

Memorandum

To: ISO Board of Governors and WEM Governing Body
From: Elliot Mainzer, President and Chief Executive Officer
Date: March 18, 2025
Re: CEO report

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

INTRODUCTION

Much of our focus in 2025 will continue to be on implementation of our key initiatives, including the Extended Day-Ahead Market (EDAM) and the ISO's interconnection process reforms. In this CEO report for March 2025, I provide updates on those activities as well as summer readiness, Senate Bill 540 and the West-wide Governance Pathways Initiative, the reorganization that has taken place in our control center and Federal Energy Regulatory Commission (FERC) approval for the ISO's proposed process for administering the EDAM access charge in its own balancing authority area.

EDAM UPDATE

As we continue moving forward with the launch of EDAM next spring with PacifiCorp and Portland General Electric as initial market participants, we have also been engaged with a good deal of additional EDAM-related activity. In February, PacifiCorp, which has a fully executed and signed implementation agreement to join EDAM when it launches in 2026, filed with FERC its proposed Open Access Transmission Tariff (OATT) revisions implementing EDAM. A clear theme from the commenters centered on concerns regarding the ability to hedge congestion costs exposure associated with the exercise of their OATT rights and how EDAM allocates congestion revenues to participating balancing areas which are then sub-allocated to transmission customers.

The [ISO filed an answer](#) in the pending PacifiCorp EDAM tariff proceeding on March 7. In that filing, we asserted our belief that the PacifiCorp tariff provisions for the sub-allocation of received congestion revenues are just and reasonable. On the question of how congestion revenues are allocated between EDAM balancing areas – particularly congestion revenues arising as a result of parallel flow between interconnected and adjacent EDAM areas – the ISO is committed to an expedited stakeholder initiative to further describe the FERC-approved EDAM design; we will also consider potential transitional alternatives and associated tradeoffs. The ISO published an issue paper on March 17 outlining this topic. Stakeholder working group discussions will seek to provide a recommendation to the Board of Governors and the Western Energy Markets Governing Body at the joint session in May.

At the same time, the Bonneville Power Administration (BPA) on March 5 issued its day-ahead market draft policy direction stating that BPA should select the Southwest Power Pool's Markets+ as its preferred choice for participation in an extended day-ahead market.

The policy direction released by BPA was a draft, with a final decision scheduled for May following a 30-day comment period. BPA has been a valued and longstanding partner for the ISO, having played an important role in making the WEIM a major success for electricity customers across the West. As I have said publicly, we respect BPA's decision-making process and look forward to continuing to work together through its ongoing participation in the Western Energy Imbalance Market. Our view is that BPA's final market decision will have major impacts on reliability and affordability for electricity customers in the Northwest and across the West, and we encourage BPA to continue to evaluate EDAM and engage in the Pathways initiative while governance reform legislation works its way through the California Legislature. Irrespective of how BPA ultimately chooses to proceed, we will maintain our focus on EDAM implementation and providing technical support to the Pathways initiative. We are proud of the fact that the EDAM market design was crafted through an extensive and transparent process with a wide variety of stakeholders before being approved in full by FERC last year.

INTERCONNECTION PROCESS REFORMS

Our interconnection reform efforts continue with track 3 of interconnection process enhancements, which will be presented to the Board of Governors for a decision at the March meeting. These enhancements seek to prioritize resources for interconnection in a timely and efficient manner, building on our ongoing work toward alignment of planning, procurement, and interconnection processes.

At the same time, our implementation of the track 2 reforms is proceeding well. We are moving forward with validating and preparing to study the Cluster 15 projects that advanced through the new interconnection request intake process over the winter. As a result of the track 2 reforms, the ISO will study 177 projects comprising more than 96,000 megawatts (MW) of total capacity. This constitutes a 67% reduction in the number of projects and a 72% reduction in the capacity of projects in cluster 15 since the initial application window in 2023. Notably, the scoring and tie-breaker analysis was sufficient this time around to select projects without needing to conduct any auctions. The ISO is working to develop a comprehensive report of the cluster 15 process to share with stakeholders and FERC in June, which will also provide key takeaways for exploring any necessary procedural modifications. The ISO will commence a new interconnection process enhancements initiative later this year to consider any necessary or appropriate adjustments to the process prior to cluster 16, which will open in October of 2026.

SUMMER READINESS ACTIVITIES

Summer is a little more than three months away and we are again focusing on our annual summer readiness activities. RC West is busy working with transmission operators and balancing authorities in the West to coordinate all the spring maintenance that typically gets done this time of year in advance of summer. I hope you had a chance to read our [Energy Matters blog](#) on those efforts that was posted to caiso.com on March 5.

Our annual Summer Loads and Resources Assessment will be published in May and we are again heading into summer in better shape than a year ago with significant new resources onboarded. From March 1, 2024 through February 28, 2025, 7,000 MW of additional capacity was brought online. That brings the amount of new resources onboarded since the beginning of 2020 to 26,290 MW - a reflection of the strong collaborative effort by the ISO, the state and our many partners and stakeholders to strengthen the grid and boost overall reliability.

For 2025, we are taking a similar approach to last year's summer readiness activities and training by offering more comprehensive refresher sessions for market participants. This year's training will cover operational actions related to unit response and performance, managing intertie transactions, export priorities, wheel through transactions, and emergency assistance protocols and communications. Various summer readiness training sessions will be offered throughout May, with key audiences identified for each session.

