



# Memorandum

**To:** WEIM Governing Body and ISO Board of Governors  
**From:** Elliot Mainzer, President and Chief Executive Officer  
**Date:** November 1, 2023  
**Re:** CEO report

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

## INTRODUCTION

For my November 2023 CEO report, I will provide updates on the October 14 annular solar eclipse, the recent order from the Federal Energy Regulatory Commission (FERC) approving our Transmission Service and Market Scheduling Priorities design, our interconnection process enhancements phase 2 initiative, the resource adequacy initiative, reliability must-run (RMR) contracts, the ISO's extended day-ahead market and day-ahead market enhancements tariff filing, and the latest Western Energy Imbalance Market (WEIM) quarterly benefits report.

## OCTOBER 14, 2023, ANNULAR SOLAR ECLIPSE

Our forecast and operations teams did considerable proactive planning and coordination for the partial solar eclipse that occurred on the morning of October 14. They were in close communication with stakeholders and market participants to identify risks and carefully plan, manage and mitigate the impacts of the eclipse. They also had solid help and coordination from the WEIM and RC West participants, and the team effort and advance work paid off. The power grid remained stable throughout the eclipse, with normal system operations resuming shortly after the conclusion of the event at 11:05 a.m. The planning and coordination with our stakeholders and partners in the West was meant to safeguard the reliability of the grid during the eclipse and helped achieve the positive outcome.

Overall, generators followed their dispatch forecasts closely, and ramping was smooth heading in and out of the eclipse. The ISO's short-term forecasting group plans to publish its full post-eclipse analysis in December, and I want to thank all of our staff at the ISO and our many partners who helped us work through a challenging but ultimately successful summer of 2023 as well as the eclipse. All these events require major team work, and that has been instrumental in the success we have had.

## **TRANSMISSION SERVICE AND MARKET SCHEDULING PRIORITIES APPROVAL**

On October 30, FERC issued an order approving the ISO's Transmission Service and Market Scheduling Priorities phase 1 tariff modifications. The proposal was approved by the ISO Board of Governors on February 1, 2023, instituting a new process for establishing wheeling through priority across the ISO system starting in June 2024 and similar to processes across the transmission systems of our Western partners. We are currently working on our implementation assessment and communication plan with stakeholders.

## **INTERCONNECTION PROCESS ENHANCEMENTS (IPE) PHASE 2**

The ISO published its phase 2 straw proposal on interconnection process enhancements on September 21 and is incorporating stakeholder feedback to develop a more refined draft final proposal. The linkage between resource and transmission planning, procurement, and interconnection remains central to our efforts, and we are refining those linkages as we get closer to a final proposal that encourages interconnections in areas with available and planned transmission deliverability. This will provide a natural incentive for project development and procurement of projects in areas where resources are needed and transmission capacity exists based on state and local resource plans.

The straw proposal suggests a process of scoring each interconnection request to rank projects that would move ahead to the study process. The team is holding another round of stakeholder working group meetings in advance of the next paper to focus these criteria into a clear and verifiable set of indicators of project readiness. If excess proposed capacity exists in certain transmission zones after using the readiness scoring, the ISO would conduct a market-clearing, sealed-bid auction for the right to be prioritized and studied in a specific zone. The ISO, in response to stakeholder feedback and sensitivity to ratepayer costs, designed the auction to minimize the fiscal impact on ratepayers, with auction revenues used to fund transmission upgrades. We are considering stakeholder feedback on this process as well to ensure a fair and efficient process.

For projects currently in the ISO's interconnection queue, we are proposing a one-time opportunity for interconnection customers to withdraw projects from the queue and receive, over time, any unused portion of their interconnection financial security postings.

On a parallel track, we are working on our compliance filing for the Federal Energy Regulatory Commission's (FERC) Order No. 2023, "Improvements to Generator Interconnection Procedures and Agreements" issued in late July. The ISO intends to comply with the order as fully and quickly as possible, so we are working on a compliance filing due in early December. Several items that we initially explored in the IPE initiative are now requirements under the FERC order, and we are working to design a process that integrates the new FERC requirements with our own proposed interconnection process enhancements.

We plan to post a draft final proposal for the IPE initiative in late November, which will better reflect new requirements associated with the FERC order. The team will continue its deep engagement with stakeholders in anticipation of a final proposal going to the ISO Board of Governors for consideration at its meeting in February 2024. There is more work to be done, but this has been an intensive, stakeholder-driven process that we believe will result in the type of

foundational changes needed to efficiently onboard the significant amounts of new capacity California and the West will need over the next several decades.

