

# Memorandum

- To: ISO Board of Governors and WEM Governing Body
- From: Elliot Mainzer, President and Chief Executive Officer
- Date: February 4, 2025

Re: **CEO** report

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

#### INTRODUCTION

For my initial CEO report of the New Year, I will provide an update on how the bulk electricity grid fared during the Southern California wildfires and our reliability outlook for the rest of winter, as well as updates on recent approvals from the Federal Energy Regulatory Commission (FERC) of the SWIP-North transmission link and the ISO's storage bid cost recovery initiative, before touching briefly on our primary focus areas for the year ahead as reflected in our 2025 Corporate Goals.

#### SOUTHERN CALIFORNIA WILDFIRES

The fires in Southern California have been devastating. There have been a number of fatalities and many structures destroyed or severely damaged, and our hearts go out to those suffering in the Los Angeles area.

We have been fortunate in that the impact to the ISO grid from those tragic fires has not been as dramatic. During the fires, some transmission was, and remains, impacted. Also, some subtransmission was de-energized, causing distribution service interruptions until customers could be transferred. That said, throughout the event the bulk grid remained secure.

In addition to the power system impacts, SoCalGas shut down its Honor Rancho natural gas storage facility in the Castaic area when the Hughes fire approached the location. There was no impact to SoCalGas deliverability or ISO Balancing Authority (BA) generation capabilities.

RC West and the ISO BA coordinated with the affected transmission owners to reduce any planned work activities that could have an impact on energy transfers into local areas. They also performed power flow studies to identify and mitigate any potential impacts to bulk power system reliability.

There was minimal loss of generation in the ISO balancing area due to the loss of subtransmission lines, and there was adequate capacity to manage the bulk grid at all times.

With respect to the January fire at the battery storage facility in Moss Landing, we have been briefed by the asset owner and are staying coordinated with our state and local partners. We will continue to monitor next steps, including any lessons learned from the incident and its aftermath. At this point, there have not been any material impacts to bulk grid reliability from this fire.

# WINTER CONDITIONS

Some forecasts called for very cold weather across some of the West during this year's Martin Luther King Jr. long holiday weekend similar to what parts of the Western Interconnection experienced a year ago. But temperatures in California were close to normal and overall cold temperatures were not as extreme as what we saw last year.

We remained in close contact across the holiday weekend with utilities and state agencies monitoring fire risks and the impacts of cold weather to the ISO grid, as well as with our partners across the West.

As a precautionary measure, the ISO did issue a Restricted Maintenance Operations order on Saturday January 18. It was in effect from 6 a.m. the following Monday until Tuesday January 20.

Looking ahead, we are expecting above normal temperatures across Southern California and the Desert Southwest through March, with the highest likelihood of above normal temperatures for the Four Corners area. In the Pacific Northwest, there is potential for below normal temperatures, so the team will be closely monitoring those conditions. Central and Northern California have no strong indications of temperature trends, meaning there are equal chances of having above or below normal temperatures.

We also know that spring is maintenance season, when utilities start preparing for summer, so we will have a lot of maintenance activities and some lines going out of service. Our operators will work closely with the utilities to manage through all of this as we always do.

Regarding the precipitation forecast, Northern California has received above normal rainfall while many Southern California locations are off to their driest start to a water year in history. Through March, we see a risk of this trend continuing with below normal precipitation for the Desert Southwest and a higher likelihood of above normal precipitation for the Pacific Northwest. There are indications that Southern California may continue to see below normal precipitation, while Northern California will have a greater chance for above normal precipitation. Current reservoir conditions across California and the West are only about half of capacity, with little change from the beginning of winter. If the Pacific Northwest has an above normal winter for precipitation, that could help that region recover some of its hydro storage, with the Desert Southwest expected to remain under a greater risk for continued low hydro availability.

# FERC APPROVAL OF SWIP-NORTH

On January 21, we received the welcome news from FERC that it had approved the ISO's agreement with Great Basin Transmission, LLC for development of the SWIP-North transmission intertie. The 285-mile intertie includes development of a new transmission line from Midpoint, ID to Robinson Summit, NV and would create an important transmission pathway by linking to a longer 600-mile transmission line already carrying power from Robinson Summit to just south of Las Vegas, where it connects to the ISO system.

