



Memorandum

To: ISO Board of Governors and WEM Governing Body
From: Elliot Mainzer, President and Chief Executive Officer
Date: October 21, 2025
Re: CEO report

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

INTRODUCTION

For my October 2025 CEO report, I will provide an update on the ISO's winter readiness activities, the latest developments related to our Extended Day-Ahead Market, an update on the passage of Assembly Bill 825, continuing development of our battery storage fleet, and a new way of accounting for and reporting on greenhouse gas emissions.

WINTER READINESS ACTIVITIES

After a successful summer of consistent grid reliability, our teams have been running through a series of winter readiness activities that have taken on increased importance in recent years.

On October 2, as part of those efforts, we had about 150 participants take part in winter readiness meetings hosted by the ISO and RC West. Participants, which included a representative from Cal Fire, shared weather forecasts and information regarding the anticipated seasonal wildfire threat. They also provided updates on the outlook for precipitation, water levels across the West, the status of natural gas supplies, details about planned outages and construction that could affect transmission capacity and more pertinent information.

As we have done during the ISO's summer readiness activities, we also invited energy providers, including natural gas pipeline operators, to participate and share information about steps they are taking to support reliability as we head into colder, wetter weather.

The forecast shows that we are trending towards a relatively weak La Niña, similar to last winter, with the likelihood of near normal temperatures for the Northern regions, with normal to above normal precipitation. The Southern regions are expected to see elevated chances for above normal temperatures and below normal precipitation. As our forecast team reminded everyone, there is always the chance for short-term extreme weather events and we expect seasonally normal Santa Ana winds in Southern California to create fire risk similar to last winter, when Southern California experienced a number of devastating wildfires. Overall, we are going into the winter in good shape and with ample resources.

Participants in the meeting also heard from our Operations team about lessons learned from last winter, with the main one being another powerful reminder that fire season across the Western U.S. is no longer limited to the summer months, as the devastating Eaton and Palisades fires in Southern California occurred in January of this year. While these events caused tremendous

devastation and local reliability concerns, they also served as an important reminder to build flexibility into our seasonal planning and preparedness efforts.

Looking ahead, we've expanded our operational readiness through the Extreme Weather Playbook¹, which helps us prepare for severe conditions and aligns with new requirements set last year by NERC, the North American Electric Reliability Corporation. A key enhancement is how we forecast our short-term energy needs. In the past, we provided day-ahead forecasts that extended over eight days but only flagged issues that could arise during peak demand hours. Now, our forecasts provide a full picture of every hour in the day for eight days.

In addition, plans for concerning circumstances, including regional gas issues, have been broadened to capture region-wide extreme events, which provide earlier situational awareness and better coordination. When an extreme weather trigger is identified, ISO Operations teams will coordinate, document, track, and log the event from initial forecast through operational actions. These processes strengthen situational awareness, making our action more transparent, consistent and repeatable across the organization.

And the grid continues to get stronger, which is good news at any time of the year. Between September of this year and next April, the ISO balancing authority is expecting to see another 4,343 megawatts (MW) of new resources enter the system, with 2,406 MW of that total to be battery storage.

We also look forward to bringing on the new SunZia transmission line later this year. It includes a 551-mile, ± 525 kV HVDC and 345kV HVAC transmission system connecting to a 3,600 MW wind project in New Mexico. Our teams are engaged in testing and commissioning activities to ensure that this major resource is integrated reliably and securely into the Western grid. As you know, the SunZia line is one of two major transmission projects—TransWest Express is the other—that will bring clean energy onto the ISO-managed grid using our new subscriber participating transmission owner model.

In summary, lessons learned from last winter, combined with the ongoing operational and capacity enhancements, position us to provide greater reliability and support across the West this coming winter.

EXTENDED DAY-AHEAD MARKET (EDAM)

Shortly after my last CEO report was drafted for the September meetings, we received good news from the Federal Energy Regulatory Commission (FERC) that it had issued three orders on the same day, August 29, containing key approvals related to EDAM. One of the orders approved ISO tariff revisions regarding our new method for allocating congestion revenue within the EDAM footprint once the market has launched. As we noted when this was approved by the ISO Board of Governors and the Western Energy Markets Governing Body in June, the ISO is committed to continue working with stakeholders on a longer-term approach for congestion revenue allocation and this work is underway.

