



# Memorandum

**To:** ISO Board of Governors and WEM Governing Body  
**From:** Elliot Mainzer, President and Chief Executive Officer  
**Date:** May 13, 2025  
**Re:** CEO report

---

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

---

## INTRODUCTION

For my May 2025 CEO report, I will provide an update on the ISO's summer readiness activities and release of the 2025 Summer Loads and Resources Assessment, the expedited stakeholder initiative on congestion revenue allocation, approval by the Federal Energy Regulatory Commission (FERC) of our governance tariff change, Senate Bill 540 - legislation in support of the West-wide Governance Pathways initiative - the 2024-2025 Transmission Plan, gas and electric coordination activities, and the Western Energy Imbalance Market Q1 quarterly benefits report.

## SUMMER READINESS AND THE 2025 SUMMER LOADS AND RESOURCES ASSESSMENT

The pace of our summer readiness activities has picked up considerably since our last meeting. The ISO's 5<sup>th</sup> annual Summer Readiness Leadership Roundtable held May 7 once again brought together leaders from Western utilities, energy trade associations, utilities and other power providers to assess the supply and demand picture for the upcoming summer and determine if there are any new anticipated challenges that need attention to ensure reliable operations. The session always helps set the stage for continued robust communication, coordination and support needed to maintain summer reliability.

Our internal teams have run through simulated communications and outreach exercises for different summer scenarios and the ISO hosted another tabletop exercise to run through a variety of possible summer scenarios with the Governor's Office and other state agencies on May 9.

Most notably, the ISO's 2025 Summer Loads and Resources Assessment was published May 5. For the third consecutive year, our analysis shows that we are heading into summer with an improved outlook for grid reliability thanks primarily to all the new resources that have come online. This year's Assessment shows a surplus of 1,451 megawatts (MW) needed to meet the "one-in-ten" loss-of-load-expectation, the metric we use to refer to having no more than one occurrence every 10 years when insufficient supply requires emergency actions to meet demand. As explained in the Summer Assessment, this figure is lower than last summer's supply margin primarily because of modeling enhancements that have tightened assumptions about resource availability.

But we continue to make progress in strengthening resource adequacy. In calendar year 2024, we onboarded 7,379 MW of installed capacity. From last September 1 to April 1, 2025, total capacity added was 3,372 MW. An additional 2,163 MW of new resources are expected through June 30, 2025.

This is excellent progress, especially when you consider that just three years ago the Summer Assessment showed a 1,700 MW shortfall for the ISO-managed grid. We are also heading into summer with relatively good hydro availability. As of April 3, storage levels in California's major reservoirs ranged between 95 to 138 percent of the historical average.

As we all know, reliability can always be a challenge if we experience an extended and extreme regional heat event or other emergency conditions. Forecasters are projecting above normal temperatures for California as well as the broader Western U.S, with the highest chances for above normal temperatures in the Intermountain West. And our team is indicating that one of the big differences we see with this summer's forecast versus previous summers is the probability for a higher magnitude of above normal temperatures during the first half of summer.

The greatest uncertainty in the forecast is whether the Pacific Northwest will be warmer-than-normal this summer. This depends on the development and position of the ridge of high pressure, which can drive extreme heat conditions. But the risk for a hot start to summer could melt snowpack early and lead to quicker drying of grasses, meaning earlier elevated fire risk. So, while we are optimistic about having enough power available to meet demand during a range of summer conditions, we also remain vigilant to the different possibilities that come with summer in California and the rest of the Western United States. We appreciate the partnership we have with entities across the West in working together to serve our customers and keep the lights on.

## **CONGESTION REVENUE ALLOCATION**

As previewed in our last meeting in March, we have been working with stakeholders on congestion revenue allocation issues for the ISO's Extended Day-Ahead Market (EDAM). We kicked off this effort in response to some concerns and commentary made in the PacifiCorp open access transmission tariff filing at FERC and have made good progress since we last spoke.

