

# Memorandum

**To:** ISO Board of Governors

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

**Date:** March 9, 2022

**Re:** Regulatory update since last report dated December 9, 2021

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***This memorandum does not require Board action.***

## **Highlights**

- *FERC issued a final rule regarding managing transmission line ratings (Order No. 881)*
- *The ISO filed a tariff amendment to extend the interim wheeling through priority tariff provisions*
- *The ISO filed a tariff amendment to improve its pro forma interconnection agreements and related generator interconnection procedures*
- *The ISO filed a tariff amendment to create the new roles of western energy imbalance market sub-entity and WEIM sub-entity scheduling coordinator*
- *The ISO filed tariff amendments to enhance its maximum import capability allocation process*
- *The D.C. Circuit Court of Appeals vacated FERC's decision allowing capacity procurement mechanism resources with above-cap offers to receive a 20 percent adder in addition to their cost-justified going forward costs*

## **Federal Energy Regulatory Commission**

- **Notice of Inquiry– Reactive Power Capability Compensation (RM22-2)**

On February 22, 2022, the ISO filed comments on FERC's November 18, 2021 notice of inquiry regarding compensation for reactive power capabilities. Some regions, including the ISO, do not compensate resources for providing reactive power. The ISO commented on its approach to securing reactive power and voltage support.

- **Notice of Inquiry Rate Recovery, Reporting and Accounting Treatment (RM22-5)**

On February 22, 2022, the ISO, PJM, MISO, and SPP jointly submitted a limited response to FERC's notice of inquiry. The comments stated that educational and informational

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exchanges are essential to RTO/ISO core operations and benefit customers, and the associated costs of these activities are appropriately recoverable from customers through rates.

- **Reliability Technical Conference (AD21-11)**

On February 22, 2022, the ISO filed comments regarding the September 30, 2021 technical conference regarding maintaining electric reliability with a changing resource mix. The ISO stated that increased coordination across the Western interconnection in resource procurement decisions will enhance each balancing authority area's ability to integrate a diverse set of technologies and leverage a resource mix that reflects geographic diversity. In addition, the ISO indicated it is exploring an additional day-ahead market reserve product to help manage real-time energy imbalances and energy ramping needs.

- **Notice of Inquiry: Implementation of Dynamic Line Ratings (AD22-5)**

On February 17, 2022, FERC issued a notice of inquiry seeking comments on whether, and how, the required use of dynamic line ratings is needed to ensure just and reasonable wholesale rates by improving the accuracy and transparency of line ratings.

- **Modernizing Electricity Market Design (AD21-10)**

On February 4, 2022, the ISO filed post-technical conference comments regarding energy and ancillary services markets in the evolving electricity sector. The ISO recommended the Commission allow the ISO to pursue market enhancements to meet its specific market and operating conditions to (1) support real-time market efficiency and (2) help extend the ISO's day-ahead market to participants outside the ISO balancing authority area.

- **Amendment 60 (ER22-963/ER04-835)**

On January 31, 2022, the ISO filed a petition for approval of an uncontested settlement agreement to resolve issues concerning Amendment No. 60 to the tariff pending before the U.S. Court of Appeals for the District of Columbia Circuit. In Amendment No. 60, which dates back to 2004, the ISO proposed revisions to the methodology for allocating costs related to the must-offer obligation. The Amendment No. 60 proceedings have an extensive history before FERC and have also been the subject of multiple petitions for review before the D.C. Circuit.

- **Resource Adequacy Developments in the Western Interconnection (AD21-14)**

On January 31, 2022, the ISO filed comments in response to FERC's inquiry into how resource adequacy frameworks are developing in the western interconnection. The ISO identified four key areas in which California's resource adequacy paradigm and other parts of the West will continue to evolve to ensure continued reliability in California and the

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western interconnection: CPUC actions in resource adequacy proceedings, ISO stakeholder initiatives on resource adequacy issues, continued progress implementing reforms to ISO interconnection and transmission processes to align more effectively with expected procurement, and continued regional collaboration on resource adequacy and other reliability issues.

- **Transmission Services and Market Scheduling Practices - Wheeling (ER22-906)**

On January 27, 2022, the ISO filed a tariff amendment to implement phase 1 of its transmission service and market scheduling priorities initiative. The ISO proposed to maintain in effect for an additional two years tariff provisions the Commission approved on an interim basis until June 1, 2022 to establish wheeling through priorities in the day-ahead and real-time market optimization processes and allocate capacity between ISO load and wheeling through transactions during stressed system conditions. The ISO also proposed to revise tariff provisions the Commission approved on a non-interim basis regarding the resources eligible to back high-priority non-recallable exports (*i.e.*, export self-schedules at scheduling points explicitly sourced by non-resource adequacy capacity).

