California ISO | WESTERN ENERGY MARKETS

Memorandum

To: ISO Board of Governors and WEM Governing Body

From: Elliot Mainzer, President and Chief Executive Officer

Date: August 18, 2026

Re: **CEO report**

This memorandum does not require ISO Board of Governors or WEM Governing Body action.

INRODUCTION

For my August 2026 CEO Report, I provide an update on how the grid has performed so far this summer, the latest developments related to our Extended Day-Ahead Market, including a commitment from its newest participant, BHE Montana, our new Quarterly Benefits Report, progress on the seams and settlements issues and start-up funding for the Regional Organization for Western Energy. I also cover our response to the Federal Energy Regulatory Commission's Show Cause Order on large loads, our latest interconnection process enhancements initiative, and our agenda for the 2026 Stakeholder Symposium.

SUMMER GRID PERFORMANCE

There is still more summer and hot weather ahead, but despite new peak load highs within the Western Interconnection and record-setting July temperatures across parts of the West, by any measure we have had an exceptional operational summer thus far. We are never complacent about this and always remain hyper vigilant concerning reliability because we know how quickly conditions can change, but we can all be proud of the great work done by our operators and RC West.

Peak load on the ISO-managed grid so far was 43,625 megawatts (MW) at 7 p.m. July 15. We had a few days in August when we came close to that mark, most notably August 3 and 10, when load was 43,536 MW and 43,281 MW, respectively. RC West's peak load was 127,004 MW at 5:32 p.m. July 24.

We have seen a number of balancing authority areas across the broader West reach their all-time peaks this summer. For the Western Electric Coordinating Council (WECC), it reports a new all-time peak of 168,596 MW, also at 5:32 p.m. on July 24, eclipsing its former highest peak by more than 1,000 MW. It is notable that this new WECC peak was achieved during a period of relatively modest demand in California, pointing to significant load growth in other parts of the West.

In addition, during the last week of July, those higher loads across the Western Interconnection resulted in an increasing volume of export requests in the ISO area. Intertie exports reached as much as 8,000 MW, with a significant portion submitted as self-schedules, i.e., price takers, indicating a willingness to accept any market-clearing price. These exports supported demand across more than 15 balancing areas, spanning the Pacific

Northwest through the Desert Southwest and including both the Western Energy Imbalance Market area and areas outside the real-time market footprint.

We have also seen considerable wildfire activity, and again – thanks to the heroic work of CalFire and firefighters throughout the region – these incidents have been managed well. To cite just one example, beginning on Saturday, August 1, multiple wildfires broke out in and around Spokane, WA, causing considerable destruction and threatening communities and infrastructure throughout the area. Several transmission lines were forced out of service directly by the fires or for firefighting activity, and the loss of these lines created reliability concerns on the remaining network. RC West reliability coordinators and operations engineers worked continuously with the impacted transmission operators and balancing authorities to mitigate overloads while minimizing manual load curtailment. Extra RC staff were also brought in to assist.

RC West support included declaring a transmission emergency for the Spokane area, running system studies, identifying and coordinating mitigation options, and coordination of manual load shedding and load restoration. There was careful consideration for minimizing load shedding magnitudes and durations. Loss of electricity comes with real safety risks to the affected community during emergencies and every decision carefully considered those safety risks against the reliability risks to the electrical system. We are grateful for the firefighters and first responders working in extraordinarily difficult conditions, and to the operators across the region who worked to protect the power system while keeping as many customers online as possible. We also extend our sympathies to those who were directly impacted by the fires through loss of property.

We know we are not out of the woods yet when it comes to the challenges associated with summer. Longer-term forecasts point to the potential for continued high temperatures across California and the broader West for the remainder of summer, with the strongest indications concentrated across the Pacific Northwest. For coastal locations, warm sea surface temperatures are forecast to increase the likelihood of hotter-than-usual day and overnight temperatures along the coast, unlike more moderate conditions in recent years.

