California ISO | WESTERN ENERGY MARKETS

Memorandum

To: ISO Board of Governors and WEM Governing Body

From: Elliot Mainzer, President and Chief Executive Officer

Date: July 7, 2026

Re: **CEO report**

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

INTRODUCTION

For my July 2026 CEO report, I provide an update on summer readiness, the Extended Day-Ahead Market and work with stakeholders on evolving market protocols such as congestion revenue allocation and intertie scheduling, seams workshops, the SunZia transmission line, the Federal Energy Regulatory Commission's recent order on large loads, the Pathways West-wide Governance initiative, and plans for this fall's Stakeholder Symposium.

CONGRATULATIONS

Before providing those updates, I would like to congratulate Anita Decker on her reappointment to the Western Energy Markets Governing Body and Andrew Campbell and Deborah Smith for their elections as Chair and Vice-Chair.

SUMMER READINESS

Since my last CEO report in April, our forecast team's latest weather update indicates that after a relatively near-normal start to summer across the ISO footprint, the outlook for the remainder of the season, including warm sea-surface temperatures, indicates an increased likelihood of above-normal temperatures across California and the broader West, with the strongest indications concentrated across the Pacific Northwest. Despite some late-season spring rainfall helping to keep most California reservoirs filled above their historical average for the start of summer, early and rapid snowmelt has reduced incoming stream flows to between 33% and 50% of normal, impacting storage levels for the remainder of summer. The latest seasonal forecast trends also indicate increased monsoon-driven storms for the Desert Southwest/Four Corners region with impacts on southeast California, which can reduce grid-scale solar production in those areas.

We have also completed more of our summer readiness activities, including the May 4 release of the 2026 Summer Loads and Resources Assessment. It showed a surplus of 2,547 megawatts of eligible resource adequacy capacity for meeting the 1-in-10 loss of load expectation industry standard, so our resource adequacy position continues to strengthen. But we also know there remains potential risk from a West-wide extreme heat event and wildfires.

In monitoring those risks, we have already seen a very active wildfire season in California and throughout much of the West. We will continue to coordinate with our state and regional partners with timely communications on potential threats to equipment and reliability. It has also been

impressive to see the aggressive and effective response from our firefighters, and we are deeply appreciative of their efforts.

EXTENDED DAY-AHEAD MARKET (EDAM) PERFORMANCE AND MARKET POLICY REFINEMENTS

Since EDAM was launched in May, the market has been demonstrating very solid performance. In the interests of transparency and to help stakeholders understand in detail how EDAM is performing, the ISO is posting a series of customized monthly reports on the market for the six months after EDAM implementation. Our initial report examined data from May and was posted on the Western Energy Markets website June 25. Overall, the analysis team found that the first month of EDAM operations demonstrated a successful and stable market launch, with efficient price formation and active interregional trade. While some early-stage volatility, timing delays, and settlement adjustments are evident, our teams will continue to address all issues with transparency and high responsiveness.

As market participants gain experience and enhancements mature, the full benefits of EDAM, including improved efficiency, enhanced reliability, and broader market integration, are expected to become more pronounced.

Some other key observations from the May report include:

- Strong resource sufficiency results across all participating areas. The ISO and PacifiCorp East (PACE) passed the resource sufficiency evaluation in all intervals, while PacifiCorp West's (PACW) passing rate was 99.4 percent.
- Day-ahead energy prices remained moderate and seasonally consistent, with daily averages of $8/MWh in PACE, $19/MWh in PACW, and $15/MWh in CAISO. The CAISO prices increased modestly from April 2026 ($14/MWh) but remained significantly below the May 2025 prices ($25/MWh).
- Prices separated across the different balancing authority areas, a reflection of underlying system conditions. PACE and PACW experienced some price volatility during the first days of EDAM operations, which subsided as market participants were adapting to the new processes and functionality.
- Total average cost in the CAISO balancing authority area remained stable, averaging $19/MWh) and continuing a broader trend of lower costs in 2026 compared to 2025. (Our market performance and advanced analytics team derives an average cost by dividing the total cost by the total demand consumed.) These wholesale average metrics now incorporate impacts from new EDAM products, including imbalance reserves and reliability capacity as well as energy, ancillary services from both day-ahead and real-time markets, real-time offsets, and bid cost recovery.
- The new imbalance reserve products performed as expected. Prices were stable in CAISO and PACE, averaging below $1.5/MWh. PACW experienced some price volatility during the first days of operation, reflected in the higher monthly average price of $7.5/MWh. In CAISO, average imbalance reserve prices remained below regulation prices but above operating reserve prices.

- EDAM transfers reached up to 600 MW and were actively used across energy and the new products in both import and export directions across all participating areas. These transfers enabled access to the most economic supply across the EDAM footprint and leveraged resource diversity among participating balancing authorities.
- The team's report also includes a summary of identified issues that affected market functionality, required price corrections, or have impacted settlement outcomes. Several issues remain under review and some of the results in this initial report are subject to change as settlements are updated with corrective actions.

CONGESTION REVENUE ALLOCATION

When we launched EDAM, the ISO also implemented the transitional design for congestion revenue allocation between EDAM balancing areas that was approved by the Federal Energy Regulatory Commission (FERC) last year. This design is transitional in part due to a recognized potential for incenting self-scheduling under certain conditions to manage congestion cost exposure. As we get more data from market operations, we will have a better understanding of how the congestion revenue allocation design is working, how the revenues are allocated in practice across EDAM areas, and the level of self-scheduling incentive driven by the congestion revenue allocation design.

