

May 9th, 2017

Lieutenant Governor Mark Hutchison
101 North Carson Street, Suite 2
Carson City, Nevada, 89701

Re: Nevada Committee on Energy Choice

Dear Lieutenant Governor Hutchison, Chairman:

Thank you very much for the opportunity to speak with the Nevada Committee on Energy Choice during its inaugural meeting on April 26, 2017. At this meeting, I was asked to speak about the "Regional and National Marketplace". I focused my remarks on the functions of an Independent System Operator (ISO) and how its operation of wholesale energy markets might support electricity choice in Nevada. We received a number of insightful questions from the Committee and I'd like to take the opportunity to expand and clarify on a couple of topics.

The ISO has been operating since March 31st, 1998. Since that time, in addition to supporting traditional vertically integrated utilities, we have supported a significant portion of load that is served by Energy Service Providers, also known as direct access customers. These entities provide choice to retail and commercial customers by participating in the wholesale energy markets run by the ISO. Today these providers represent approximately 4,000 megawatts of load, or 8% of the ISO's load. Additionally, California statute and regulations provide an opportunity for communities to create their own "choice" programs, called Community Choice Aggregation (CCA). Active CCAs are expected to serve 6,000 megawatts of load (915,000 customers) by the end of this year. While comprising 20% of the ISO's load, they will have captured current investor-owned utilities (IOUs) customers by an estimated 25%. This creates a fundamental shift in traditional regulated utility model and is a current challenge for the state regulatory agencies in California as they consider current regulatory frameworks and the long-term procurement needs of customers.

The ISO is a nonprofit public benefit corporation, not a State agency, and as the impartial grid operator, it has no financial interest in any individual part of the market or its participants. This ensures fair and transparent access to the transmission network and market transactions so that all market participants can utilize a diverse fleet of resources in an economically efficient manner. We monitor and support state policy initiatives to

ensure the state can meet its energy goals reliably and effectively. We would do this (and do where Valley Electric Association is serve.

The ISO is well positioned to support a significant increase in load that might include the consumers of Nevada because our markets are based on a platform of advanced technology that is easily scalable to efficiently expand the operational footprint. This has been proven with the participation of utilities across eight states in the Western Energy Imbalance Market, operating since 2014. Moreover, we have a successful example of Valley Electric Association, a Nevada cooperative utility, joining the ISO's balancing authority area in January 2013. In that transition, Valley Electric Association became a full participating transmission owner without any significant changes to the ISO market design, tariff, or governance structure. We recognize an expansion to include a larger utility may warrant a review of existing ISO policies and procedures to seek modifications that may be mutually beneficial.

I would like to reiterate the invitation to you and the members of the Committee to tour our facilities in Folsom California. Our talented staff, technology and facilities demonstrate our commitment to strike the balance between achieving state energy goals and maintaining reliability, efficiency and affordability. We would be honored to host a future Committee meeting, provide an opportunity to see our operations and speak with our subject matter experts. Finally, I will continue to make our staff and tools available to answer any questions and support the Committee in its activities.

Sincerely,



Stacy Crowley
Vice President, Regional and Federal Affairs
California ISO

CC: Dana Bennett, President, Nevada Mining Association, Vic-Chair
Steve Hill, Executive Director, Governor's Office of Economic Development, Ex
Officio Angie Dykema, Director, Governor's Office of Energy, Ex Officio
Joe Reynolds, Chairman, Public Utilities Commission of Nevada, Ex Officio