

# Memorandum

**To:** ISO Board of Governors  
**From:** Elliot Mainzer, President & Chief Executive Officer  
**Date:** July 7, 2021  
**Re:** CEO report

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*This memorandum does not require Board action.*

## **SUMMER READINESS AND BACKSTOP PROCUREMENT**

Early, widespread heat events during the last days of spring and first week of summer indicate that the prevailing pattern of extreme temperatures, drought and declining hydro conditions is likely to extend across the summer, increasing the probability of stressed grid conditions. An associated loss of natural gas generation, delays in getting some new storage projects on line and lower than anticipated sign-ups for the CPUC's new Emergency Load Reduction Program, on top of review of available resource adequacy showings for 8 p.m. resulted in the CPUC and CEC sending California ISO a letter on June 29 recommending that the ISO trigger its backstop procurement authority and issue a solicitation for additional capacity during the months of July, August and September.

After determining that the substantial changes in the variables underlying the state's summer resource adequacy planning assumptions constituted a significant event, the ISO issued such a solicitation on July 1 and by the time of this Board meeting will have reviewed responses before determining the quantity, price and deliverability of additional capacity that may be available during the summer. The ISO remains hyper focused on reliable operations using all available tools, with a continued focus on outage management, effective communication, and deployment of Flex Alerts as necessary. The first Flex Alert(s) of the season were implemented on June 17 and 18, with a measurable response from consumers contributing to the ISO's ability to ride through the first major heat wave with no rotating outages. We have stood up an Incident Command light structure within the ISO and will continue to provide 7-day advance communication on the potential for stressed grid conditions, including heat bulletins where appropriate and targeted outreach to our key operational partners and stakeholders.

## **WHEEL-THROUGH DECISION AND NEXT STEPS**

On June 25, FERC accepted the ISO's revisions to our load, export and wheel-through tariff provisions. Recognizing the importance of this ruling and the contentious nature of the issue, we issued the following statement that evening:

“Today (Friday, June 25) the Federal Energy Regulatory Commission approved the ISO’s modification to its load, exports, and wheeling-through priorities. Although this decision provides some certainty around the rules for this summer, the ISO remains strongly committed to working with stakeholders within California and across the West to develop a longer-term solution to transmission reservations across the ISO system. We will be holding an initial listening session on this topic on July 13 and look forward to working with our many partners on this very important issue.”

We are conducting additional outreach to utilities and regulators across the West who are impacted by this decision to ensure they are actively engaged in the dialogue commencing on July 13 and reiterating our commitment to developing a durable long-term solution.

## **TRANSMISSION PLANNING**

The ISO continues to engage actively with California utilities, resource developers and other stakeholders to enhance our transmission planning processes. This is essential to ensure that California has the necessary transmission and interconnection infrastructure to provide deliverability for the next major wave of resources resulting from the CPUC’s recent decision authorizing 11,500 MW of procurement over the next several years. Through the ISO’s 2021-2022 transmission planning cycle as well as our newly-established 20-year Outlook process, we are conducting a much more proactive, comprehensive and forward-looking evaluation of both in-state and out-of-state transmission facilities that may be necessary to meet California’s medium-term procurement needs and long-term goals under SB100. We are coordinating our actions with the CPUC and CEC to better anticipate transmission needs through the full resource life cycle from planning and permitting to procurement and construction.

With the potential passage of a bi-partisan federal infrastructure bill with significant support for transmission infrastructure, we are also working closely with utilities across the West through the WIRED effort to evaluate opportunities to accelerate the subscription and financing of major new inter-regional transmission lines in the Western United States. Such lines could help open up access to a diverse portfolio of geographically diverse renewable resources for California and other states and strengthen the economic and environmental value of our evolving regional energy market.

## **EIM GOVERNANCE REVIEW COMMITTEE**

We are pleased to hear that the EIM Governance Review Committee is making final changes to its final proposal for joint authority in preparation for a vote by the GRC at the end of July. If passed out of the GRC, the proposal will be brought to the EIM Governing Body and the ISO Board of Governors for a vote in an upcoming joint general session. We are very encouraged and appreciative of the tremendous work and collaboration that has gone into this effort. I see this important step in governance reform for the energy imbalance market as a springboard to extending our market platform into the day-ahead market and beyond. We are also encouraged by the increasing collaboration between our Board of

Governors and the Body of State Regulators, further building trust and a shared understanding of the significant opportunities and challenges before us.

## **FERC TECHNICAL CONFERENCE ON RESOURCE ADEQUACY**

In late June, I participated in FERC's technical conference on resource adequacy in the West. Over the course of two days, a wide cross-section of Western utility, policy and technical experts discussed the importance of regional collaboration in meeting our shared reliability objectives in the Western Interconnection. Having previously worked in the Pacific Northwest for many years, I was particularly pleased to see the significant progress of the Northwest Power Pool's resource adequacy program. I look forward to working with the Northwest Power Pool and other sub-regional resource adequacy efforts to address seams between our respective resource adequacy programs through greater data sharing, and potential harmonization of approaches to reserve margin and qualifying capacity determinations.

## **DEDICATION OF TOP GUN STORAGE FACILITY**

On July 7, I joined San Diego Gas and Electric CEO Caroline Winn at the dedication of the Top Gun energy storage facility near the Marine Corps Air Station in Miramar, California. This 30 MW, 120 MWh lithium ion facility consists of 36 custom made shipping containers that house over 15,000 individual batteries. Top Gun is one of three storage projects that SDG&E is adding to the grid over the next year. The utilities expect to have 135 MW of utility-owned energy storage connected to the local grid by 2022, contributing to California's significant build-out of energy storage in the next several years. We are also continuing to work with the storage industry and other stakeholders through our energy storage enhancement initiative to explore additional changes to our market design that can unlock the full potential of energy storage on the ISO grid, including new storage technologies and longer duration resources.

## **COVID STATUS UPDATE**

The ISO continues to operate in a primarily remote operating posture. We have established October 4 to begin our formal return to the building effort, seeking volunteers to return to our facilities for a transitional period that will extend until January 2022. After the New Year, all employees will be expected to return to work and will be operating under a new hybrid work structure involving three mandatory days of on-site work and two days of flexible remote work. We continue to work with our managers and employees to fine-tune our approach and answer outstanding questions.