



# Memorandum

**To:** ISO Board of Governors and WEM Governing Body  
**From:** Elliot Mainzer, President and Chief Executive Officer  
**Date:** July 15, 2025  
**Re:** CEO report

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

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## INTRODUCTION

For my July 2025 CEO report, I provide an update on the grid's performance now that summer and hot weather are here, our Extended Day-Ahead Market (EDAM) and activation of primary decision making authority for the Western Energy Markets Governing Body as part of the West-wide Governance Pathways AINITATIVE Step 1, the status of our congestion revenue allocation initiative, the Western Energy Imbalance Market (WEIM) assistance energy transfer proposal, and a new Artificial Intelligence (AI) pilot program in ISO Operations.

Before I address these issues, I want to again extend a warm welcome to Deborah Smith, the newest member of our Western Energy Markets Governing Body. It is wonderful to add Deborah's expertise and wealth of experience to the already strong Governing Body. We look forward to her participation and contributions.

And congratulations to Severin Borenstein, the Board of Governors Chair, and member Jan Schori, for being reappointed so they can continue with their many contributions to the ISO. The state Senate Rules Committee unanimously approved their confirmation on July 2. They now await what I expect will be a positive confirmation vote by the full Senate sometime soon.

## SUMMER GRID PERFORMANCE

Now that summer is officially here and we have already seen some triple-digit temperatures and a notable increase in wildfire activity, I wanted to provide a brief update on how the grid has been performing.

Anticipating higher heat in the early part of the summer, we have been fortunate with the moderate weather thus far, although we have seen some hot days that have pushed demand in various parts of the West. So far, across the CAISO footprint, the average temperatures for June have been near normal, with the first part of July through the 9<sup>th</sup> trending below normal. Interior areas had some periods of high temperatures, 10-15 degrees above normal in mid-June, but cooler weather at the coast brings the state-wide average to near normal so far. It wasn't until July 10<sup>th</sup> that we saw a demand forecast of more than 40,000 megawatts.

Concerning the wildfire threat, our own observations and conversations with CalFire confirm that the 2025 wildfire season is well ahead of last year's pace in both frequency and severity. Driven by an extremely dry winter for Central and Southern California, combined with widespread spring warming and ample fuels, the state is facing a high-risk summer scenario, with particular concern for grass and timber-rich regions in both Northern and Southern California.

CalFire tells us that as of the first week of July this year, it has already seen 3,938 wildfires. This compares to 3,339 over the same period in 2024. The five-year average for this timeframe is 3,645 wildfires, so this season is ahead of last year and the five-year average.

There has also been a stark increase in acres burned, with 182,197 acres so far this year compared to 76,152 last year. The five-year average is 45,992. So, more than twice the number of acres has burned as of July this year compared to 2024, and four times the five-year average.

The good news is that despite a more active and destructive wildfire season in 2025, ISO Grid Operations has managed the grid exceptionally well. Through proactive coordination with utilities and fire agencies, the control room has responded swiftly to multiple fire-related threats to transmission infrastructure. Real-time operations teams have executed contingency planning, generation redispatch, and transmission reconfigurations to maintain system reliability during high-impact events like the Madre and Green Fires. Additionally, ISO's use of enhanced situational awareness tools—including satellite fire detection, fire cameras, firefighting flight path visualization, fire perimeter overlays and weather overlays — has enabled faster decision-making. So far, the grid has avoided major disruptions or load shed events, a testament to high levels of communication and coordination with all our partners across the ISO footprint through summer readiness activities and a joint commitment to operational discipline to maintain reliability and serve our customers.

We know that there is a lot of summer and hot weather to come and we remain vigilant about challenges that may lie ahead. But with the new resources added to the grid and all the enhanced communication and coordination, as well as the expertise of our forecasters and operators—and with the strength of our electricity market—we remain optimistic about overall summer reliability going forward.

## **EXTENDED DAY-AHEAD MARKET AND WEM GOVERNING BODY PRIMARY AUTHORITY ACTIVATION**

At the same time, we continue to be laser focused on implementation and preparation for the 2026 launch of our Extended Day-Ahead Market. On July 2, we reached a significant milestone related to those efforts when the Public Service Company of New Mexico (PNM) became the 7<sup>th</sup> utility to sign an implementation agreement to join EDAM. PNM, the largest utility in New Mexico, serving more than 550,000 homes and businesses across the state, will begin participating in EDAM in 2027.