On February 25, 2022 the ISO answered comments noting the tariff amendment is widely supported, and committing to provide periodic informational reports regarding the status of stakeholder efforts to develop a longer-term framework for establishing wheeling through scheduling priorities across the ISO system.

- **Contract Management Enhancements (ER22-878)**

On January 25, 2022, the ISO filed a tariff amendment to improve its *pro forma* interconnection agreements and related generator interconnection procedures. The changes proposed result from the ISO's contract management enhancements stakeholder initiative.

- **WEIM Sub-Entity and Sub-Entity Scheduling Coordinator Roles (ER22-869)**

On January 21, 2022, the ISO filed a tariff amendment to create the new roles of western energy imbalance market ("WEIM") sub-entity and WEIM sub-entity scheduling Coordinator. The WEIM sub-entity role will allow one or more electric utilities embedded within a single WEIM Entity balancing authority area to participate individually in the WEIM by enabling them, through their WEIM sub-entity scheduling Coordinators, to schedule and financially settle non-participating loads and resources directly in the WEIM. The current WEIM rules require that these non-participating loads and resources be scheduled and settled through the WEIM entity representing the BAA. This amendment creates a direct relationship between these WEIM sub-entities and the

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ISO, allowing for more diverse and expanded participation within the WEIM.

- **Maximum Import Capability (ER22-844)**

On January 19, 2022, the ISO filed tariff amendments to enhance its maximum import capability allocation process. The tariff revisions (1) allow market participants to submit maximum import capability expansion requests in the transmission planning process and (2) refine the available import capability allocation process to prioritize requests for unassigned available import capacity to entities with existing resource adequacy contracts.

On February 18, 2020, the ISO answered comments to clarify that the proposed tariff amendment allows third parties owning upgrades to existing transmission to request a maximum import capability expansion.

- **Electric Transmission Incentives Policy (RM20-10/AD-19-19)**

On January 14, 2022, the ISO filed comments on FERC's September 10, 2021 technical workshop, supporting the adoption and integration of cost-effective technologies that meet identified reliability and economic needs and address challenges posed by the changing electricity landscape in the West. The ISO stated it does not support a shared savings mechanism or utilizing production cost studies performed by regional transmission operators or independent system operators to estimate benefits to inform rate incentives.

- **Capacity Procurement Mechanism – Offers Above the Soft Offer Cap (U.S. Court of Appeals, D.C. Circuit, No. 20-1388)**

On December 17, 2021, the U.S. Court of Appeals for the D.C. Circuit vacated and remanded FERC's May 2020 order accepting ISO tariff revisions regarding the above-cap compensation framework under the capacity procurement mechanism. Specifically, the D.C. Circuit Court of Appeals vacated FERC's decision allowing capacity procurement mechanism resources with above-cap offers to receive a 20 percent adder in addition to their cost-justified going forward costs.

- **Order No. 881: Managing Transmission Line Ratings (RM20-16)**

On December 16, 2021, FERC issued a final rule requiring public utility transmission providers to implement ambient-adjusted ratings on the transmission lines over which they provide service. FERC's order also requires RTOs/ISOs to establish and implement systems and procedures necessary to allow transmission owners to electronically update transmission line ratings at least hourly.

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### Non-Conforming Regulatory Agreements

- **WEIM Implementation Agreement: Public Service Company of Colorado (ER22-1070)**

On February 17, 2022, the ISO filed a notice of cancellation of the implementation agreement, as the parties mutually agreed to the termination.

- **LGIA: ISO, SDG&E & Sun Streams Solar 2, LLC (ER22-540)**

On January 28, 2022, FERC issued an order accepting the revised Large Generator Interconnection Agreement, effective February 2, 2022.

- **Citizen S-Line Transmission (ER21-2082)**

On January 28, 2022, FERC issued an order accepting, subject to further compliance, Citizen's proposed transmission owner tariff, to become effective when Citizen and the ISO execute an incremental transfer capability lease, or Citizen turns over its interest in the S-Line 230kV transmission project to the ISO.

- **LGIA: McFarland Solar/Arizona Public Service Co./Imperial Irrigation District/ San Diego Gas & Electric/ISO (ER22-875)**

On January 24, 2022, the ISO filed a certificate of concurrence for Arizona Public Service Company's (APS) Large Generator Interconnection Agreement (LGIA), which includes non-conforming language to integrate the conforming elements of the ISO's FERC-approved *pro forma* LGIA. This facilitates the project interconnecting 500 MW of solar PV generation and 435 MW Battery Energy Storage System into both the APS and ISO systems at the Hoodoo Wash 500kV Switchyard (co-owned by APS, SDG&E, and IID).

