Memorandum

To: ISO Board of Governors and WEIM Governing Body  
From: Elliot Mainzer, President and Chief Executive Officer  
Date: July 10, 2024  
Re: CEO report

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

INTRODUCTION

For my July 2024 CEO report, I will provide an update on the July heat wave, next steps on interconnection process enhancements, an update on our extended day-ahead market, energization of the Ten West Link transmission line, the Pathways Initiative, plans for our 2024 Stakeholder Symposium, the 20-Year Transmission Outlook update, the recent White House Grid Modernization Summit and the successful launch of caiso.com, the ISO’s new website.

JULY HEAT WAVE

Soon after we wrapped up most of our pre-summer readiness activities that included two tabletop exercises with the governor’s office and other state officials, California began experiencing its first extreme heat event of the summer on the last day of June and into the July 4 holiday week. Triple-digit temperatures covered much of the state and we began to see loads moving in the direction of what the California Energy Commission had projected for the July peak of 45.6 gigawatts.

Thanks to the additional resources we had on the grid, our strong communication and coordination and all the preparation we did before summer, our operators were able to manage through this event quite well and retained reliability throughout. Our colleagues and partners across the West did the same. Throughout the event, our growing battery fleet performed well and really helped us meet our net peak demand. We put out concise, clear messaging about grid conditions and kept the state agencies, our customers, partners and the public up to speed on grid conditions throughout the event.

I also want to note that the Western Energy Imbalance Market continued to be an effective tool to help balance supply and demand in the wider Western footprint by enabling transfers among balancing areas participating in the market. For instance, at various times the ISO area provided export transfers to other areas of up to 3,000 megawatts (MW). Also, on July 8 and 9, the ISO area supported a significant volume of exports reaching up to 8,000 MW, and became a net exporter in several hours. Throughout the event, the ISO market honored all high-priority exports and wheel-through transactions.

For the first 10 days or so, even as the heat persisted and spread more widely across the state and region, we also used a variety of tools at our disposal. Among those was a restricted maintenance order issued on July 3 that stayed in effect through July 11. We also declared a
transmission emergency that was in effect from July 3 through July 10 for a portion of Northern California because of the need for additional generation in the area.

On Tuesday, July 9 we elected to activate a portion of our playbook to stabilize resources by using the state’s Strategic Reliability Reserve program so these resources could be ready to dispatch to the grid on Thursday, July 11 if they were needed on the day we were forecasting some of the hottest temperatures of the entire heat event. These plants can make around 3,000 MW available for dispatch and this was also done as a precautionary measure but we wound up not needing that extra power.

It was also important to let the public know that events persisting like this heat wave over many consecutive days can overtax generators running at high outputs for long periods, causing outages and reduced generation capability due to the increasing ambient temperatures. We issued a heat bulletin on July 10 in large part to make that point and also to remind the public that we’re also monitoring wildfires in many areas of the state and were beginning to get concerned about the ability to transfer energy into and within California as the hot weather spread and intensified across much of the West. On July 10, in fact, the Western Interconnection set a new peak load record at 5:10 p.m. when it reached 167,988 MW, surpassing the prior peak of 167,530 MW which was set on September 6, 2022, when the ISO also set its all-time high peak load of 52,061 MW.

As of Thursday July 11, when this update was written, we had not called any Flex Alerts and had no Energy Emergency Alerts (1, 2, or 3) in our balancing area or in the RC West, although we did have an EEA Watch in Cenace, which is part of the RC West footprint.

All in all, I was extremely impressed and proud with how the organization handled this long stretch of extreme weather. We communicated well and that helped us all get through a very extreme and prolonged set of record-setting heat and the first real heat wave of the summer of 2024 in good shape. This speaks to the skill of our operators and all the hard work the ISO and others across the West have done to prepare for this summer. I am deeply appreciative of everything that was achieved and the great work of the ISO team and want to thank our customers and partners for their support and coordination throughout the events. Congratulations to everyone on a job well done.

INTERCONNECTION PROCESS ENHANCEMENTS (IPE) TRACK 2
I want to again thank the ISO Board of Governors for their support of track 2 of our interconnection process enhancements initiative during their special meeting on June 12. In addition to receiving more robust input from a number of our stakeholders who participated in the meeting, all of the Board members offered helpful comments and questions. Board Chair Jan Schori summed up the situation well when she noted that despite differing perspectives on some of the elements under consideration, there was a clear consensus around the need to do something about our interconnection process and to do it sooner rather than later.

Transformational change is always challenging. We feel a good balance was struck among many competing interests to make our interconnection process more nimble, efficient and cost-effective so we can onboard the historic amounts of new energy needed to bring onto the grid over the next two decades.
A critical piece of the process is continued coordination with the California Public Utilities Commission and local regulatory authorities on the screening procedures for projects to advance to the study process. I appreciate the Board’s helpful attention to ensuring a scoring process that engages load-serving entities in a transparent and fair manner. As was said at the meeting, we will continue working with our stakeholders to monitor how the reforms work going forward and remain open to any refinements that may be needed.

We are working on obtaining the necessary approval of the interconnection reforms from the Federal Energy Regulatory Commission (FERC) and plan to file in July. Our team is also getting started on track 3 of the IPE initiative, which will be focused on deliverability allocations and more acute challenges created by recent “superclusters” which have seen unprecedented numbers of interconnection requests.

EXTENDED DAY-AHEAD MARKET (EDAM)
We are continuing our work and implementation activities to launch the new extended day-ahead market and remain on track for a “go-live” date in spring 2026. We received excellent news on June 11 when the FERC approved in its entirety our re-filing of the EDAM access charge design which was originally declined, without prejudice, in the FERC’s December 2023 order accepting the rest of our market design.

