum

To: ISO Board of Governors
From: Elliot Mainzer, President and Chief Executive Officer
Date: August 24, 2022
Re: **CEO report**

This memorandum does not require ISO Board of Governors action.

INTRODUCTION

For my August CEO Report, I will provide an update on reliability, EDAM and related issues, our interconnection process enhancements initiative, battery storage, outreach on our 5-Year Strategic Plan, the latest on WEIM benefits and plans for our first ISO Stakeholder Symposium since 2018.

RELIABILITY

With summer a little more than half over, we have continued to experience geographically diverse weather patterns across the West. But while there have been some periods of extreme heat and destructive weather in parts of the desert Southwest, I am happy to report that overall the RC West footprint has been maintaining over-arching reliability.

So far, the peak load this summer for the ISO has been 45,520 MW on August 16, 2022. Peak load for RC West so far has been 121,975 MW, also on August 16. As a point of reference, the ISO historical peak load record is 50.27 GW set on July 24, 2006. The historical RC West peak load record is 127.6 GW set on August 20, 2020.

We continue to maintain open and effective communications with our adjacent balancing authorities and are well-positioned as we head into the balance of summer. We know, of course, that the unexpected or a protracted regional extreme heat event can still cause serious challenges over the remainder of the summer.

EXTENDED DAY-AHEAD MARKET (EDAM)

Our team working on the ISO's EDAM initiative continues its considerable progress toward designing a day-ahead market across the West, with robust input from our stakeholders. In June, we received stakeholder comments on our latest version of the EDAM straw proposal, with 47 different sets of submitted comments totaling more than 500 pages. We followed up with a series of stakeholder workshops that were held from July 11-27 on a number of critical design elements, continuing to work with stakeholders on refinements.

I have been extremely impressed with the tremendous amount of progress that has been made in the proposed design and details since our initial proposal was released in April. The stakeholder comments and the July workshops are helping inform the latest evolution of the EDAM design that

was published on August 16 in our revised straw proposal. Comments on that proposal are due back to us by September 20.

Also, the ISO will be hosting a virtual stakeholder meeting on August 29 to review the elements of the straw proposal with stakeholders. On Sept. 7 and 8, we will host another in-person stakeholder meeting in Sacramento to further discuss the EDAM design elements and hear stakeholder perspectives on the design. We are very appreciative of the level of stakeholder engagement and look forward to continuing the collaborative effort in shaping this market. We are seeing a genuine sense of excitement over the significant progress being made in coming up with a design we hope is actionable for a critical mass of utilities in the West.

TRANSMISSION SERVICE AND MARKET SCHEDULING PRIORITIES

In late July, we published the straw proposal on the transmission service and market scheduling priorities that introduces a framework for establishing wheel through priorities across the ISO system. In that proposal, we put forward an approach where the ISO would calculate the available transmission capacity at the interties that can be accessed by wheels, across different time horizons, to establish scheduling priority. In calculating what is available, the ISO would look to set aside transmission capacity for meeting native load needs to ensure that these can be reliably served. Part of the framework also introduces the ability to expand the system to establish wheel through priority. This is an important effort in seeking to unlock grid capacity, along with other transmission expansion and like efforts across the West, which will support robust inter-regional trades that benefit the Western Interconnection. We look forward to continuing our collaboration with stakeholders in developing this durable framework.

RESOURCE SUFFICIENCY EVALUATION PHASE 2

The WEIM resource sufficiency evaluation enhancements phase 2 initiative is also progressing and we have been building on work earlier in the year by continuing to evaluate incremental enhancements to the resource sufficiency evaluation designed to improve its accuracy. In July, the ISO published its straw proposal and we received stakeholder comments at the end of last month. Our folks are currently reviewing those comments and, based on that feedback, considering modifications to our proposal as we continue to move quickly on this effort. We are planning to bring this item to the joint ISO Board of Governors and WEIM Governing Body meeting in October and continue collaborating with stakeholders on this important issue.

WEIM GOVERNANCE REVIEW COMMITTEE

At the same time, the WEIM Governance Review Committee (GRC) continues to move forward with its work on proposed governance changes for EDAM. The GRC's straw proposal was posted on July 15, followed up with a July 20 call to review the proposal, with comments due back by August 15. The GRC is scheduled to hold a general session teleconference meeting on August 29 to go over the comments and next steps. The WEIM Governing Body will get an update at its August 30 meeting. The ISO Board of Governors will get an update at its August 31 meeting.

