

Memorandum

To: ISO Board of Governors
From: Steve Berberich, President and Chief Executive Officer
Date: October 25, 2012
Re: CEO Report

This memorandum does not require Board action.

Summer Operations

For the most part, the heavy loads of summer are now passed. We did see the normal heavy southern California loads in September and even into October this year. In fact, on September 14, loads in the San Diego area came within 50 megawatts of the all-time peak. Despite the heavy loads and high temperatures, our records indicate this was not an unusual summer. In fact, it was only a 1:2 event and did not approach our planning criteria of 1:10. Had we gotten temperatures comparable to the 1:10, it may have been very difficult to serve the entire load in Southern California – particularly in the Southern Orange County and San Diego areas.

The contingency plans proved indispensable with San Onofre out of service. Huntington Beach units 3 & 4 were frequently dispatched during high loads, the Sunrise Power link and Barre Ellis upgrades provided significantly enhanced import capability, and the calls for conservation were headed and very effective. Similar measures will have to be in place for summer 2013.

Summer 2013 Mitigation Status

As previously discussed, planning and steps are already underway to ensure reliable power for summer 2013. Principal among those measures are installing synchronous condensers to replace the Huntington Beach 3 & 4 generators. Those units will provide needed voltage support to enable high import levels into that area and will be in place in lieu of the generators at Huntington Beach 3 & 4 because they no longer have emission credits. Synchronous condensers are non-polluting devices. We will also be working closely with state agencies, the governor's office, San Diego Gas and Electric, and Southern California Edison to repeat conservation measures used for this summer.

Uplift Costs

As noted in the Department of Market Monitoring report to the Board, uplift costs have dramatically increased. These costs are allocated to load serving entities and significant

increases are of major concern to ISO Management. The principal reasons for the increase are price spikes but they are also caused by outages, the SONGS outage, fires, and congestion. Most of the price spikes are caused by the system ramping constraints and tight conditions. We have a team in place diligently working on addressing the underlying causes and will be bringing some tariff changes associated with software penalty parameters to the Board after a stakeholder process. Other changes will be vetted with market participants.

Long Term Transmission Access Charge Projections

At this meeting, Management will present its best estimate of the long term forecast for the transmission access charge. The transmission access charge is used to recover the costs of the transmission system. With the build out of the transmission system for large scale renewables, there is significant upward pressure on the costs and those costs are a concern to load serving entities across our footprint. To minimize the cost, we are committed to only planning for what is needed and to remain nimble to the potential increase of distributed generation across the system.

Growth of Renewables

Renewables continue to grow on the system consistent with the plans toward procuring 33% of the state's power from wind, solar and other renewable sources. Solar and wind generation reached new peaks since this summer. The solar generation peak of 1076 MW was set on August 31, 2012 at 1:21 p.m., and the wind generation peak of 3346 MW was set on July 1, 2012 at 00:46 p.m.