

Memorandum

To: ISO Board of Governors
From: Elliot Mainzer President and Chief Executive Officer
Date: November 11, 2020
Re: CEO report

This memorandum does not require Board action.

ISO'S CORONAVIRUS RESPONSE

Overall business continuity at the ISO is proceeding well, with the bulk of ISO staff working remotely since March. Until there is a vaccine, significant diminishment of the spread, or therapeutics that render COVID-19 relatively harmless, we expect to remain in a conservative operating posture. Until further notice, we will continue with our work from home program as it currently exists, including virtual meetings and limited visitor access to our facilities.

OVERALL BALANCING AREA SYSTEM CONDITIONS

Since the heatwaves in August and September, conditions have been much quieter on the grid, although the ISO did call for pre-emptive Flex Alerts on October 1 and 15 due to infeasibilities in the day-ahead market that were subsequently resolved through restricted maintenance orders and additional capacity becoming available in the real-time market. High load conditions in Southern California combined with a smaller stack of resource adequacy resources in October compared with September contributed to the potential shortfalls.

In October, the main issue we had to manage was high winds which increased fire risks. In response, the California investor-owned utilities activated their PSPS programs on several occasions. During these PSPS events, several BES lines were de-energized, but there were no resulting reliability issues for the CAISO balancing authority.

Current year peak load of 47,236 MW occurred on September 6 @17:43. 2019 peak-load of 44,301 MW set on August 15 @17:50. All-time peak load of 50,270 MW set on July 24, 2006 @ 14:44.

RC WEST OPERATIONS

RC West established a historical peak load of 127,631 MW on August 17, 2020, with records going back to November 1, 2019. RC West is now transitioning towards the winter load pattern, with early October load generally in the 100 GW range, mid-month 90 GW, and November expected to be in the 75 GW range. Wildfires did force several BES lines out of service in October, but there were no significant impacts to the reliable operation of the BES. RC West is in the process of holding reserve management drills with Balancing Authorities.

ROOT CAUSE ANALYSIS AND RESOURCE ADEQUACY ENHANCEMENTS

The ISO, CPUC and CEC leadership and staff are coordinating closely on the completion of the final root cause analysis with an expected completion date no later than December 31, 2020. Agency and ISO staff are also closely coordinating on delivering on the action items resulting from the report. We will be providing regular progress updates to the Governor's Office as well as to the Assembly Utilities and Energy Committee. Work on the ISO's efforts to address load underscheduling, convergence bidding and any necessary changes to the residual unit commitment market are proceeding on track. We are also engaged in dialogue with storage resource providers and distributed energy/demand response providers to ensure effective and efficient participation by these resources in the reliable operation of the grid heading into summer 2021.

Given the widespread concerns about the state of planning, procurement and market operations articulated in the preliminary analysis as well as input from a wide variety of stakeholders throughout California and the west, the ISO, CEC and CPUC staff are engaged in productive dialogue about the urgent necessity of making improvements to these practices and working to align agency and ISO thinking about a path forward. We will be discussing these issues in earnest with the Governor's Office, the legislature, and stakeholders throughout California and the west. Resource adequacy is the foundation for reliable, efficient and affordable electrical service and we deeply recognize the importance and urgency of an effective resource adequacy paradigm for the state.

EXECUTIVE RETIREMENTS AND ORGANIZATIONAL REDESIGN

Steve Berberich's last day at the ISO was October 30. I greatly appreciated his guidance and support during a very smooth transition. On November 6, both Petar Ristanovic and Eric Schmitt retired from the ISO after long and distinguished careers. Coincident with their departures, I announced a reorganization of our executive level leadership structure, bringing several key functions together under Senior Vice President and Chief Operating Officer, Mark Rothleder. The modified structure will bring together market policy, planning, operations, technology and program management, enabling greater integration and coordination across these critical functions.

Khaled Abdul-Rahman, previously Executive Director of Power Systems and Smart Grid Technology Development, has been promoted to Vice President of Power System and Market Technology. He has played an integral role in the development of the ISO's market

optimization since joining the ISO in 2009 and will bring deep knowledge and expertise to his new role. Anna McKenna, previously Assistant General Counsel for regulatory issues, has been appointed as interim Head of Market Policy and Performance, serving in Rothleder's place while a recruitment search begins for that position. John Phipps, the current Director of Real-Time Operations, will be named Executive Director of Grid Operations. He will report directly to Rothleder, along with Heather Kelley, Director of Market Services, until a Vice President of Operations is hired. An executive recruitment search will begin for that position shortly. Hugo Frech, the current Director of Infrastructure Engineering and Network Operations, has been promoted to Executive Director of Infrastructure Engineering and Network Operations and will also report directly to Rothleder.

The new organizational structure will better enable policy, planning and technology solutions that drive reliable and effective operations at the ISO. The Program Management Office under Executive Director Janet Morris will report directly to Mark Rothleder, supporting greater focus on business process reform and input from control center staff in technology solution design. The new structure will also enable me to focus on strategy, culture and stakeholder engagement while strengthening the ISO's capacity to effectively integrate new resources and enhance reliability during the transition to a decarbonized electricity grid.

GOVERNANCE REVIEW COMMITTEE

The EIM Governance Review Committee (GRC) held a general session teleconference meeting on October 28 to provide updates to stakeholders on their deliberations on several key issues addressed in the July straw proposal. Generally, the committee members have been meeting regularly in three smaller working groups and in executive session teleconference meetings, to refine their recommendations for revisions to the EIM governance design. Their next general session teleconference meeting is scheduled for December 1.

A revised straw proposal is targeted for December, after which there will be additional stakeholder feedback and discussion. The GRC is planning to publish a draft final proposal on governance in Q1 2021 for consideration jointly by the Board of Governors and EIM Governing Body. Chair Therese Hampton will continue to provide updates on the work of the GRC to both the Board of Governors and EIM Governing Body at each of their public meetings.

WESTERN EIM BENEFITS

On October 29, the ISO announced that the Western Energy Imbalance Market (EIM), set a second record in 2020 with \$119.32 million in quarterly economic benefits. This year's third quarter results marks the highest level of gross benefits achieved for the Western EIM since the market launched in 2014, and raises the cumulative benefits to \$1.11 billion.

The ISO has started market simulation for 5 additional EIM implementations next spring, including Public Service of New Mexico, Northwestern Energy, Turlock Irrigation District, LADWP, and BANC Phase 2.

STAKEHOLDER OUTREACH

My first several weeks in the job have been filled with opportunities to engage with a wide variety of partners and stakeholders within California and across the West. These discussions have been particularly helpful in deepening my understanding of the issues and opportunities facing the ISO and I intend to keep a steady cadence of engagement as we build on and strengthen key partnerships.