The ISO determined in its 2022-2023 transmission planning process that the SWIP-North project is the most cost-effective, efficient, and timely solution to meet an identified public policy need of bringing Idaho wind-powered energy to the ISO grid, as called for in the CPUC's integrated resource planning portfolios. The project will also unlock new resources for Idaho. The approval is

another positive step in strengthening Western electric grid connectivity while optimizing resource diversity.

# FERC ACCEPTS STORAGE BID COST RECOVERY MODIFICAITONS

As many of you are aware, last year the ISO began an expedited effort to address design gaps relative to the application of the bid cost recovery rules as they relate to storage resources. In particular, the initiative, launched last July sought to limit the ability of storage assets to bid in a manner that would allow them to get inflated bid cost recovery payments. Recognizing the importance and urgency of this issue given its potential implications for market participants and ratepayers, our teams worked diligently to put forth a final proposal largely based on stakeholder input, which was approved by the ISO Board of Governors and the WEM Governing Body on November 7, 2024.

Today, I am happy to say that those efforts have proved fruitful. On January 24, FERC issued a concise order accepting our proposed tariff revisions, noting that the proposal put forth by the ISO is reasonable and will help mitigate the magnitude of unwarranted or inflated bid cost recovery payments to storage assets. The order represents yet another step towards better integrating the massive storage fleet within our footprint. This outcome owes much of its success to the continued engagement of our stakeholder community, the Market Surveillance Committee, the Department of Market Monitoring, and the multiple teams and departments within the ISO that worked on this matter. The resolution of these complex and technical issues requires a team effort and this initiative is a testament to that collaboration.

With more than 11,000 megawatts (MW) of storage in the ISO's footprint, and more than 3,500 MW across the broader WEIM, collaborative work continues to further update our rules and processes to successfully integrate these assets. In particular, as noted by the Market Surveillance Committee opinion on this matter and the comments submitted by the Department of Market Monitoring at FERC, there is still work to be done to further refine bid cost recovery provisions as they apply to storage assets, along with other matters related to the unique characteristics of storage resources. In this context, and considering even more storage is set to interconnect across the West, the ISO quickly moved to kick off the storage design and modeling initiative, which will serve as the venue to holistically review a host of matters related to energy storage resources in different configurations. We look forward to ongoing collaboration with stakeholders to ensure the continued leadership of the ISO on storage integration and to serve the grid and ratepayers in the most reliable and cost-effective way possible.

# 2025 CORPORATE GOALS

We made a great deal of progress in 2024 on the policy front, the continuing evolution of our electricity markets, advancing transmission infrastructure and much more. Now, as we are already into the second month of 2025, we are excited about the many opportunities to build on that progress and make sure we are focused on implementation and continuity going forward.

Implementation for our Extended Day-Ahead Market will gain even more momentum this year as we move toward our launch in 2026 and continue working with new market participants.

We will also be focused in 2025 on implementing the suite of interconnection queue reforms approved last year by FERC, including the processing of Cluster 15 interconnection requests and moving as many advanced projects to commercial operations as possible.

We will continue to rethink and refine our storage business practices more holistically as we work with stakeholders to ensure that we have the right market rules and practices in place to utilize the growing storage fleet as efficiently, economically and reliably as possible.

In 2025, we will advance our ability to economically and reliably make better use of load flexibility and distributed energy resources (DERs). To this end, we will also work to establish data exchange and communication protocols between the ISO and distribution utilities related to DER dispatch and utilization.

And we will be working to develop an organizational strategy for data access and governance architecture to facilitate data integration across the enterprise and ensure consistent data availability, accuracy, and security. This effort will serve as the future basis for further leveraging artificial intelligence machine-learning technologies for process efficiencies while also helping with operational decision-making.

#### INTERNATIONAL ENGAGEMENT

This year will also see ongoing engagement by our team with international grid operators and utilities in countries as diverse as France, Israel, Australia, India and the United Kingdom. We will continue our work with EPRI's DCFlex initiative, which aims to demonstrate how data centers and artificial intelligence can support and help stabilize the power grid and improve efficiency. In addition, we will continue to host visitors from around the world who are interested in learning from California's experience on the leading edge of clean-energy integration.