Areas of central and Northern California and other portions of the Intermountain West have had above normal summer rainfall so far, while the Pacific Northwest has had a relatively dry summer. Reservoir conditions for California reservoirs are at 70% of capacity, which is 105% of average for the end of July. But if one looks at the broader picture and includes all of the major reservoirs that feed into California, those numbers drop to 45% of capacity and 70% of average for this time of year. Latest seasonal forecast trends indicate continued increased monsoonal-driven cloud cover and storms for the Four Corners region, with impacts on the southeast part of California as well, which can cause reduced grid-scale solar generation in those areas. Forecasts for fall show potential for an active start to the wet season, with guidance hinting at above normal rainfall developing across California and a continued risk for drier conditions across the Pacific Northwest.

BHE MONTANA COMMITS TO THE EXTENDED DAY-AHEAD MARKET (EDAM)

On August 10, 2026, we were pleased to announce that BHE Montana has signed its implementation agreement to join the Extended Day-Ahead Market in 2028. With the execution of its agreement, BHE Montana becomes the eighth balancing authority to formally commit to participating in EDAM, further expanding the market's regional footprint and benefits. In its news release, BHE Montana cited the value of participating in a broader regional market that helps power producers and transmission providers plan and schedule energy resources one day in advance. It also made note of how participating in EDAM will improve BHE Montana's access to affordable energy supplies, make more efficient use of transmission infrastructure, and enhance overall system reliability. BHE Montana joined the Western Energy Imbalance Market in May of this year and reported that its Power Watch balancing area benefits have totaled more than $2 million since joining.

At the same time, Portland General Electric is currently in the middle of parallel operations and is on track to begin participating in EDAM in October, bringing additional liquidity and depth to the new market.

WESTERN ENERGY MARKETS QUARTERLY BENEFITS

Now that EDAM is up and running, we have combined our quarterly benefits reporting for the Western Energy Imbalance Market (WEIM) and EDAM in a new Western Energy Markets Quarterly Benefits Report, which debuted July 30.

As we said in the inaugural edition, the new report captures the value achieved through coordinated real-time and day-ahead market operations, providing a more comprehensive view of the financial, environmental and reliability benefits delivered to market participants across the region.

The first report showed that the WEIM has now reached $9.08 billion in financial savings for market participants and their customers since its 2014 launch. The report also showed that the Extended Day-Ahead Market delivered $11.38 million in benefits during its first two months of operation, shared among PacifiCorp East, PacifiCorp West, and the ISO.

As occurred with the WEIM's early growth trajectory, where financial savings increased significantly as new participants joined the market and its footprint expanded, we expect EDAM to follow a similar benefits trajectory. Results for its first two months of operation show the breakdown of savings as $5.96 million for the CAISO Balancing Authority, $3.22 million for PAC-E and $2.2 million for PAC-W.

SETTLEMENTS

Along with the early successes of EDAM, we have also been candid about the challenges we have seen since EDAM launched and acknowledged that there has been a set of issues associated with our initial settlement statements. This month, the ISO began publishing recalculation settlement statements for the May 2026 trade dates. The settlement results published on these recalculation statements reflect the incorporation of patches across a variety of systems in the bid-to-bill process to fix items identified both internally and externally after EDAM implementation. Initial indications are that the majority of issues have now been resolved.

In addition, the ISO has responded to comments raised regarding a tariff waiver filing designed to extend the dispute window for these early trade dates. We are awaiting FERC's determination on that filing. In our response, we committed to publishing a status report by September 30 that will provide transparency regarding the status of settlement processing and of participants' review and validation efforts. ISO staff will continue to work with market participants and their vendors to ensure the accuracy of the billing process.