- **Transmission Control Agreement - Morongo Transmission, LLC (ER21-1288)**

On January 4, 2022, FERC issued an order accepting the revised transmission control agreement, effective July 12, 2021.

- **Reliability Must Run Agreement - Oakland Power Company, LLC (ER22-290)**

On December 30, 2021, FERC issued an order accepting, subject to refund, annual adjustments to the Reliability Must-Run (RMR) Agreement between the ISO and Oakland Power Company LLC for RMR service from the Oakland Power Plant in 2022. FERC's order finds the revisions to the agreement have not been shown to be just and reasonable and directs hearings and settlement procedures.

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- **Unexecuted Large Generator Interconnection Agreement – Pacific Gas & Electric, CXALa Paloma and the ISO (ER21-2592)**

On December 21, 2021, FERC issued an order accepting and suspending the August 2, 2021 unexecuted agreement and established settlement judge procedures regarding CXA La Paloma's interconnection service capacity.

- **Joint Owned Unit Pilot Agreement (ER22-190)**

On December 21, 2021, FERC issued an order accepting the ISO's October 22, 2021 filing of a Joint Owned Unit Pilot Agreement (Pilot Agreement) among the ISO, Tucson Electric Power, and the Public Service Company of New Mexico. The Pilot Agreement sets forth the terms under which the ISO will model a shared resource to facilitate a portion of the resource's output participating in the western energy imbalance market on a pilot basis, effective December 22, 2021.

### **California Public Utilities Commission and other State Agencies**

- **Integrated Resource Planning (R.20-05-003)**

On January 14, 2022, the ISO filed comments supporting the proposed decision's storage procurement directive. The comments also supported the proposed decision's recommendation to defer submitting a high electrification sensitivity case until there is a coordinated effort with the CEC to develop a high electrification demand forecast.

- **Aliso Canyon (I.17-02-002)**

On February 16, 2022, the ISO filed comments on a Phase 3 report, noting the need for further exploration of local reliability impacts from a transmission perspective and questions about the report's assumptions regarding the ISO's system and the ability to increase the interface limits. The ISO stated that a local capacity area-focused transmission assessment is needed to assess appropriately the reliability impact of closing or reducing the capacity of Aliso Canyon closure.

- **High Distributed Energy Resources Grid (R.21-06-017)**

On December 21, 2021, the ISO filed comments on the Commission's electrification impacts study workshop. The ISO stressed the importance of coordination among the Commission, the California Energy Commission (CEC), California Air Resources Board (CARB), and the

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ISO in evaluating demand forecasts used across resource planning processes as the Commission considers changes to processes that affect distribution planning.

- **Resource Adequacy Program (R.21-10-002/R.19-11-009)**

On December 22, 2021, the ISO filed comments on resource adequacy workshops, noting any resource adequacy framework must ensure load serving entities (LSEs) show sufficient resources to meet demand plus the planning reserve margin across all hours of the day, and result in LSEs procuring and showing the ISO a proper mix of resources that ensures grid reliability.

On December 23, 2021, the ISO filed a proposal to modify local obligation assignments between the central procurement entity (CPE) and LSEs under the hybrid procurement framework that would allow the ISO to first assign any local capacity procurement mechanism costs directly to an individual deficient LSE that fails to show the ISO the local resource(s) in a resource adequacy plan, when the ISO identifies a local capacity deficiency.

On January 4, 2022, and January 13, 2022, the ISO filed comments and reply comments on Phase 1 proposals, supporting proposals that will enhance LSEs' ability to manage resource adequacy positions within the CPE framework. The ISO also indicated the Commission should determine how to assign local obligations between self-showing LSEs and the CPE before final showings are due to the ISO. The ISO stated that changes to ISO backstop cost allocation rules, which may require changes to the ISO's tariff, should not be considered in this proceeding.

On February 7, 2022, the ISO submitted informal comments regarding the resource adequacy framework working group process on the following topics: rapid changes to the resource mix and demand trends warrant revisiting the resource adequacy program structure, how the planning reserve margin will be set and resource counting methodologies, and ensuring reliability across multiple days.

On February 14, 2022, the ISO filed comments on workshop proposals regarding joint distributed energy resources party proposals for adoption of a qualifying capacity methodology for behind the meter storage and hybrid resources capable of exporting to the grid, and the ISO's process for developing year 2 and year 3 local resource adequacy requirements, consistent with Commission direction.