PNM's commitment is significant not just because it brings another strong partner to our market to help further reliability and affordability across the West. It also represents an

important step in the evolution of independent governance of our Western electricity markets by activating the West-wide Governance Pathways initiative Step 1 proposal.

As you know, activation of Step 1 gives the Western Energy Markets Governing Body primary decision-making authority over market decisions. We cleared that hurdle by meeting the Pathways requirement of having EDAM commitments from utilities representing non-CAISO Balancing Authority Area (BAA) load equal to or greater than 70% of CAISO BAA load. And we satisfied the Pathways geographic diversity requirement by having among the non-CAISO participants beyond PacifiCorp, BANC and LADWP at least one additional non-California entity each from the Northwest with Portland General Electric and the Southwest with PNM.

At the same time, we are continuing to work with our partners in the industry and at the California Capitol on passage of Senate Bill 540, legislation enabling the important Step 2 of the Pathways proposal. As you know, that would allow the California ISO and California electrical corporations to engage in energy markets governed by an independent regional organization. If the bill passes and that happens, the ISO will retain its core responsibilities as a balancing authority in California, focusing on reliability, generation interconnection, and coordinating with the state on transmission planning, while continuing to operate highly effective markets for western consumers. I will continue to keep you apprised of the bill's status as it moves through the California Legislature, where it was passed out of the Senate on a 36-0 vote on June 4. The bill is expected to be heard soon by one or more policy committees in the Assembly and would need to be considered again by the Senate if additional amendments are adopted.

### **CONGESTION REVENUE ALLOCATION**

When the ISO Board of Governors and WEM Governing Body approved our EDAM congestion revenue allocation proposal in June, we acknowledged that this was a short-term adjustment. And we pledged to continue working with our stakeholders on any needed refinements and a more sustainable long-term design. Our team has already started that process and is planning to actively engage with stakeholders to evaluate additional enhancements and options for a long-term solution in the October timeframe.

In the meantime, we filed our proposed tariff provisions with the Federal Energy Regulatory Commission on June 19 for our transitional congestion revenue allocation enhancements, requesting a decision by September 18.

### **WESTERN ENERGY IMBALANCE MARKET ASSISTANCE ENERGY TRANSFER PROPOSAL**

I look forward to our staff presentation and your discussion and consideration of the Western Energy Imbalance Market (WEIM) assistance energy transfer (AET) proposal at this meeting. This valuable reliability feature for the WEIM allows a balancing authority to import additional energy when the market rules would otherwise limit transfers. The feature was approved by the WEM Governing Body and Board of Governors in December 2022 and is set to sunset at the end of this year. The AET has widespread support from our market participants, and we conducted a targeted stakeholder process this spring to consider how best to address the sunset date. Because the functionality of the feature is appreciated as a critical reliability feature, and because our analysis indicates its judicious use means the design has not been a barrier to its success,

management has recommended removing the sunset date to enable its continued use indefinitely.

Our team is proposing another targeted change so the program does not expose entities to surcharges for ensuring the reliability of the grid. Specifically, we propose exempting surcharges related to any transfer amounts that are directly attributable to actions taken in coordination with the reliability coordinator for the purpose of ensuring continued reliable operations. Our stakeholders support these changes because they will enable balancing authorities to continue to leverage the WEIM's efficient dispatch to promote reliability in the Western Interconnection.

### **ARTIFICIAL INTELLIGENCE PILOT PROGRAM FOR ISO OPERATIONS**

I am excited to let you know that the California ISO is collaborating with OATI, a Minnesota-based global company known for its work providing innovative operational solutions for the energy industry, on AI pilot project. The pilot will use the advanced capabilities of large language models to provide decision support to our control room operations.

The pilot program, which is part of our control center modernization program, will allow us to get actionable insights and find outage-related anomalies that may be present in our outage management system. By using advanced AI agents and chat capabilities, we believe we can improve situational awareness and unlock enhanced operational efficiencies. OATI is in a unique position to collaborate on this pilot program because it is also our outage management system vendor and has access to the most critical data needed for such an undertaking.

With this program, we can create reports that will analyze relevant outages, find patterns from historical outages and recommend actions for corrective measures. These functions were previously done by separate, and sometimes partial, automations. Using information from sources including the web-based outage management system, area operating procedures, and OASIS data, more context will be available to operators, improving situational awareness. The development of the pilot program is progressing, and we hope to decide by the end of the year about its future applicability.