



# Memorandum

**To:** ISO Board of Governors and WEIM Governing Body  
**From:** Elliot Mainzer President and Chief Executive Officer  
**Date:** July 12, 2022  
**Re:** CEO report

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

## INTRODUCTION

For my July CEO Report, I will provide a reliability and operations update, including the latest information on additional installed capacity; a progress report on our extended day-ahead market (EDAM) initiative, as well as related initiatives complementary to EDAM that are advancing simultaneously, including resource sufficiency evaluation enhancements, flexible ramping product refinements, the wheel through issue and energy storage enhancements.

## RELIABILITY AND OPERATIONS UPDATE

The first few weeks of summer have been relatively quiet from a grid operations perspective. Peak ISO load on June 27 hit 41.7GW, but supplies were adequate and there was considerable weather diversity across the West, with the Pacific Northwest being particularly wet and cool. Total load in the RC West footprint hit 117GW on June 27. As a point of reference, the ISO historical peak load record is 50.27GW set on July 24, 2006. The historical RC West peak load record is 127.6GW set on August 20, 2020.

We have experienced fairly typical high temperatures for June, but there have been no major issues thus far in meeting demand or contingency reserve requirements. On June 10, high temperatures and load in the Bakersfield area caused a local transmission issue when solar generation ramped off. This required approximately 100MW of load shedding for approximately one hour until transmission reconfiguration and review could be completed.

There have been two fires in Northern California in proximity to the Bulk Electric System, the Nelson Fire in Butte County and the Electra Fire in Amador and Calaveras Counties. The Nelson fire was contained quickly. The Electra fire has yet to pose any threat to the integrity of the system but did require temporary islanding and local load management in the area. Also, Southern California Edison activated its PSPS program for one 60kV distribution circuit but there was no impact to the BES.

On a related reliability issue, we also provided analytical and technical assistance to Gov. Gavin Newsom's administration in support of Assembly Bill 205, the Governor's omnibus budget trailer energy bill that he signed on June 30. We will continue to work with the administration and others

in state government as they develop and on-board resources into the state's new Strategic Reserve that was established by the legislation.

## **EDAM**

The ISO team that has been working on our extended day-ahead market initiative is holding a series of seven stakeholder workshops that started on July 11 and are scheduled to conclude on July 27. The workshop on issues such as resource sufficiency evaluation, transmission, greenhouse gas accounting and other key market design issues are in direct response to more than 500 pages of written comments submitted by 47 entities across California and the West after our initial EDAM straw proposal was published in May. The comments appear to indicate that we are moving in the right direction and there have been no insurmountable design issues raised. Much work remains, but we feel positive about the framework that has been established as the team continues to consolidate input from stakeholders across the West and works diligently toward release of the next version of the proposal on August 11. Comments from stakeholders on our revised straw proposal will be due by September 9.

At the same time, the WEIM Governance Review Committee (GRC) continues to consider potential governance changes to support EDAM and is expected to publish a straw proposal on July 15. The committee is hosting a public call on the morning of July 20, followed by a stakeholder comment deadline of August 15. This Committee, comprised of stakeholder representatives and non-voting members from the WEIM Governing Body and the ISO Board of Governors, has been carefully considering the implications of the extended day-ahead market on the current governance structure. The Committee's straw proposal will recommend changes and seek stakeholder feedback on several key areas impacted by the expanded market opportunity. The GRC will then revise the proposal this fall based on stakeholder feedback.

## **RSEE PHASE 2**

The ISO published its straw proposal for the Western Energy Imbalance Market (WEIM) resource sufficiency evaluation enhancements phase 2 on July 1, 2022, and held a public call on the proposal on July 11. The proposal focuses on enhancing the accuracy of the WEIM resource sufficiency evaluation by updating how the test treats low-priority exports from the ISO balancing authority, as well as revising how inertia and near real-time uncertainty will be treated in the test. The proposal also presents a framework to allow for parties to use the WEIM to cure over-supply and under-supply conditions subject to a financial consequence. And the proposal also refines the approach to preserving reliability and sending effective incentives for parties to meet the capacity and flexibility components of the resource sufficiency evaluation by introducing a framework of financial as opposed to physical consequences for failing the RSE. The ISO looks forward to stakeholder comments on this matter, which are expected by July 25, 2022.

