Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel, Chief Compliance Officer, and Corporate Secretary

Date: January 27, 2021

Re: Regulatory update as of January 15, 2021

This memorandum does not require Board action.

Highlights

- FERC approved the ISO’s tariff amendment regarding excess behind the meter production
- FERC approved the ISO’s application to issue bonds
- FERC issued an order approving the ISO’s revisions to its grid management charge allocation percentages
- The ISO filed a tariff amendment to clarify the rules for co-located resources at a single generation facility
- The ISO submitted comments and testimony in the CPUC rulemaking proceeding to establish policies, processes, and rules to ensure reliable electric service in California, and in the event of an extreme weather event in 2021
- Mark C. Christie sworn in as the newest FERC Commissioner

Federal Energy Regulatory Commission

- Hybrid resources – Phase 2 (ER21-843)

On January 8, 2021, the ISO filed a tariff amendment to clarify market rules for co-located resources. The proposed amendment clarified that, under limited, defined circumstances, co-located resources at a single generation facility may deviate from ISO dispatch to compensate for each other using control technologies designed to maintain reliability and safety at their point of interconnection. The ISO also proposed a new term of “mixed-fuel resource”, and revised the defined term for hybrid resource to incorporate mixed-fuel resource. The ISO requested an effective date of March 12, 2021 for the tariff revisions.
• **Commitment Cost and Default Energy Bids Enhancements (ER19-2727)**

On December 28, 2020, FERC issued an order accepting the ISO’s August 14, 2020 filing to comply with FERC’s July 15, 2020 order requesting corrected versions of the tariff. The revisions are effective January 28, 2021.

• **Commitment Cost and Default Energy Bids Enhancements (ER20-2360)**

On December 28, 2020, FERC issued an order accepting the ISO’s October 21, 2020 filing to comply with FERC’s September 21, 2020 order to clarify the tariff. The revisions are effective on the actual implementation date.

• **EF Oxnard, LLC – RMR (ER20-1917)**

On January 6, 2021, FERC certified an uncontested settlement.

• **Excess Behind the Meter Production (ER21-190)**

On December 23, 2020, FERC issued an order accepting the ISO’s tariff revisions to clarify definitions, metering, and settlement rules regarding excess behind the meter production. The revisions are effective January 1, 2021.

• **Natural Gas and Electric Indices (PL20-3)**

On December 17, 2020 FERC issued a revised policy statement on natural gas and electric indices. The Commission proposed several revisions intended to encourage more market participants to report their transactions to price index developers and to provide greater transparency into the natural gas price formation process, to increase confidence in the accuracy and reliability of wholesale natural gas prices. Comments are due March 23, 2021.

• **August 2020 California Heat Storm (AD21-3/EL21-19)**

On December 16, 2020 FERC released a staff presentation on its preliminary observations regarding the August 2020 heat storm. FERC also discussed a draft order to show cause at its December 17, 2020 open monthly meeting, but a majority of the Commission voted against the draft order in favor of taking a more collaborative approach to identify and address the stated concerns and prevent reoccurrence.

• **NOPR: Cybersecurity Incentives (RM21-3)**

On December 17, 2020, FERC issued a Notice of Proposed Ruling to revise its regulations to provide rate incentives for public utilities that voluntarily make certain cybersecurity investments that go above and beyond the requirements of the CIP Reliability Standards. The due date for comments has not yet been issued.
• **Bond Issuance – Refinancing 2013 Bonds (ES21-10)**

On December 30, 2020, FERC approved the ISO’s November 5, 2020 application to issue bonds in an amount not to exceed $177 million, effective December 30, 2020 through December 29, 2022.

• **Order No. 831 Compliance (ER19-2757)**

On December 11, 2020, FERC issued an order accepting the ISO’s October 21, 2020 tariff revisions, submitted in response to FERC’s September 2020 order addressing the ISO’s Order No. 831 compliance filing. The revisions will be effective March 21, 2021.

• **GMC Cost of Service Study (ER21-112)**

On December 10, 2020 FERC issued an order accepting the ISO’s October 15, 2020 revisions to its grid management charge allocation percentages. This included proposed changes related to three service categories: (1) market services category adjusted from 32% to 49%; (2) systems operations category adjusted from 66% to 49%; and (3) congestion revenue rights maintained at 2%. These revisions are effective January 1, 2021.

• **Intertie Deviation Settlement (ER20-1890)**

On December 8, 2020, FERC issued an order accepting the ISO’s September 29, 2020 compliance filing in response to FERC’s September 17, 2020 order. The revisions clarified language related to e-tag submission timelines, effective January 1, 2021.

On December 17, 2020, the ISO filed a petition for limited waiver of the tariff revisions accepted on December 8, 2020, because several software code issues required remediation and would not be completed by the January 1, 2021 effective date.

• **Californians for Green Nuclear Power v CAISO, et al (EL21-13)**

On December 15, 2020, the ISO answered an amended complaint regarding the retirement of the Diablo Canyon nuclear power facility, requesting FERC dismiss or deny the complaint for being legally and factually insufficient.

• **CSU Channel Islands – RMR (ER20-1708)**


**Non-Conforming Regulatory Agreements**

• **EIM Entity Agreement – LADWP (ER21-101)**

On January 11, 2021, FERC issued an order approving the agreement, with an effective date of January 20, 2021.
• EIM Entity Agreement – Tacoma Power (ER21-674)

On December 17, 2020, the ISO filed an agreement for Tacoma Power, to be effective March 1, 2021.