On February 24, 2022, the ISO filed comments on local capacity requirement (LCR) workshop discussion topics: timely delivery of LCR study results, inclusion of energy storage limits in the LCR report, and how best to coordinate Commission and ISO local resource accounting rules.

On March 2, 2022, the ISO filed comments supporting the proposed decision's framework for allocating to individual load serving entities the CPM costs the ISO allocates to the CPE. The ISO also recommended the Commission clarify that the proposed CPM cost allocation

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framework only applies to CPM costs associated with *individual* local resource adequacy deficiencies, not collective deficiencies.

- **Improve Distribution Level Interconnection Rules and Regulations – Generation and Storage (R.11-09-011)**

On December 21, 2021, the ISO filed responses to the Administrative Law Judge's November 23, 2021 questions. The ISO supported the Commission's efforts to examine the impact of large and transmission-connected resources interconnecting under Rule 21 and participating under net energy metering tariffs.

On February 10, 2022, the ISO filed comments on workshop slides and additional data published regarding the number and capacity of resources seeking to interconnect to PG&E's high-voltage transmission grid via Rule 21. The ISO noted it has no forecasting, telemetry, or metering for generators participating under a net energy metering tariff, which means the generator itself is invisible to the ISO but injecting energy onto the grid. In addition, the ISO stated that interconnecting large resources to the transmission system via Rule 21 circumvents the ISO's interconnection studies and operational requirements. The ISO believes these interconnections were never contemplated by the legislation or Commission proceedings that resulted in Rule 21 and the net energy metering tariffs. The ISO urged the Commission to act expeditiously to close this loophole before such resources proliferate.

- **Ten West Link Transmission Project (A.16-10-002)**

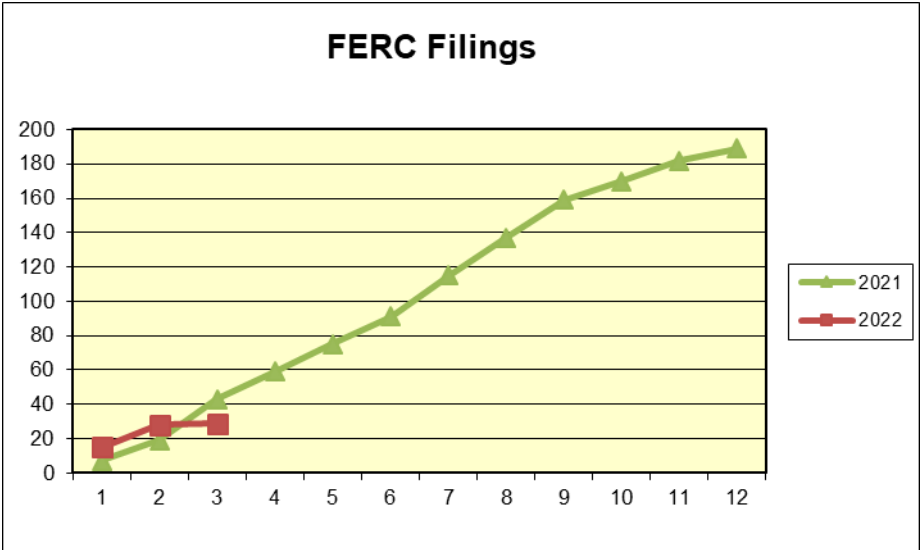
On December 21, 2021, the ISO filed a response opposing Cal Advocates' application for rehearing of the Commission's November 4, 2021 decision granting a certificate of public convenience and necessity for the project.

- **2021 Integrated Energy Policy Report (IEPR) (21-IEPR-04)**

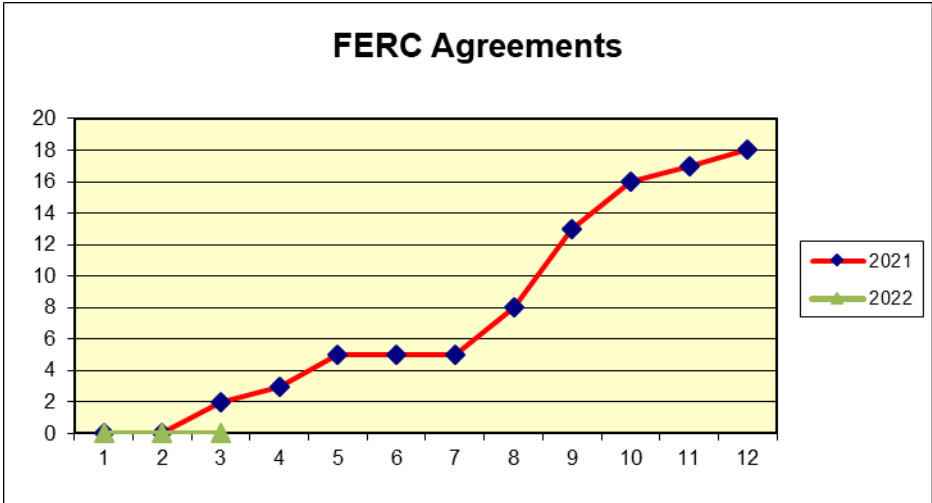
On December 17, 2021, the ISO filed comments with the CEC on the supply-side demand response workshop. The ISO continues to support effective load carrying capability as the preferred resource adequacy counting methodology for demand response resources with limited availability or output.



