

# Memorandum

**To:** ISO Board of Governors  
**From:** Steve Berberich, President and Chief Executive Officer  
**Date:** July 8, 2013  
**Re:** CEO Report

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***This memorandum does not require Board action.***

## OVERALL CONDITIONS

The wildfire season began early this year with several large fires causing reliability challenges most notably in southern California. In the case of the Powerhouse fire, it caused multiple forced outages of the both the Midway-Vincent 500kV lines No. 1 and No. 2 which connect northern and southern California, along with the Pacific DC intertie which connects the Pacific Northwest with southern California. ISO Control Room Operators, in coordination with other western entities, performed emergency mitigation to maintain system reliability. Fortunately, loads were relatively low during the outages and there was no disruption of load.

In late May, SCE transmission upgrades began coming into service in the Devers area. New facilities include Colorado River 500/220kV substation, Red Bluff 500/220kV substation, and Colorado River-Red Bluff and Devers-Red Bluff 500kV transmission lines. These facilities will be used to connect new solar generation resources to the ISO controlled grid, helping to meet California's Renewables Portfolio Standard.

A heat wave that started last week brought extreme temperatures and high demand to much of the state, especially in northern California. The ISO called a Flex Alert for northern California only on Monday and Tuesday and issued a system-wide Restricted Maintenance Operations notice. This is called a "no touch day" and limits maintenance that may jeopardize needed grid and generating resources.

System demand for Monday and Tuesday peaked at 44,965 MW and 43,375 MW, respectively. This was considerably less than originally forecast due to a number of contributing factors such as cloud cover that reduced the intense heat in the south, utility-initiated demand response programs, and the Flex Alert in northern California.

## **SUMMER ASSESSMENT**

As indicated in the ISO's summer assessment, overall capacity on the system is more than adequate to meet summer loads. This is the case despite de-rated hydro power because of limited winter precipitation and the retirement of SONGS. The SONGS retirement, however, does create issues in the heavy load pockets of the southern Los Angeles area and San Diego. In concert with a number of state agencies and the impacted utilities, several additional steps have been taken to ensure reliability and are now complete:

- Synchronous condensers at Huntington Beach in service
- Barre-Ellis transmission line split
- Capacitor banks in key places on the Southern California Edison transmission system
- 1,300 MW of new generation in service in the LA Basin –Walnut Creek Energy Park (500 MW) and Sentinel Energy Project (800 MW)
- 282 MW of the El Segundo repowering project in service, with 282 MW more in testing and starting commercial operation on July 10

Overall, we are optimistic that reliability can be maintained, assuming reasonable operating conditions during the height of the summer. Nonetheless, we would like customers to remain aware of the situation and heed conservation messages when they are issued.

## **LONG TERM OUTLOOK FOR SONGS RETIREMENT**

As we presented to this Board last fall, the ISO has already begun system planning assuming a SONGS retirement. Fundamentally, SONGS provided immense local capacity support for reactive power as well as energy. Those two components need to be addressed over the long term in the southern LA Basin and San Diego. Much of the immediate work has been to replace the reactive power and provide the needed voltage support to ensure unimpeded import of power. The loss of units due to once-through cooling regulations complicate the picture as does compliance with southern California air quality regulations. The response to the loss of SONGS will likely include transmission upgrades; preferred resources including energy efficiency, distributed generation, and dispatchable demand response; some once-through cooling repowers; and other conventional generation.

## **DEMAND RESPONSE ROADMAP**

As we look to California's energy future, it's critical that demand response be a key factor in managing a more complex grid. On June 13, the ISO published a draft Demand Response and Energy Efficiency Roadmap that outlines activities to increase demand response and energy efficiency to reduce or offset needs for additional transmission or generation. The roadmap represents a path forward that seeks participation from all stakeholders. To that end, the ISO, CPUC, and CEC are committed to developing a cross-agency roadmap that will align our objectives and implementation activities. The roadmap organizes activities on four paths including load shaping, resource sufficiency, operations and monitoring. We presented the key points at the CEC IEPR demand response workshop on June 17 in a panel session with representatives from the CPUC and SMUD.

We plan to publish a revised roadmap in Q3. The document is posted on our website: <http://www.caiso.com/Documents/Draft-ISODemandResponseandEnergyEfficiencyRoadmap.pdf>.

## **RENEWABLE GENERATION**

Demonstrating California's impressive progress toward higher levels of renewable generation, solar and wind generation repeatedly reached new peaks since the last Board report. The most recent solar generation peak of 2,245 MW was set on June 21, 2013, at 1:42 p.m. and the wind generation peak of 4,302 MW was set on June 23 at 12:22 a.m.

## **ISO FINANCIAL RATINGS**

On June 20, Fitch affirmed the ISO's Issuer Default Rating at A+ with a stable outlook. Fitch cited that the rating and outlook is a reflection on the ISO's "stable revenues and cash flows derived from FERC regulated tariff structure, strong grid management charge coverage ratios, and the integral role played by the company in achieving state and federal energy policy goals with regard to reliability, competition, renewable energy and environmental issues". Fitch also affirmed the ratings of the ISO's outstanding debt, A+ on the 2008 Bonds, and AA- on the 2009 Bonds due to the added security of the Iron Point Facility serving as collateral.