• California Oregon Intertie – Path Operating Agreement (COI POA) (ER21-649)

On December 15, 2020 the ISO filed an amendment to the COI POA to reduce the annual amount of path operator charges to better account for some identified overlap between the path operator and reliability coordinator functions, and to revise the billing frequency thereunder, to be effective January 1, 2021. The COI is formed by three 500 kV alternating current (AC) transmission lines connecting California with the Pacific Northwest that serve as a critical role in maintaining system reliability in the Western Interconnection: the two-line Pacific AC Intertie (PACI) and the California-Oregon Transmission Project (COTP).

• S-Line Upgrade Entitlement Agreement (ER21-19)

On December 14, 2020, FERC issued an order accepting the October 23, 2020 agreement, which specifies terms and conditions under which upgrades to the Imperial Irrigation District’s existing 230kV S-Line will be financed, in exchange for entitlement rights to incremental transfer capacity, with an effective date of December 23, 2020.

Informational reports filed

• Annual Demand Response Report (ER06-615)

On January 15, 2021, the ISO filed its annual report evaluating the ISO’s three types of demand response programs, participating, proxy demand resource, and reliability demand response, for the period January 1 – December 31, 2020.

• New Reliability Must-Run Designation (ER19-1641)

On January 7, 2020, the ISO filed an informational report for a newly designated reliability must-run resource, Midway Sunset Cogeneration Company, for 2021.

• Market disruption reports (ER06-615 and ER07-1257)

On December 15, 2020 and January 15, 2021, the ISO filed informational market disruption reports for the period October 16 – November 15, 2020, and November 16 – December 15, 2020, respectively. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.
• **Exceptional dispatch reports (ER08-1178 and EL08-88)**

On December 15, 2020 and January 15, 2021, the ISO filed informational reports for the months of October 2020 and November 2020, respectively. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside the operation of the ISO market to address operational needs that the ISO market cannot address.

• **Negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs (ER06-615)**

On December 7, 2020 and January 7, 2021, the ISO filed informational reports containing the rates or formulas used to calculate negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs that the ISO implemented, modified, or terminated in the months of November 2020 and December 2020, respectively.

**Nevada Public Utilities Commission**

• **20-08014 (California Heat Storm Investigation)**

On December 9, 2020 the ISO filed comments in the NPUC’s investigative proceeding, to provide the Commission with two reports regarding the August 14 and 15, 2020 heat wave event: (1) the Preliminary Root Cause Analysis of outages, and (2) the Department of Market Monitoring Report on System and Market Conditions, Issues and Performance for August-September 2020.

**California Public Utilities Commission and other State Matters**

• **R.19-11-009 (Resource Adequacy Program)**

On January 15, 2021, the ISO filed its comments on Track 3B.2 proposals submitted to the Commission, recommending the Commission schedule workshops to address outstanding issues presented by the proposals to restructure the resource adequacy program.

On December 18, 2020 the ISO submitted six Track 3.B proposals, to reform the Commission’s existing resource adequacy program: effective load carrying capability methodology for variable-output demand response, resource adequacy import requirements, availability limited resource procurement, unforced capacity methodology for system resource adequacy, multi-year system capacity requirements, and an increased planning reserve margin for 2022.

On December 4, 2020, the CPUC issued a decision on Track 3A, adopting a local capacity requirement reduction compensation mechanism and the central procurement entity’s competitive neutrality rules.
• **R.20-05-003 (Continue Integrated Resource Planning (IRP))**

On January 7, 2021, the CPUC issued a proposed decision transferring electric resource portfolios to the ISO for the 2021-2022 transmission planning process, to put forward a framework with guiding principles, to establish more structure around the portfolio selection process, and to increase transparency in the selection of the portfolios being transmitted to the ISO for planning purposes.

On December 3, 2020 the ISO filed opening comments on the proposed decision, to develop a compliance process and backstop mechanism to acquire capacity resources necessary to meet electric reliability requirements.

• **R.20-11-003 (Order instituting rulemaking to establish policies, processes, and rules to ensure reliable electric service in California, and in the event of an extreme weather event in 2021)**

On January 11, 2021, the ISO submitted testimony supporting (1) the need for additional energy supply or decreased demand to adequately prepare for summer 2021, and (2) an increase in the existing planning reserve margin from 15% to 17.5%, to apply to the net peak. The testimony also supports the funding and promotion of the statewide Flex Alert media campaign.

On January 8, 2021, the CPUC issued a proposed decision directing PG&E, SCE and SDG&E to seek contracts for additional power capacity for summer 2021 reliability, and describing the timeline and parameters for how the contracts may be brought before the Commission for consideration of approval.

On December 28, 2020, the Assigned Commissioner issued a ruling directing the state’s three large IOUs to seek contracts for additional power capacity to be available by the summer of 2021 or 2022.

On December 18, 2020, the ISO filed its responses to proposals and questions from the Commission regarding emergency capacity procurement for the summer of 2021, including type of procurement, timeline, increase in planning reserve margin, and expediting the interconnection process.

On December 10, 2020, the ISO filed reply comments to the wide range of solutions the Commission and parties suggested to meet summer 2021 system reliability needs, including immediate procurement to meet summer 2021 needs, updating the resource adequacy program, and increasing the planning reserve margin.
A.20-04-013 (Oakland Clean Energy Initiative)

On December 4, 2020 the ISO filed a reply brief recommending approval of PG&E’s agreements to provide battery storage resources as part of the Oakland Clean Energy Initiative, and to facilitate the retirement of an existing RMR resource. The ISO approved the new resource in its 2017-2018 transmission planning process to meet Oakland local area reliability requirements.
Regulatory Filings Through
December 31, 2020

CPUC/Other Commission Filings

Court Filings
Total filings from December 1 - December 31, 2020: 15

Total filings for 2020: 242
Regulatory Filings Through
January 15, 2021

CPUC/Other Commission Filings

Court Filings
Total filings from January 1- January 15, 2021: 10

Total of December 2020 & January 2021 filings: 25