SEAMS

There has also been considerable activity on the seams issue. On July 16, FERC issued an order requiring the ISO and the Southwest Power Pool (SPP) to file a joint report on Western seams coordination by September 30. The order includes four questions on the status of discussions, the key issues, the plan for addressing the issues, and any disagreements between the ISO and SPP on how to resolve them.

Work the ISO and SPP have been doing at the executive and staff level provides a good foundation for jointly responding to the order. The stakeholder workshops that were already scheduled for August, September, and October fit well within the specific questions asked by FERC. In that spirit, the ISO and SPP have agreed to co-host the upcoming meetings as a natural extension of the existing agenda where both the ISO and SPP were already planning to present together on their respective market designs regarding reliability, congestion management, and transactions across market boundaries. In addition to responding to the FERC order in a timely manner, the ISO and SPP share the broad goal of having an operating agreement for issues that are specific to the ISO and SPP in place by the time Markets+ is scheduled to go live in 2027.

We held the first of four scheduled monthly regional meetings July 31 in Seattle with 85 people attending in person and 216 joining remotely. The workshop started with an overview of Western market seams and an introduction to the workshop series. A panel of industry experts discussed key seams issues, emphasizing the importance of weighing the cost of implementing seams solutions against the benefits, and the danger of settling on solutions seen as “good enough.” The workshop concluded with perspectives on seams from a panel of state regulators who emphasized the importance of maintaining a focus on reliability and affordability and being transparent about the costs and impacts of market seams on customers. The three additional stakeholder workshops are, like the first one, open to any interested parties and will include presentations from operators, regulators, and market experts.

FERC SHOW CAUSE ORDER ON LARGE LOADS

On July 20, the ISO submitted the requested 30-day report for FERC’s June 8 Show Cause Order that directed the country’s six regional grid operators to justify or reform tariffs for integrating data centers and other large energy users expeditiously onto the grid. We are following up as requested with a separate informational report describing how the ISO is ensuring that adequate generation is available to serve existing and new large loads.

As we stated in our 30-day report, California is home to Silicon Valley and 33 of the top 50 artificial intelligence companies. The ISO and its participating transmission owners have worked diligently to ensure that data centers and other large loads, including refineries and agricultural operations, can interconnect in a timely manner, without capacity constraints or cost shifts to consumers. We also described in that report how the ISO’s uniquely integrated resource and transmission planning framework, as articulated in our 2022 Memorandum of Understanding with the California Energy Commission and the California Public Utilities Commission, has provided the foundation for the ISO to onboard record amounts of new generation and serve anticipated large loads.

The ISO is, and has been, proactive in transmission planning, incorporating state inputs and planning 10 to 15 years in advance to ensure future reliability. We have also long considered and approved use of grid-enhancing technologies and will continue to do so to optimize the grid's performance through innovative, lower-cost alternatives to conventional infrastructure expansion. And we have implemented transformational generator interconnection reform that focuses on alignment with resource needs, transmission availability, and project readiness to enable more certainty during the interconnection study process and in study results.

We have done a lot to stay ahead of the curve on these issues and continue to do so. Our coordinated planning framework already accounts for significant anticipated load growth, including growth associated with data centers, and it has supported timely resource procurement and infrastructure development to meet forecasted demand. The effectiveness of the ISO's transmission planning and interconnection process is reflected in the results. The state has been able to bring 36,000 MW of new generating capacity online since 2020, including more than 17,000 MW of battery storage, strengthening system reliability during periods of high demand and changing grid conditions. The procurement growth has been accompanied by an accelerated buildout of transmission. Since the 2021-2022 planning cycle, the ISO Board has approved more than 160 transmission upgrades for an estimated cost at full buildout of $27.8 billion. At the same time, we remain committed to refining our processes to continue to maintain reliability while serving future load growth.

