

Memorandum

To: ISO Board of Governors
From: Steve Berberich, President and Chief Executive Officer
Date: July 14, 2015
Re: CEO report

This memorandum does not require Board action.

OVERALL CONDITIONS

High loads have been a predominant condition over the last few weeks as waves of higher than normal temperatures continue to roll in. During the week of June 29, demand rose to over 40,000 MW on several days. Drought conditions also continue to dominate with the associated de-rate of hydro facilities as well as a heightened risk of fires affecting the transmission system.

There is a significant natural gas line out of service in Southern California, which has contributed to difficult operating conditions when loads are high and many units are online. During the high loads of late June and early July, gas supply to several units was curtailed, requiring the ISO to dispatch plants in Northern California to reduce the gas burn in Southern California. Because of the gas pipeline outage and high loads on June 30 and July 1, we issued a flex alert requesting energy conservation. We appreciate the public's conservation efforts.

ENERGY IMBALANCE MARKET UPDATE

The performance of the energy imbalance market has improved significantly over the last several months due to several factors, including fewer infeasibilities, better outage coordination, and software changes. Energy flows between the ISO and PacifiCorp have increased since the last report showing the benefit of the market to California and PacifiCorp customers through March at \$11.23 million. The next benefit report is due at the end of July 2015.

Nevada Energy remains on track to begin participation in the market on October 1, 2015, and work is ramping up with Puget Sound Energy and Arizona Public Service for their 2016 market participation.

ENERGY IMBALANCE MARKET GOVERNANCE

The EIM Transitional Committee, charged with developing EIM governance, has been working diligently to arrive at a balanced governance proposal reflecting the varied interests of its diverse membership and the numerous parties engaged in the stakeholder process. Their work is nearly complete with the recent publication of a draft final proposal and receipt of extensive comments from stakeholders. The Transitional Committee will consider these comments in preparing its final proposal for consideration by the ISO Board of Governors at the September 2015 board meeting.

DISTRIBUTED ENERGY PROPOSAL

At this meeting, Management is proposing an approach to aggregating distributed energy resources for participation in the ISO market. These changes reflect the ISO's efforts to continue to adapt our markets and processes to the rapidly evolving electric system. Key to this proposal is creating a new type of market participant called a distributed energy resource provider that would own/operate aggregations of distributed energy resources such as demand response and distributed generation. As those resources grow on the system, it is critical that they be integrated into the system to provide grid services.

BOARD UPDATES

We are delighted that Chair Maullin has been confirmed for another three year term on the ISO Board of Governors, and we welcome Mark Ferron as the newest member of the Board. Governor Ferron has extensive corporate experience, has served on the California Public Utilities Commission, and will be an excellent addition to the Board. Governor Ferron has been appointed to fill former Governor Foster's vacated seat.

RENEWABLE GENERATION

A new solar generation peak of 6,299 MW was set on July 13, 2015 at 1:28 pm. That new peak exceeds the prior peak set on April 28, 2015, which was noted in the May CEO report, by more than 250 MW. Wind generation peak remains at 4,768 MW set April 12, 2014.