The EDAM access charge establishes provisions supporting transmission provider recovery of certain historical revenues that may otherwise be impacted by participation in EDAM. This is a very important component of the design that is of great interest to prospective participants because it avoids and mitigates the potential of cost shifts. With this approval, I am pleased to say the Commission has now approved the full EDAM design that was originally presented to and approved by the ISO Board of Governors and WEIM Governing Body in February 2023.

Since our last meeting, Nevada Energy (NVE) has publicly indicated its intention to participate in the EDAM and said it will follow up later this year with a formal filing to its state commission seeking approval to join. Also, on June 28, the ISO and Portland General Electric (PGE) signed an implementation agreement regarding PGE’s decision to join the EDAM in 2026. At this stage, in addition to the ISO, we have six balancing authority areas currently participating in WEIM indicating their intent to extend their participation into the EDAM. This level of participation represents almost 50 percent of the demand in the Western Electricity Coordinating Council (WECC), creating important and meaningful transmission connectivity and a large and diverse market footprint to derive significant economic and reliability benefits for market participants.

TEN WEST LINK
The new Ten West Link transmission line was energized in June and is under the operational control of the California ISO. Like so many transmission projects, this one has a long history. Originally known as the Delaney-Colorado River project, it required approval from various federal, state, tribal and local entities. The ISO Board of Governors approved it as an economically driven project in July 2014 and the 125-mile line connects electrical substations in Tonopah, Arizona and Blythe, California. The Ten West Link brings more than 3,000 MW of clean power to consumers in California and the desert southwest, making the grid more resilient, sustainable and reliable.
Getting new transmission planned, sited, approved, financed and built is a monumental task. This project is a testament to the vision, fortitude and all-hands approach needed to reach the finish line. I have deep appreciation for everyone who worked on this project and saw it through to completion, from the visionary public officials, our talented transmission planners at the ISO, our contract and implementation team, all the skilled laborers who built the line and many more participants. It is great to have this transmission capacity on our grid and the effort to get here is a shining example of vision, teamwork and persistence.

WEST-WIDE GOVERNANCE PATHWAYS INITIATIVE
Soon after the Board and Governing Body were briefed at its May general session meeting on the work of the West-Wide Governance Pathways Initiative (Pathways Initiative), the initiative’s Launch Committee voted unanimously to adopt the first phase of its work, which is its Step 1 recommendation.

The Launch Committee submitted its Step 1 recommendation to the Chairs of the Board and Governing Body on June 5, and ISO staff was subsequently directed to launch a stakeholder process to seek feedback on the proposal. An initial stakeholder call was held on June 18, with a request for written comments by July 10.

We encourage broad stakeholder engagement as the Board and Governing Body consider this proposal that would, among other things, change the governance structure to give “primary authority” over WEIM and EDAM market rules to the Governing Body, while modifying the process for resolving disputes between the Governing Body and the Board. This step also proposes to enable “dual filing” of proposals from each body at the FERC in the event that a consensus decision cannot be reached. We anticipate this proposal will soon be a decisional item at a special general joint meeting in August.

2024 SYMPOSIUM
Registration has been opened and planning for our Stakeholder Symposium is continuing to take shape. We look forward to another excellent and well-attended event in downtown Sacramento on October 29 and 30. The agenda is not yet complete but, among other things, we will have a session on the Pathways Initiative and the evolution of Western energy markets, transmission and the essential role it plays in our clean-energy future and a session on reliability and market dynamics across the West.

As we have seen in the past, the Symposium, which begins with a reception on October 29, will again be timely, thought-provoking and attract energy professionals, experts, thought leaders and policy makers from around the West, the nation and world.

20-YEAR TRANSMISSION OUTLOOK UPDATE
Our first 20-Year Transmission Outlook published in February 2022 delineated the long-term architecture of the California grid as we continue to better align power and transmission planning, resource procurement and interconnection queuing. Two years later, as the power mix and other characteristics of the grid continue to evolve, we wanted to make sure that our longer-term planning horizon continues to focus on what the transmission network will look like two decades from now, both for a reliable future but also to help inform important infrastructure decisions we are currently making. Now that the 2023-2024 Transmission Plan is approved and on the books,
our infrastructure planning team is polishing up an update of the 20-Year Outlook that we currently anticipate publishing sometime this month.

**WHITE HOUSE GRID MODERNIZATION SUMMIT**

On May 28, I was in Washington D.C. and had an opportunity to participate in a timely White House Summit on Modernizing the Power Grid. With the focus and interest on grid-enhancing technologies, or GETs, growing as we all work to make the best use of our existing assets to enhance reliability and affordability, it was good to share some of the ISO’s experience with grid-enhancing technologies and the role they have played for a number of years in our transmission planning process. I was able to mention some older and also some more recent examples where GETs have been deployed in California, as well as the role identified for these technologies in our recently approved 2023-2024 Transmission Plan. We have been evaluating GETs for a number of years on a case by case basis and they will continue to be a key part of our planning portfolio. I am appreciative of the attention being focused by the Biden administration, the FERC, the Department of Energy and others on grid-enhancing technologies which are coming into maturity in much the same way solar, wind, and batteries evolved from interesting ideas a few years back to where they are now indispensable components of a reliable and sustainable bulk power system.

**CAISO.COM LAUNCH**

During our May meetings, we were anxiously awaiting the launch of the ISO’s new website and as you have probably all noticed, caiso.com went live on May 30. The new site has been well received both internally and externally. It has an updated and more modern look and feel, is easier to navigate and has a phenomenal amount of information on it. Kudos again to the team that did such a good job and continues to make adjustments as needed.