We had planned to bring our proposal as a decisional item for this month's joint session of the ISO Board of Governors and the Western Energy Markets Governing Body but we have adjusted this schedule and now intend to present a proposal to the joint session of the governing bodies in a June special general session meeting. This adjustment will allow additional time to explore further enhancements suggested and supported by stakeholders in the last round of stakeholder comments, including consideration of supporting parallel flow congestion revenue allocation based on economically bid schedules. The additional time will also allow for further stakeholder discussions on the effects of the proposal on congestion revenue rights provided within the ISO balancing area as requested by stakeholders.

The ISO will be publishing a revised draft of a final proposal this week that is informed by stakeholder comments and will host a stakeholder workshop to discuss any further revisions to the proposal, followed by a comment period. A market notice will be published in the coming days with additional schedule details. We appreciate the extensive engagement from the broad stakeholder community on this initiative and the continued collaborative engagement on this very important effort.

Given this busy schedule and the press of other work related to EDAM's launch and implementation activities, we have been vigilant about not wanting to over-tax stakeholders. As such, we have made necessary adjustments to the ISO's overall initiative schedule by rescheduling meetings or in some cases slowing down schedules to ensure stakeholders have the bandwidth to fully engage with ISO initiatives. We continue to welcome stakeholder feedback and conducted a stakeholder survey to solicit views on prioritization of both 2025 policy activities and those for 2026 through 2028. Paired with feedback from a report by the Regional Issues Forum, we are using the survey results to inform a new policy roadmap for the remainder of 2025 that will be presented to the ISO Board of Governors and WEM Governing Body during the May meeting.

## **APPROVAL OF THE DUAL-FILING GOVERNANCE TARIFF**

On April 2, 2025, FERC accepted an ISO tariff amendment that supports implementation of the West-wide Governance Pathways Step 1 proposal. As a reminder, the Step 1 proposal moves the primary decision-making authority to the WEM Governing Body, thus no longer sharing authority of energy market rules with the ISO Board of Governors. The tariff change introduces a new dual-filing process if the two governing bodies cannot agree on a proposed tariff filing regarding our energy markets. With the dual-filing option, the two governing bodies could approve alternative proposals, filed at FERC as "co-equal" proposals, only after other steps are taken to reach an agreement. FERC could then approve either one or potentially adopt elements of each.

This change, along with other changes associated with the Pathways Step 1 proposal that did not require FERC approval, will take effect once certain conditions regarding participation in the Extended Day-Ahead Market are met, which is anticipated to happen later this year.

## **SENATE BILL 540**

Senate Bill 540, which supports the West-wide Governance Pathways Initiative, continues to make its way through the California Legislature. On April 21, the bill was passed out of the State Senate Committee on Energy, Utilities and Communications 17-0. This was a very strong affirmation of the bill, with a broad coalition of supporters showing up to express enthusiasm for the legislation.

The following week, on April 29, the bill and a number of amendments were heard in the Senate Judiciary Committee, where it was also approved on a unanimous vote. Given the strength of the broad-based coalition and growing understanding of the value of wide-area energy markets, I continue to remain optimistic about the outcome in the Legislature as the bill continues to move through the process and will to keep our staff and the governing bodies apprised of any significant developments.

## **2024-2025 TRANSMISSION PLAN**

The 2024-2025 Transmission Plan before the Board of Governors for decision in the May meeting is notable for several reasons. It not only recommends 31 projects with an estimated cost at full buildout of \$4.8 billion, but the plan also recommends a number of upgrades using grid-enhancing technologies that can enhance transmission capacity at a fraction of the cost of new lines.

Assembly Bill 2779, signed into law in 2024, requires the California ISO, following approval of the annual transmission plan, to submit a report to the California Public Utilities Commission and the relevant legislative committees outlining the grid-enhancing technologies in the plan and how they will save costs and/or additional transmission buildout. That report will be completed and submitted at the appropriate time, but I do want to say that the 2024-2025 plan includes a number of upgrades using advanced conductors. The plan also includes a status report in Chapter 8 on 21 projects approved in past plans that deploy flow control, advance conductor and dynamic reactive support technologies.

