

## Memorandum

**To:** Western Energy Imbalance Market Governing Body  
**From:** Elliot Mainzer, President & Chief Executive Officer  
**Date:** September 2, 2021  
**Re:** CEO report

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*This memorandum does not require Governing Body action.*

### INTRODUCTION

This has been a busy and consequential period for the ISO and our EIM partners. In this report, I provide updates on several topics including summer reliability, impacts of fires on the ISO and EIM, joint authority, sufficiency test enhancements, wheel-throughs, Western EIM performance and benefits, and improved communications.

### SUMMER RELIABILITY AND THE GOVERNOR'S EMERGENCY PROCLAMATION

Fortunately, we have not had any extended extreme heat events the past few weeks. Other than the dangerous wildfires we are all experiencing, which create many challenges for our operations, conditions on the electrical grid have been relatively quiet. Using our emergency capacity procurement mechanism, we have been able to secure short-term capacity contracts with a modest amount of generating resources—624 MW in July, 650 MW in August, and approximately 400 MW for September. But as I said in July after the Governor issued his emergency proclamation to expedite clean energy projects and relieve stress on the grid during extreme events, changing conditions require extraordinary action. The prolonged drought, more extreme weather, wildfires, and diminished hydro have increased our reliability challenges.

The Governor's proclamation enhances our ability to address power deficits through additional conservation measures and by providing access to existing back-up generation on a short-term basis. If needed, this generation will be dispatched in a loading order that will attempt to minimize additional pollution and emissions. Access to this back-up generation will support reliability and mitigate costs for consumers in California and other states in the Western electricity market.

We are committed to working with state agencies and stakeholders across the West to accelerate the interconnection of clean capacity resources to help address strains on the system. We are also bringing greater focus and urgency to our transmission planning efforts. As I testified before the Senate Committee on Energy, Utilities and Communications last month, we will not be able to meet our clean energy objectives in a reliable fashion

without having the transmission capacity to send power where it is needed and displace older generating resources. This affects not only California, but all our Western EIM partners and the entire region.

## **STATUS OF FIRE IMPACTS ON ISO AND EIM**

No one is immune anymore from the impact of wildfires throughout the parched West, including the ISO and our partners in the region. In July, the Bootleg Fire in Southern Oregon tripped several lines in the region, reducing transfer capability between California and Oregon. The Pine Pass Fire in British Columbia tripped lines there that resulted in loss of generation resources in British Columbia and reduced capacity in the Pacific Northwest.

The South Fire in Southern California tripped multiple transmission lines, resulting in reduced transfer capability into the Los Angeles area. And in Northern California, the Dixie Fire created an electrical island in the local area of Caribou in Plumas County, resulting in the ISO being unable to access any excess generation from Caribou or serve that area.

The ISO has new processes and tools established this summer to better monitor the fire threat in the Western Interconnection enabling greater situational awareness and coordination among System Operators. With all these challenges, we have not needed to shed load so far this summer, although we did come close during the weekend of July 9 due to extreme heat and the Bootleg Fire's impact on imports.

## **JOINT AUTHORITY DECISION**

The enhanced joint authority framework approved by the ISO Board of Governors and the EIM Governing Body on August 20 is an important step toward strengthening trust, collaboration and coordination with our many partners across the West. The unanimous approval by the two entities will strengthen the foundation for the continued evolution of our energy market into the day-ahead environment and beyond. I want to again express my deep appreciation for the excellent work of the EIM Governance Review Committee in developing a pragmatic and more inclusive governance framework that was accepted so enthusiastically by the two governing bodies and had broad support from EIM participants and other stakeholders within California and across the West.

I look forward to next steps as you take up ratification of the new rules and we move into the next phase of regional collaboration.

## **SUFFICIENCY TEST ENHANCEMENTS**

During a review of our resource sufficiency evaluation process after the challenges of last summer, we heard from our partners and stakeholders that they wanted an improved and more transparent method of evaluating the resource sufficiency of market participants.

As we began our review, it was essential for the ISO to acknowledge that in the heat wave of August 2020, it did not pass components of the resource sufficiency evaluation for several intervals. That raised concerns for us and for the rest of the stakeholder community.