## **RESOURCE ADEQUACY (RA) ENHANCEMENTS**

There is a need for more consistent, transparent and timely information on the sufficiency of the resource adequacy fleet in the ISO footprint – something that policy makers, entities looking to potentially join with California in expanded regional markets, and load-serving entities responsible for procurement have all consistently requested. As the grid continues to evolve, particularly with more resources like battery storage that require energy from other resources to charge, our ability to access and communicate the system-wide sufficiency of the ISO balancing authority with regard to the RA fleet in a timely and effective manner is crucial for a reliable and efficient program.

We also recognize that it is appropriate for the ISO to review and make any necessary reforms in the RA operational program, including reviewing procurement and maintenance investment incentives, so they keep pace with the evolving grid and so RA supply and the required operational attributes are available when and where they are needed.

As such, we have been working on another stakeholder-guided working group initiative to address these issues. To provide a springboard to the kind of robust discussion that can produce the most fruitful results, we published a discussion paper on September 25. The paper calls out the need for enhancements due to our evolving generation mix, variable supply and demand conditions and changes to resource planning frameworks in California and the West. We are again using the working group model to enhance the quality of market design by giving stakeholders a more active role in formulating proposals.

With this approach, we will focus early in the process on coming to agreement on principles and problem statements that need to be addressed and the appropriate prioritization of the issues. Our initial working group meeting was held on October 5, facilitated by an outside consultant, Jeff McDonald, who has significant expertise in resource adequacy and energy markets. In addition to his other considerable experience, Jeff served for more than a decade in the ISO's Department of Market Monitoring and then as vice president of ISO New England's internal market monitoring unit.

## **UPDATE ON RELIABILITY MUST-RUN (RMR) CONTRACTS**

For the first time in twenty-five years, the ISO will have no reliability must-run contracts to start 2024. Although we sought authority at the September ISO Board of Governors meeting to extend several RMR contracts through calendar year 2024 for the Dynegy Oakland, LLC generating units, recent actions render those extensions unnecessary.

As we discussed during the September meeting, all resources required to maintain reliability have transitioned out of RMR contracts and into resource adequacy contracts. In 2023, there were two local RMR facilities - the Oakland Power Company, LLC Oakland Units 1 and 3, and the Greenleaf II Cogen, owned by Starwood Energy Group.

But Greenleaf II Cogen entered into a resource adequacy contract before the ISO Board of Governor's September 21, 2023 meeting for the full amount of its available capacity through 2024. It will be available to the ISO without the need for an RMR contract. The Oakland units 1 and 3 have since entered into resource adequacy contracts for the full amount of their available capacity through 2025 and will also be available to the ISO without the need for an RMR contract. While transmission projects are underway to eliminate the longer-term local need for these resources, entering into resource adequacy contracts for 2024 resulted in the elimination of RMR agreements earlier than anticipated.

## **TARIFF FILING FOR EXTENDED DAY-AHEAD MARKET (EDAM) AND DAY-AHEAD MARKET ENHANCEMENTS (DAME)**

We have received a robust set of comments on our proposed tariff changes filed with FERC in August and provided our responses to those comments on October 11. I am pleased to say there has been very limited protest, and the comments and excellent feedback are very encouraging. They indicate broad areas of agreement and recognize that development of the design considered different competing interests, resulting in a balanced approach that can evolve through operational experience.

This is exciting and encouraging progress and I look forward to continuing our positive momentum on the approval process and moving into implementation mode in 2024.

## **WEIM QUARTERLY BENEFITS**

The WEIM benefits and market update report for the third quarter of 2023 was published on October 31 and showed that the WEIM is closing in quickly on \$5 billion in cumulative benefits. The total estimated benefits for Q3 are \$462.05 million. For additional context, the quarterly report breaks down WEIM benefits for each region on a monthly basis. Monthly savings were \$171.87 million for July, \$140.94 million for August and \$149.24 million for September. Total benefits since the market was launched in 2014 were reported to be \$4.66 billion.

Once again, the report illustrates how, by using state-of-the-art technology to find and deliver low-cost energy to meet real-time demand, the WEIM utilities can realize financial and operational benefits through increased coordination and optimization, something that was critical for helping to maintain interconnection reliability during the summer of 2023.

As you know, the WEIM also provides significant environmental benefits through the reduction of renewable curtailments during periods of oversupply. Sharing resources across a larger geographic area reduces greenhouse gas emissions by using renewable generation that otherwise would have been turned off. The quantified environmental benefits from avoided curtailments of renewable generation since 2015 cited in the latest report reached 904,219 metric tons of CO<sub>2</sub>, roughly the equivalent of avoiding emissions from nearly 200,000 passenger cars driven for one year.