



# Memorandum

**To:** ISO Board of Governors and WEM Governing Body  
**From:** Elliot Mainzer, President and Chief Executive Officer  
**Date:** December 11, 2024  
**Re:** CEO report

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

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## INTRODUCTION

For my December 2024 report, I will provide an update on winter reliability, implementation of track 2 interconnection process enhancements, the Extended Day-Ahead Market (EDAM), the West-wide Governance Pathways initiative and our annual Year in Review assessment of what has been accomplished over the past 12 months.

## WINTER RELIABILITY

With winter just about here, I wanted to say a few words about the reliability picture over the next several months. Our forecast team is expecting above normal temperatures across California and the Desert Southwest from December through February, with the highest likelihood of above normal temperatures for the areas furthest south. In the Pacific Northwest, there is a greater potential for below normal temperatures, so the team will of course be closely monitoring those conditions.

With the forecasted storm track expected to be placed further north and east, this could lead to a risk for some cold air outbreaks intruding down into the Great Plains and possibly the Western United States, but the magnitude and how far south this cold air could extend is more uncertain.

On the precipitation side of the equation, after a wet first half of November that put Northern California above normal for rainfall through early December, precipitation across California has dissipated now that we are into December. Between now and February, we see a risk of below normal precipitation for the Desert Southwest and a higher likelihood of above normal precipitation for the Pacific Northwest. With California in between these two regions, there are indications that the state may see below normal precipitation, but there is greater uncertainty for California when it comes to which way the seasonal precipitation could trend. Current reservoir conditions across California and the West are only about half of capacity, so if the Pacific Northwest has an above normal winter for precipitation, that could help that region recover some of its hydro storage, with the Desert Southwest expected to remain under a greater risk for continued low hydro availability.

Given this outlook for the next several months, our Operations team reports that all major transmission paths are expected to be fully available to support transfers across the region, allowing market participants and balancing areas to move energy as needed. At the same time, the resource adequacy picture within the ISO is looking good, showing sufficient supply to meet firm demand and the obligations for supply.

Our teams have also been doing their coordination activities for winter readiness for the RC West area, for those areas associated with the Western Energy Imbalance Market and for the CAISO Balancing Area and our scheduling coordinators.

Overall, we are heading into the winter in pretty good shape but we always remain vigilant for changes in conditions and possible extreme weather such as the cold spell in January 2024 during the long Martin Luther King Jr. holiday weekend.

## **IMPLEMENTATION OF TRACK 2 INTERCONNECTION PROCESS ENHANCEMENTS**

After receiving unanimous approval from the Federal Energy Regulatory Commission (FERC) for track 2 of our interconnection process enhancements, the ISO swiftly implemented a reformed interconnection request intake process and re-opened the Cluster 15 interconnection request window for re-submissions from October 1 to December 2, 2024.

The initial requirements of the reformed process have effectively reduced the volume of Cluster 15. When Cluster 15 initially opened in April of 2023, the ISO received 541 individual requests for a total capacity of 347,000 megawatts (MW). With new requirements in place and the window now closed, the ISO now has a total of 255 projects in priority zones of the queue, for a total capacity of 85,067 MW. This is roughly a 53 percent reduction in the number of interconnection requests and a 76 percent reduction in the capacity in the queue. Of the projects in Cluster 15 priority zones, roughly 75 percent are seeking full or partial deliverability status to provide resource adequacy, with the others seeking to interconnect as energy only projects. In addition, the ISO received 11 interconnection requests in merchant zones. These interconnection customers will be responsible for paying for their own network upgrades. The next step is for the ISO to verify that projects seeking to interconnect in priority zones have available transmission capacity, validate site control documentation, score and rank the projects, and – if necessary – assess distribution factors and conduct an auction for any tied projects to determine which projects advance to the study process.

The ISO will continue to document the outcomes of the process in the interest of revisiting it and making any necessary adjustments before Cluster 16, which will open in September 2026. In addition, ISO staff and stakeholders continue to explore the process for allocating deliverability in track 3 of the interconnection process enhancements, which we expect to bring to the Board of Governors in the spring of 2025. I also want to remind you that the track 2 contract and queue management reforms we proposed are at FERC and we expect to hear back by December 17, 2024.

## **EXTENDED DAY-AHEAD MARKET**

A year ago at this time, we were anxiously awaiting what, in a few days, would become FERC's acceptance of the vast majority of our proposed tariff changes needed to launch EDAM in 2026. The one outstanding item was approved in June and the strong forward momentum has been sustained throughout 2024 with three entities having formal implementation agreements signed to become market participants.

The three that have already committed are PacifiCorp, Portland General Electric and the Balancing Authority of Northern California, which includes the Sacramento Municipal Utility District. We are expecting additional commitments in the near term and several other entities

have publicly announced their intention or preference for joining EDAM but have not executed agreements. As of this writing, those include Los Angeles Department of Water & Power, Idaho Power, NV Energy, BHE Montana, and PNM.

The market remains on track to launch in 2026 and with the commitments received to date, we now have entities participating that represent nearly 50% of the load in the Western Electricity Coordinating Council. This level of commitment across a contiguous geographic footprint with robust transmission connectivity sets up EDAM to deliver substantial reliability, economic, and environmental benefits in the West for years to come, building on the strong decade of success achieved by the Western Energy Imbalance Market.

### **WEST-WIDE PATHWAYS GOVERNANCE INITIATIVE**

As the markets operated by the California ISO continue to evolve, so too does the governance of those markets. In late November, the ISO filed with FERC the changes necessary to implement the Pathways Step 1 proposal, which the Board of Governors and WEM Governing Body approved in August, subject to a trigger threshold of EDAM participation. We have requested an effective date from FERC of March 31, 2025.

Also in late November, the Pathways Initiative Launch Committee formally adopted its Step 2 proposal, which recommends a monumental evolution of the governance of the markets operated by the ISO. Among other things, the Step 2 proposal calls for legislation in California that would enable the transition of the governance of the Western Energy Imbalance Market (WEIM) and EDAM to a third-party entity other than the ISO. Step 2 also proposes formation of a new Regional Organization corporately separate from the ISO, with an independent Western board that could assume governance of the Western energy markets.

We look forward to continued engagement with the Pathways Initiative as it works toward formation of the new regional organization. The ISO stands ready as a technical resource for the Legislature and the State of California as lawmakers consider potential legislation to enable the Step 2 proposal. And we embrace the continuing evolution of the governance of the Western energy markets in a manner that supports the expansion of WEIM and EDAM to maximize the reliability, economic, and environmental benefits for consumers across the West

### **ISO 2024 YEAR IN REVIEW**

For the third consecutive year, our Energy Matters blog currently features our [“Year in Review”](#) assessment of the past 12 months at the ISO. It has been another very productive and positive year, with strong summer reliability, the successful integration of large amounts of new resources, major progress on market evolution and transmission interconnectivity and reform of our interconnection process. I hope you can find time to read the review and share it with your peers and colleagues throughout California and the West.