We will soon propose important process clarifications and opportunities for alignment with the participating transmission owners and state energy agencies to ensure timely, reliable, affordable service to new load types. It is also important to know that the ISO is working with participating transmission owners and NERC, the North American Electric Reliability Corporation – while also responding to the FERC Order – to develop technical standards to ensure continued reliability of the grid as new computing loads emerge. We are expediting our large loads stakeholder initiative to respond to FERC by November 16, 2026, and planning to bring a final proposal to the Board of Governors in October.

INTERCONNECTION PROCESS ENHANCEMENTS (IPE) 5.0

On August 4, FERC accepted most of the changes we requested in our latest interconnection process enhancements proposal in our ongoing effort to improve and streamline the interconnection process. The changes include removing the corporate sustainability requirement for non-load-serving entities, adjusting the project size cap for full allocations, incorporating distribution projects in the intake scoring process, applying the commercial viability criteria to "energy only" projects, adjusting the commercial readiness deposit due date, removing the interconnection pre-application process and applying the IPE 2023 reforms to Cluster 15 and beyond. FERC, however, did not accept a proposed change that would remove the requirement to reimburse for constructed network upgrades where an interconnection customer fails to achieve commercial operation but the interconnection customer or another generating facility in the future makes use of the upgrades. In response to protests that this change affects the rights of interconnection customers and is not a ministerial change as our filing maintained, we understood it could be rejected and may raise the issue again in a subsequent interconnection process enhancement initiative.

START-UP FUNDING FOR THE REGIONAL ORGANIZATION FOR WESTERN ENERGY (ROWE)

On August 10, FERC issued an order accepting the ISO's proposed tariff revisions to support start-up debt financing for the ROWE, following approval of the funding approach by the ISO Board and Western Energy Markets Governing Body in April. The tariff revisions establish two new settlement charges that will enable the ISO to recover from market participants the costs associated with repayment of the ROWE's start-up financing. The charges generally follow the allocation methodology used for comparable components of the ISO's grid management charge, with ROWE-related costs identified separately from ISO costs.

Under the funding structure, the ROWE is expected to obtain a commercial loan or line of credit of up to $8.5 million, with the ISO serving as guarantor. The ROWE will be responsible for repayment, with the tariff-based charges providing the cost-recovery mechanism. FERC accepted the tariff revisions effective January 1, 2028, when the ROWE is expected to assume its governance responsibilities, subject to potential adjustment based on the loan arrangements becoming final. The start-up financing is intended as an interim funding mechanism until the ROWE transitions to its longer-term cost-recovery structure.

2026 STAKEHOLDER SYMPOSIUM

The agenda is just about final for the ISO's 2026 Stakeholder Symposium in October and we are looking forward to another dynamic and engaging event. Once again, the Symposium is bringing together energy leaders, policymakers, market participants, and stakeholders from across the West for a full day of insight, discussion, and collaboration on the future of the energy industry. At last count, we had 24 sponsorship commitments secured and have a strong response from attendees, which we expect to accelerate now that the agenda has been firmed up and posted on our website.

FERC Commissioner Judy Chang is our keynote speaker; she will share her perspective on the future of energy and highlight the innovation, policy considerations, and market evolution needed to support a reliable, affordable, and sustainable energy future. We also look forward to hearing from the leadership of PacifiCorp, Portland General Electric and Southern California Edison who will share their perspectives on EDAM's early performance and promise. And we will have panels on the continuing evolution of regional collaboration, with a conversation featuring moderator Kathleen Staks, Executive Director of Western Freedom, and a distinguished group of panelists examining the evolving governance framework, key transition milestones ahead, and the roadmap to independent governance.

This year's event will also feature something we are calling "Power Shifts: Short Talks on Big Change," a TED-Talk-style set of presentations exploring emerging trends, including the growing role of Artificial Intelligence in grid and market-related decision-making and a timely discussion of the challenges and opportunities presented by increasing large-load demand in a rapidly electrifying economy. We are also looking forward to a sneak preview of sorts on the ISO's 2027+ Strategic Plan that I will moderate and be joined by a panel of emerging leaders from across our organization.