

# Memorandum

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

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*This memorandum does not require Board action.*

## OVERALL CONDITIONS

Late summer operating conditions have been challenging. High loads are not unusual for late August through mid-September and this year is following form. During the week of September 7, 2015, a high pressure ridge over the west coast drove temperatures to record levels with corresponding increases in load. During that week, we had several days when load reached about 47,000 MW. Fortunately, a significant gas pipeline outage was over and most units were available during the high load periods. In addition, the state has been fortunate that to date wild fires have generally not threatened major transmission lines.

## ISO GOVERNANCE LEGISLATION UPDATE

This session, the Governor proposed and the legislature included language in SB 350 to signal the intention and direction to change the ISO governance model from a California dominated structure to a model allowing greater regional collaboration. A regional ISO has tremendous potential to reduce costs, allow California to build more in-state renewables than otherwise, create markets for over-generation, and reduce carbon not only in California but throughout the West. Reducing carbon through a regional market will also help facilitate compliance with the Clean Power Plan. The ISO will begin the steps called for in SB 350 on a schedule timed to inform the regulatory approvals that PacifiCorp needs in advance of joining the ISO.

## ENERGY IMBALANCE MARKET GOVERNANCE PROPOSAL

At this meeting, the Board is being presented a comprehensive, well vetted, governance model for the energy imbalance market. Special thanks to all of those who voluntarily served on the Transitional Committee and worked diligently toward a consensus governance model. The committee members spent long hours and traveled extensively to craft the EIM governance model, and we were inspired by their commitment and collaboration throughout the process. I offer special thanks to Commissioner Rebecca Wagner for chairing the committee.

Pending board approval, ISO management expects to move forward on drafting new bylaws and starting up the regulatory and nominating committees. We will work closely with the Transitional Committee through the implementation process in order to benefit from their input and provide transparency to the process.

Finally, I want to make note that the Board's actions today involve only energy imbalance market governance and do not involve a change in ISO governance as a whole.

### **ENERGY IMBALANCE MARKET UPDATE**

Parallel operations with NV Energy began as planned on September 1, 2015. To-date, the parallel testing has been going well. NV Energy is submitting balanced schedules with a high degree of accuracy, and both the ISO and NVE are having limited systems issues. We continue to have a high degree of regulatory uncertainty related to decisions that are pending at FERC. These include transition period pricing and readiness certification. Pending the outcome of those items, we are on track to start financially binding operations on November 1, 2015.

### **PUMPED STORAGE OPPORTUNITIES**

On July 21, 2015, I sent a letter to the California Public Utilities Commission advocating that pumped storage be considered in the context of future long term procurement proceedings. The unprecedented changes in the grid, forecasted high levels of over generation, and the desire to rely less on the thermal fleet for ramping and other grid services make storage valuable. Pumped storage presents an opportunity to obtain storage at scale that can provide services over a significant period of time. We look forward to working closely with the commission to model the opportunities and fully understand the value propositions.

### **RENEWABLE GENERATION**

A new solar generation peak of 6,446 MW was established on August 21, at 12:23 p.m. The wind generation peak remains at 4,768 MW set April 12, 2014.