The proposal makes some recommendations but also asks stakeholders for feedback on a number of items:

The GRC is recommending that we continue with the joint authority model because committee members feel it best promotes collaboration and recognizes the interconnectedness in the market. Members also believe the scope of shared authority should at least be increased by using the “apply to” test to cover WEIM and EDAM rules. The WEIM Governing Body would also retain “advisory authority” over all real-time and day-ahead market rules that are not otherwise under shared authority. WEIM Governing Body members are asking stakeholders to provide specific comments on further expansion of scope. Other changes to the following areas are being considered:

- Further use of working groups on major market design initiatives as was done with EDAM;
- A RIF forum at the onset of the initiative roadmap process to seek feedback on areas of most importance to the broad set of stakeholders;
- Amending corporate bylaws to clarify that, consistent with its corporate purpose and status as a nonprofit public-benefit corporation, the ISO and individual members of the Board of Governors will consider the interests of all stakeholders in the market footprint.

INTERCONNECTION PROCESS ENHANCEMENTS (IPE)

We remain on track to bring Phase 2 of our IPE initiative to the Board in October. Phase 1, which the Board approved in May, focused on near-term enhancements. Phase 2 focuses on resolving longer-term modifications and broader reforms to further align interconnection processes with procurement activities and address other critical issues stemming from the interconnection process.

To ensure that stakeholders are better informed when considering submitting interconnection requests, the ISO is proposing to provide increased data transparency regarding system capabilities and queue volumes and to further clarify power purchase agreement criteria regarding term length and resource adequacy obligations for a project to be eligible to receive an allocation of transmission plan deliverability.

The ISO is also proposing to revise the allocation of study costs, require study deposits that are based on project MW size, require demonstration of commercial readiness or in-lieu deposits, and implement withdrawal penalties that increase as the interconnection application moves through the study process. These changes will also support more effective use of planning and engineering staff.

STORAGE

There are two recent positive developments on the storage front that I want to report. First, our Market Analysis and Forecasting folks tell me we have apparently set a new record for the amount of electricity on the grid discharged from our growing fleet of lithium-ion batteries. Our initial data showed 2,714 megawatts of storage-discharged power at 7:15 p.m. on Tuesday, August 9. The precise “storage-only” number has not been verified because currently data for storage includes hybrid resources that may also reflect wind or solar capacity. We are in the process of refining our counting methods to get a clearer picture for just the storage piece, but we know that storage capacity has increased more than 10-fold from the amount available to the grid just a little more than two years ago. That is all the more remarkable when one considers how much battery storage has been efficiently integrated into the power system in such a short amount of time.

Also, we have created another transparency tool for stakeholders with the recent launch of our Daily Energy Storage Report. To facilitate dissemination of market information in as timely a manner as possible, the new tool provides market participants with selected metrics on performance of storage and hybrid resources, including bid-in capacity, awards, state of charge, and procurement of ancillary services for both day-ahead and real-time markets.

The new report is available on the Reports and Bulletins webpage under the Market Performance reports heading. Our web team will soon add a button to the supply page of Today's Outlook on the homepage of the ISO website to make the new Energy Storage Report's easier to locate. A similar upgrade is planned for the ISO mobile app.

STRATEGIC PLAN OUTREACH

In recent weeks, I have had the pleasure of participating in several in-person meetings at ISO headquarters with a number of the individual work groups, taking each of them through our 5-Year Strategic Plan. We have also been socializing the key elements of the plan with our customers as we now really lean in to implement the plan's five strategic objectives. I have been stressing the importance of establishing our priorities for our initiatives and other work within the context of whether they will advance those five core objectives. We are making good progress in seeing ISO employees embrace the plan as it relates to their work and our messaging throughout the organization.

WEIM BENEFITS REPORT

Our most recent quarterly report on benefits accruing to participants in the Western Energy Imbalance Market showed WEIM entities achieving \$287.44 million in benefits for the second quarter of 2022. The WEIM continues to demonstrate the value that the market and greater regional coordination offer in financial, operational and environmental benefits.

Overall, WEIM's cumulative benefits since the market launched in late-2014 are now at \$2.39 billion. The success of WEIM continues to be the most resonant rationale for extending WEIM to a larger day-ahead market, which would clearly expand and extend those benefits throughout the West.

ISO STAKEHOLDER SYMPOSIUM

Plans are coming together nicely to resume our ISO Stakeholder Symposium in-person on November 9 and 10 in downtown Sacramento. We have published a draft agenda that focuses heavily on the Symposium's first day on the growing momentum for regionalism in the West and the "Emerging Western Day-Ahead Market," with a look at industry trends beyond EDAM on day two. Speakers are being lined up, registration and sponsorships have been robust, and thanks to our Symposium planning team in Stakeholder Affairs and Communications and Public Relations, we have some good momentum going. Our last Symposium was in 2018, so this will be the first time we have had the opportunity to engage with stakeholders across all segments through this forum in the past four years. I am looking forward to what will be a timely and hopefully stimulating event for our stakeholders.