¹ Extreme Weather Playbook: <https://www.caiso.com/Documents/extreme-weather-event-process-and-communications.pdf>

The other two orders approved changes that PacifiCorp and Portland General Electric requested in their respective tariffs to enable them to join EDAM next year. And four days earlier, FERC accepted an agreement between the California ISO and the Imperial Irrigation District to integrate Imperial into the Western Energy Imbalance Market and EDAM in October 2028. Additionally, NV Energy plans to file with the Public Utilities Commission of Nevada this month to formally request approval of its plans to join EDAM in 2028.

ASSEMBLY BILL 825

Since the ISO Board of Governors and WEM Governing Body last met, Governor Newsom signed Assembly Bill 825 (AB 825), also known as the Pathways legislation, on September 19, six days after it was approved overwhelmingly by both chambers of the California Legislature. The combined vote was 101-2.

As I said at the time, this is a landmark achievement for the future of energy collaboration and innovation across the Western United States. Governor Newsom, along with the Legislature and the broad coalition of supporters behind this bill, have recognized the importance of taking this crucial next step toward independent governance of the Western electricity markets. We are excited to collaborate with our partners throughout the West in helping to establish the Regional Organization and make the West-Wide Governance Pathways Initiative Step 2 proposal that inspired AB 825 a reality. At the same time, we remain laser-focused on our work around next year's launch of EDAM and to ensure we can continue to deliver a more reliable and affordable bulk electric system for the benefit of consumers across the West.

Over the coming months, we will be working closely with our partners to develop work plans to implement the Pathways Step 2 recommendations in accordance with the requirements of AB 825 and to identify any potential changes needed to our organizational structure, business units and individual responsibilities. This will be a gradual and thoughtful process. As I have communicated with our employees, we will keep the Board, Governing Body and ISO staff informed every step of the way.

We have also communicated with stakeholders about the work ahead, assuring them that we remain fully committed to the successful launch of EDAM in 2026. We will work in close coordination with the Pathways Formation Committee in making sure we remain true to our commitment to openness and transparency as we transition to the Western energy markets of the future.

AB 825 requires the ISO to present an annual report to the Legislature no later than February 1 each year that covers such topics as changes to our tariff, the status of new policy initiatives during the prior year, actions taken by the Board and Governing Body, an assessment of market activity by our independent market monitor, an update on transmission planning and project implementation and more. We have already started to gather that information and will make sure the report is submitted in accordance with the February 1 deadline.

CONTINUING GROWTH OF THE ISO'S BATTERY FLEET

At the end of 2020, there was 101 MW of battery storage on the ISO-managed grid. Today, as of the middle of this month, that number stood at 14,428 MW. That is an impressive rate of growth and our partners at the state and in the utility industry deserve a big congratulations for their hard

work, innovation and policy foresight in working together to make this happen. We have learned a lot as the battery fleet has grown. We are learning and refining still. But the batteries have performed as expected and have made a huge difference in meeting net peak demand on the system.

As stated earlier, we are expecting another 2,406 MW of batteries to come online by next April, numbers that continue to reflect the critical role these assets have in supporting evening net peak periods, providing flexibility, and enhancing system reliability during extreme weather events.

A NEW WAY OF ACCOUNTING FOR AND REPORTING ON GREENHOUSE GAS EMISSIONS

Anja Gilbert from our policy development team will be presenting an informational item at the joint general session this month on a new way of accounting for and reporting on greenhouse gas (GHG) emissions that will go into effect after our EDAM becomes operational next year.

The new process, which was proposed by stakeholders, is designed to improve transparency around emissions from market dispatch. With this new framework, load-serving entities and other organizations will better understand the GHG emissions associated with their electricity consumption, especially under state policies that regulate emissions outside of a cap-and-trade system. The new method also supports voluntary reporting and corporate climate goals. It works by matching ISO market results from the power plants an organization owns or has contracted with to their hourly electricity consumption. If an organization is a net buyer from the market in a given hour, emissions will be assigned using a residual emissions rate. This method offers a more accurate picture of an organization's carbon footprint without changing how electricity is traded or how the grid operates.

Flexibility is a key advantage of this new approach. It supports a range of reporting needs and can be tailored to different state rules. We plan to publish the market-wide residual rate data set and will work with organizations to develop a customized report. Implementation and data publication will follow our launch of EDAM. States will retain authority over whether entities in their jurisdiction may use this data for official GHG reporting. And I want to underscore that this is a data transparency measure, not a policy shift resulting in a change to the ISO's tariff. We are pleased to support our market participants by offering this practical step toward standardized GHG tracking across the West.