Working with our stakeholders, we crafted a proposal that clarified the rules and practices associated with the sufficiency test. Phase 1 is focused on improvements to the accuracy and transparency of the resource sufficiency evaluation; a later phase 2 will focus on re-evaluating the consequences for failure of an EIM entity to pass this evaluation.

Our stakeholders have also asked for additional reporting and data on the performance and accuracy of the evaluation because that information will help EIM entities understand performance, accuracy and results. The proposal moves the reporting role from the ISO to the Department of Market Monitoring (DMM) which monitors the efficiency and effectiveness of the ISO market. The DMM would provide quarterly EIM performance briefings to the EIM Governing Body.

When this process is complete, I believe we will have a more dependable resource sufficiency evaluation. The EIM will also be stronger overall, allowing market participants to continue capitalizing on the benefits that a regional real-time market has provided and will in the future.

## **UPDATE ON WHEEL THROUGHGS**

The ISO has launched the external load forward scheduling rights process initiative to develop a long-term, holistic, framework for establishing scheduling priorities in the ISO market. The initiative also evaluates enhancements to the current scheduling priorities framework that can be implemented by next summer. This is a very important initiative, not only for the ISO and our ability to reliably serve native load, but for regional entities that depend on the ISO transmission system to wheel or export generation to reliably serve their load.

Phase 1 of the initiative will focus on near-term enhancements that can be in place by next summer. This phase includes a number of transparency enhancements to improve access to data that can inform business decisions on wheeling through the ISO's system and inform potential curtailment risks. Phase 1 also includes a number of stakeholder-suggested enhancements that improve upon the current scheduling priorities framework.

Phase 2 focuses on a long-term, holistic, durable, framework for establishing scheduling priorities in the market and bridging key seams issues between the ISO market paradigm and the Open Access Transmission Tariff paradigm under which the rest of the West operates. Based on stakeholder feedback, the ISO has proposed development of a forward transmission reservation process for establishing scheduling priorities in the ISO market.

The ISO would calculate transmission capacity needed to serve native load and make the rest available for reservation by other transactions to establish scheduling priority equal to ISO load across different timeframes. The ISO would also develop a process under which certain requests for transmission service can be studied and drive upgrades across the system to secure the higher scheduling priority. The ISO is proposing to create collaborative stakeholder working groups to evaluate key elements and leverage the expertise of our regional partners, build consensus, and develop this framework further.

## **WESTERN EIM PERFORMANCE AND BENEFITS**

Western EIM benefits for Q2 of 2021 were \$132M, bringing total cumulative benefits to \$1.42B. Widespread high temperatures in June contributed to the most recent growth in benefits because of increased heat-related activity in the real-time market, as well as the addition of six new balancing authority areas to the Western EIM's footprint. This summer, the ISO also enhanced the capacity test applied to all balancing authority areas participating in the Western EIM by including an additional component for uncertainty, which increases the total requirements in the capacity test. This has resulted in about a threefold increase of capacity test failures across all EIM balancing authority areas.

## **IMPROVED COMMUNICATIONS**

The Root Cause Analysis from last summer identified the need for improved communications and we have made significant progress on that front. Our communications team and senior leadership have been keeping the Governor's Office, CPUC, CEC and other state leaders and agencies up to date on what we see on the grid and how are dealing with it. This has been beneficial for everyone and I believe it has contributed to more positive media coverage generally of ISO activities.

We have improved the ISO website to help stakeholders and the public track summer conditions, adding "Resource Adequacy Capacity" trend charts to Today's Outlook and better organizing pages on summer readiness activities and summer conditions. Our communications office also established a Heat Bulletin to provide earlier warnings of potential grid challenges and a set of informative fact sheets to improve understanding of grid operations. A new System Conditions Bulletin keeps media updated during emergencies.

We have created a Summer Readiness webpage with active updates on our activities and conditions that affect the grid, and we contribute to monthly reports to the Legislature on summer readiness with the CPUC and CEC. We have also upgraded our Flex Alert program that now includes an advertising and awareness campaign, with ads currently running on digital and broadcast formats throughout the state.

These are just a few of our many communication upgrades, which also include our new Energy Matters blog that provides timely, informative stories on the ISO system directly from ISO staff.