## **FLEXIBLE RAMPING PRODUCT REFINEMENTS**

In preparing to implement the October 2020 ISO board-approved flexible ramping product refinements policy, the ISO identified an aspect of the proposal that conflicts with more recent stakeholder, ISO Board of Governors, and WEIM Governing Body consensus to leverage the WEIM to increase reliability and not limit transfers – to the extent possible – during stressed

system conditions. Specifically, a technical implementation element referenced in the FRP proposal approved by the Board in October 2020 would have limited WEIM transfers to zero as a consequence of failing the resource sufficiency evaluation (RSE). While not widely discussed at the time of approval due to the large number of issues at play coming out of August 2020, the proposal to limit transfers to zero was a change from the status quo of holding transfers constant at the level prior to the interval in which an entity fails the RSE. Significant additional stakeholder dialogue in recent months has concluded that limiting WEIM transfers to zero in the event of an RSE failure would exacerbate reliability issues during stressed system conditions. As a result, the ISO is proposing a modification to this element of the original FRP proposal, effectively proposing to retain the existing consequences for failing the RSE while we continue work to establish a framework of financial consequences for RSE failure. This modification will allow the ISO to implement the flexible ramping product refinements policy on schedule during the fall of 2022, without causing any adverse reliability impacts.

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

The ISO is preparing for publication of a straw proposal that puts forward a framework allowing external load-serving entities to secure a market scheduling priority equal to ISO load for transactions wheeling through the ISO system. The framework would calculate an amount of transmission capacity – known as available transfer capability (ATC) – which can be accessed by entities seeking to establish scheduling priority for their wheeling through transactions. In calculating the ATC across different time horizons, the ISO would seek to set aside a reasonable amount of transmission capacity needed to reliably serve native load. The ISO will also introduce a framework where entities seeking to establish the scheduling priority for a year or longer could participate in studies and potentially fund transmission system upgrades to support establishing scheduling priority for their wheeling through transactions on a longer-term basis. Entities that do not secure the ATC in advance can continue to wheel through the ISO system, but with a lower scheduling priority as is practiced today.

Over the last several weeks, the ISO has engaged with a number of utilities, ISOs and RTOs around the country to vet the framework, understand other practices, and evaluate consistency between approaches. We are targeting publication of the straw proposal mid-July and look forward to continuing to engage with stakeholders on this important topic.

## **CONTINUED GROWTH IN STORAGE RESOURCES**

Growth of storage resources deployed on the grid continues. As cited above, from July 1, 2021 to July 1, 2022, we have added 2,040MW of new battery resources that have achieved commercial operation date status. The total amount of installed batteries that have achieved commercial operation as of July 1, 2022 is 3,124.12MW. This is more than double the total capacity of about 1,500MW that was available heading into the previous summer. For all resources, the change in net qualifying capacity from July 2021 to July 2022 is 2,743MW.

Storage continues to be a key tool for grid operations and is capacity that the ISO and state depend on for reliability. The ISO continues to develop new tools in our active energy storage enhancements initiative to help manage storage resources and is working on updates to models that will help storage participate in the market. The ISO is planning enhancements to tools to

ensure storage can deliver ancillary services, provide local reliability, and can be exceptionally dispatched – with fair compensation – by the ISO operations team. This policy also includes enhancements to the co-located model to help better accommodate for investment tax credits. This is important because many of the new storage resources on the system are co-located with solar, and these tax credits are a critical consideration for developers seeking financing opportunities for new projects. The ISO plans to take this policy to the ISO Board of Governors for approval in October 2022, and hopes for a phased implementation with the most important components delivered potentially as early as spring 2023.