The ISO has long supported appropriate application and deployment of these technologies and considers them as potential alternatives in our annual transmission planning processes. The key, of course, is to ensure that whatever technology is recommended is appropriate to the task at hand, as some of these technologies are suitable in certain locations but not others. We typically consider advanced conductors and power flow controllers as planning tools providing an alternative to other capital expenditures. Because dynamic thermal line ratings and topology optimizations are primarily operational tools, the ISO will also be considering potential applications in the future aside from the capacity expansion planning that is currently the focus of our transmission planning efforts.

Also, the ISO will continue to evaluate and consider opportunities for grid-enhancing technologies in the annual transmission planning process and it is now required under FERC Orders No. 1920 and 1920-A. In addition, FERC Order No. 2023 requires transmission providers to consider opportunities to deploy these technologies in the resource interconnection process.

## **GAS AND ELECTRIC COORDINATION**

Since customers lost electricity service following Winter Storm Uri in Texas in February 2021 and Elliot in the Eastern United States over Christmas 2022, coordination between gas and electric systems has become more robust around the country. It has also become a greater concern to FERC and our other regulatory entities. But this is something the California ISO has been doing for nearly two decades.

As part of the ISO's efforts to maintain system reliability, gas-electric coordination is achieved through active engagement with both interstate and intrastate natural gas pipeline operators, along with key stakeholders across the Western region. This coordination supports reliable operations of both the electric and gas systems in California and beyond. Direct communication channels are maintained with gas partners through real-time operational coordination and weekly outage calls. These interactions serve as a forum to identify and mitigate the impacts of planned or unplanned gas system work on electric generation. Regular collaboration has enabled adjustments to project timing, sequencing, or system operations to reduce or eliminate customer impacts.

To further strengthen this relationship, the ISO meets with gas industry partners at least annually – and often twice a year - to address ongoing issues and refine communication and coordination protocols. These meetings, along with the consistent operational dialogue, support timely information-sharing and improve situational awareness across both systems. This framework of continuous engagement has proven effective in maintaining grid stability and enhancing resilience

during periods of high demand or system stress, reflecting a shared commitment to ensuring reliability across California as well as the Western energy landscape.

This is especially important as changing resource patterns have resulted in flexible resources being dispatched more frequently for ramping and as thermal generation has started to be used differently to provide the needed energy and ramp capacity in morning and evening load ramps. This has put pressure on gas system pipelines and other infrastructure to make sure it can serve gas customers, including the bulk power system. It has also highlighted the need for better coordination and understanding between operators of the gas system and the bulk electric system.

More recently, after a Pacific Northwest cold spell during the Martin Luther King Jr. holiday weekend in January 2024, when gas supplies were constrained and the bulk power system stressed, the ISO began meeting with gas providers about how the gas and electric systems affect each other and the impact to the grid if gas supplies were suddenly curtailed. Also, after the cold spell, RC West added the Northwest Gas Association to its existing gas company relationships for increased awareness and coordination of the gas system in the Pacific Northwest. This will also help increase understanding between power system operators and gas system operators about their co-dependencies. And our team held a tabletop exercise at the Northwest Mutual Assistance Agreement and Gas/Power Coordination Spring meeting in April. The team discussed our current communication process at that meeting and have plans for additional tabletop exercises later in the year.

## **WEIM QUARTERLY BENEFITS**

Since we last met, the 2025 Quarterly Benefits Report for the first quarter of the year was released. It showed cumulative benefits since the Western Energy Imbalance Market launched in 2014 are just under \$7 billion dollars.

In Q1 this year, the WEIM balanced supply and demand by enabling energy transfers among its 22 participants and reducing their combined costs by \$369.3 million, providing more momentum for the hard work our team continues doing in anticipation of the Extended Day-Ahead Market launch next spring.