As we work with stakeholders to further refine the congestion revenue allocation design, we have established initial principles guiding design development. Stakeholders have also introduced design concepts to stimulate discussion and development of a longer-term design. We will continue these efforts as we work on development of a formal proposal.

INTERTIE SCHEDULE MODELING

With the EDAM launch, we also retained the pre-existing design for modeling schedules at the CAISO balancing area interties during the transition to EDAM. We committed to continue to engage with stakeholders to evolve and improve how intertie schedules are modeled on the CAISO balancing area interties to better capture the effects of these transactions on congestion across a growing EDAM footprint.

Starting in April, we began a series of stakeholder workshops to discuss methods for enhancing the modeling of these intertie transactions, alignment with modeling design of intertie schedules in place at the interties of EDAM balancing areas, and the impacts of these potential enhancements on bidding resource adequacy imports into the CAISO balancing area. These discussions are ongoing, as we seek to evaluate impacts and trade-offs of the existing transitional design and a potential future design for modeling intertie schedules.

SEAMS DISCUSSIONS

CAISO and Southwest Power Pool (SPP) continue to work together to address seams, with the broad goal of having an operating agreement for issues that are specific to CAISO and SPP in place by the time Markets+ goes live in 2027. At the same time, there are many other issues that require the involvement of EDAM and Markets+ market participants, transmission operators and other stakeholders that will not necessarily be captured in a CAISO/SPP operating agreement.

To increase awareness and understanding of the full suite of seams issues, we have organized a series of four monthly regional meetings beginning July 31 that stakeholders can attend in person or remotely. The workshops are open to any interested parties and will include presentations from operators, regulators, and market experts. The July workshop will focus on regulator interests, with a panel of state regulators sharing their perspectives and concerns. The August workshop will focus on transmission constraints and congestion management, and their impact on reliability, with September focused on transactions across market boundaries. The ISO is keeping space in the October workshop to address topics that participants request in the first few meetings, in addition to tabletop exercises, a roadmap for moving forward, and next steps.

SUNZIA

The new SunZia transmission project is fully operational, with operational control having been transferred to the ISO on April 9. The project has a nameplate capacity of 3,650 MW and the ISO will have access to 2,131 MW as the project sends wind energy from New Mexico to California and neighboring states.

SunZia is also significant because it was developed using our Subscriber Participating Transmission Owner model, which enables commercial subscription to a diverse group of offtakers without being funded by existing ratepayers through the Transmission Access Charge. Initial operational data validates that the project's New Mexico wind regime provides valuable diversity to California's renewable portfolio and has contributed to record levels of renewable generation within the CAISO balancing authority.

LARGE LOAD INTERCONNECTION

On June 18, FERC issued an order directing the country's six regional grid operators, including the California ISO, to justify or reform tariffs for integrating data centers and other large energy users expeditiously onto the grid. FERC set a timeline of 60 days for grid operators to demonstrate why their tariffs remain just and reasonable with respect to the provision of transmission service to large loads.

We look forward to addressing the needs and concerns expressed by FERC, recognizing the unique challenges and opportunities that large loads may present to the electric grid and its users. As home to Silicon Valley, the ISO and its participating transmission owners have worked diligently to ensure data centers, refineries, agricultural processes, and other large loads can interconnect without delay, capacity constraints, or cost shifts to consumers.

The ISO agrees with the need to address on a timely basis the concerns expressed in FERC's order. While we had already launched a stakeholder process to consider many of these issues, FERC's action provides clarity across the industry on the need and expectations for timely reform to address these new and emerging challenges. The ISO appreciates FERC's recognition of regional differences in requirements across the nation as expressed in its order, and in providing the flexibility to incorporate those regional differences into how each grid operator addresses those challenges while meeting nation-wide expectations.

We look forward to deeper coordination with the ISO's participating transmission owners, who are also called upon in the order, as well as alignment with state agencies, local regulatory authorities, and the industry more broadly, to achieve these outcomes.

PATHWAYS AND ASSEMBLY BILL 825

The board selection process for the Regional Organization for Western Energy (ROWE) is underway and has generated strong interest, with five board members expected to be seated in September. In parallel, the ISO's team has been working with the Pathways Formation Committee on key implementation issues, including legal framework, finance, and stakeholder processes.

In addition, the ISO executive team is evaluating how our organization must evolve to continue delivering world-class services to the West. And we have retained Berkeley Economic Advising and Research to perform the jobs study required by Assembly Bill 825 that will assess the impacts to employment in California. We look forward to continued close coordination with the Board and Governing Body as we address these important issues.

2026 STAKEHOLDER SYMPOSIUM

Planning for the upcoming ISO Stakeholder Symposium is progressing, with strong early engagement from attendees and sponsors. Registration and sponsorship opportunities for the Welcome Reception at the Kimpton Sawyer Hotel on October 5 and the Symposium program on October 6 officially opened May 13. The event is currently at approximately 30% capacity, with 16 sponsorship commitments secured, reflecting solid initial momentum and strong market interest.

Through a forward-looking and dynamic agenda, the event will examine how evolving market structures, technological advancements, and regional collaboration are shaping a more resilient, reliable, and sustainable power system. We also hope to highlight several priority themes, including federal perspectives on the future direction of the energy sector and the innovation required to support a rapidly evolving grid; insights from entities implementing EDAM, with a focus on early experience, emerging value, and implications for regional market strategy; and progress on the ROWE, including development status, key challenges, and next steps. Additional sessions will explore emerging grid and workforce dynamics, such as AI-driven decision-making, the future of work and leadership, and the impact of large loads and flexible demand, as well as the ISO's broader strategic outlook.