We will again host our Summer Readiness Leadership Roundtable, engaging with leadership from our neighboring balancing areas, entities in the Western Energy Imbalance Market and utilities within California and across the West to discuss the forecasted outlook for summer operations. The event provides everyone participating an opportunity to highlight key areas for awareness, coordination and communication. This will be the fifth consecutive year for the Roundtable, which is scheduled for May 7.

WEST-WIDE GOVERNANCE PATHWAYS INITIATIVE

We were pleased to see a bill introduced in the California Legislature on February 20 that would authorize establishment of an independent Regional Organization to govern the energy markets throughout the West. Senate Bill 540 is sponsored by Senator Josh Becker, D-Menlo Park, chair of the Senate Committee on Energy, Utilities, and Communications, and Senator Henry Stern, D-Los Angeles. The bill is the result of extensive collaboration by regulators and stakeholders around the West as well as significant technical input by the ISO.

On March 12, I took part in an informational hearing on the Pathways initiative before Senator Becker's committee with Alice Reynolds, president of the California Public Utilities Commission, and Siva Gunda, vice chair of the California Energy Commission. We will continue to engage with the Pathways Formation Committee and the Legislature as needed.

If SB 540 passes and becomes law – and if our Board of Governors finds that certain requirements are met, as required in the proposed legislation – the new regional organization would provide independent governance over the energy markets that are currently operated by the California ISO. The ISO would maintain its responsibilities as a balancing authority in California and the state would retain control over public policies for California's energy planning, resource procurement and the Renewables Portfolio Standard.

GRID OPERATIONS AND INFRASTRUCTURE AND OPERATIONS PLANNING REORGANIZATION

The reorganization announced internally last November within our Grid Operations and Infrastructure and Operations Planning teams took effect February 24. All indications are that the transition is going well and has been favorably received by the affected team members and by our customers. The reorganization was undertaken primarily to achieve physical and functional separation to more accurately represent the distinct roles of market operators and balancing authority operations. These moves also underscore our longstanding commitment to treating all market participants impartially while maintaining high quality service in performing our responsibilities as California's largest balancing authority.

Under the reorganization, Market Operations now reports directly to John Phipps, our Executive Director of Grid Operations. The Operations Engineering Services team is now under Grid

Operations and we have combined Operations Engineering Services and Reliability Coordination. They now report to Raja Thappetaobula, who is in the newly created position of Director, RC West Operations. We have also hired two Managers of Reliability Coordination who have complete oversight responsibility for Reliability Coordinators, who report to the Director of RC West Operations.

As the power grid and tools used to monitor it have grown in complexity, the operations engineer and reliability coordinator teams work more closely together when performing their tasks. Combining the teams allows us to strengthen the efficiencies and synergies in our processes. We have also created a new Grid User Support Team that will report directly to Tricia Johnstone, the ISO's Director of Operational Readiness. By separating market operations from balancing area operations both in reporting and the physical configuration at our headquarters building in Folsom, we are better positioned for future success as our regional markets continue to grow and attract additional participants.

FERC APPROVAL OF THE EDAM ACCESS CHARGE

On February 20, FERC approved the final component of the tariff revisions that enable the ISO's Day 1 participation in EDAM. This approval affirms the manner in which the ISO will administer the EDAM access charge in its own balancing authority area and supplements FERC's earlier approval of the ISO's initial Day 1 components.

The EDAM access charge establishes the ability for EDAM transmission providers to continue to recover certain transmission revenues that may otherwise be impacted by their participation in the day-ahead market. Under this framework, each participating balancing authority will be assessed an EDAM access charge comprised of the eligible recoverable amounts of the other participating balancing authorities. FERC's order confirms that each participating owner in the ISO may include the eligible component amounts within their formula rate structures, allowing the ISO to aggregate those eligible amounts at a balancing area level for inclusion in the EDAM access charge.

EDAM access charge revenues received by the ISO from other participating balancing areas will be proportionality allocated to the participating transmission owners, subject to an annual true-up, consistent with the EDAM access charge framework. FERC's order also approved the ISO's methodology to allocate EDAM access charges from other participating balancing areas to metered demand within the ISO balancing area, consistent with the EDAM access charge framework.

MSC APPOINTMENT

Dr. Benjamin Hobbs has served as a member of the ISO Market Surveillance Committee since 2002. His current term expires on March 31, 2025. During his tenure on the MSC, Dr. Hobbs has provided invaluable expertise and advice to the ISO Board of Governors, WEM Governing Body, ISO Management and staff on numerous market issues relating to the operation of the ISO markets.

Under the tariff, and the new joint authority construct, the ISO CEO recommends joint approval by the ISO Board of Governors and WEM Governing Body for MSC appointments. While the appointment is typically for three years, Dr. Hobbs has requested no more than a one-year term for his three-year seat, as he intends to retire from the MSC. This provides time to replace him,

and to appoint a new member to complete the balance of the three years remaining on the term. Dr. Hobbs will remain Chair of the MSC until he retires. Therefore, as outlined in the joint ISO Board of Governors and WEM Governing Body memo, I am requesting that the ISO Board of Governors and WEM Governing Body approve the re-appointment of Dr. Hobbs as Chair of the MSC, and authorize execution of a contract, for a one-year term.