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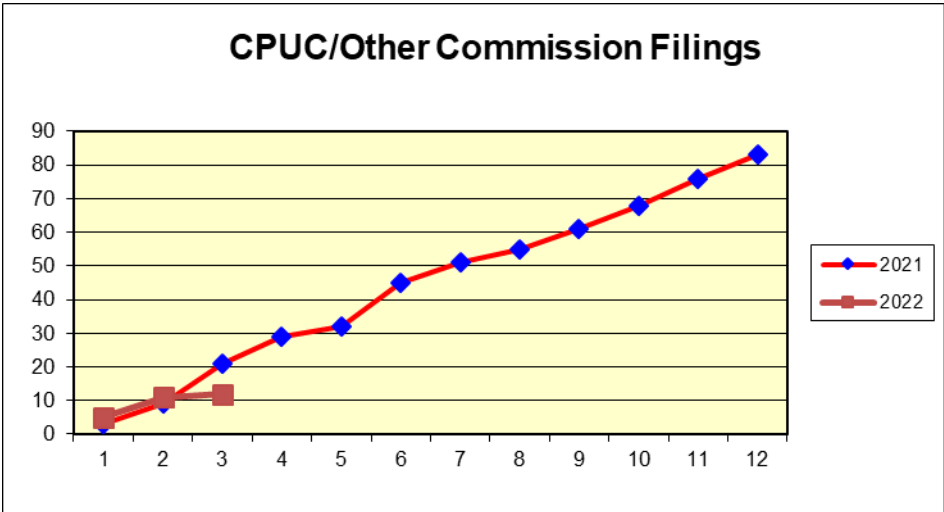


In December 2021, the ISO submitted **7** filings at FERC.  
 From January 2022 through March 3, 2022, the ISO submitted **29** filings at FERC.  
 From December 2021 through March 3, 2022, the ISO submitted **35** total filings.

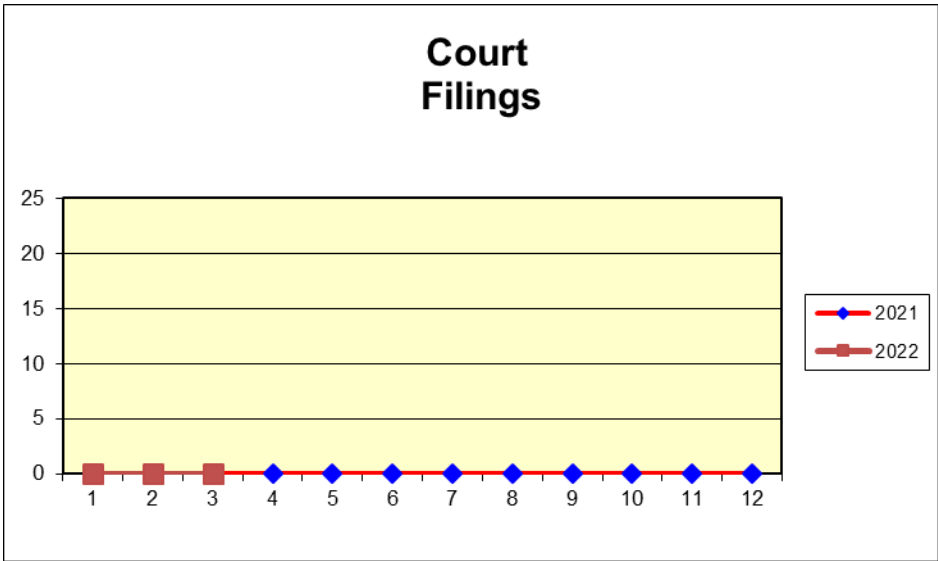


In December 2021, the ISO submitted **1** agreement filing at FERC.  
 From January 2022 through March 3, 2022, the ISO submitted **0** agreement filings at FERC.  
 From December 2021 through March 3, 2022 the ISO submitted **1** agreement filing.

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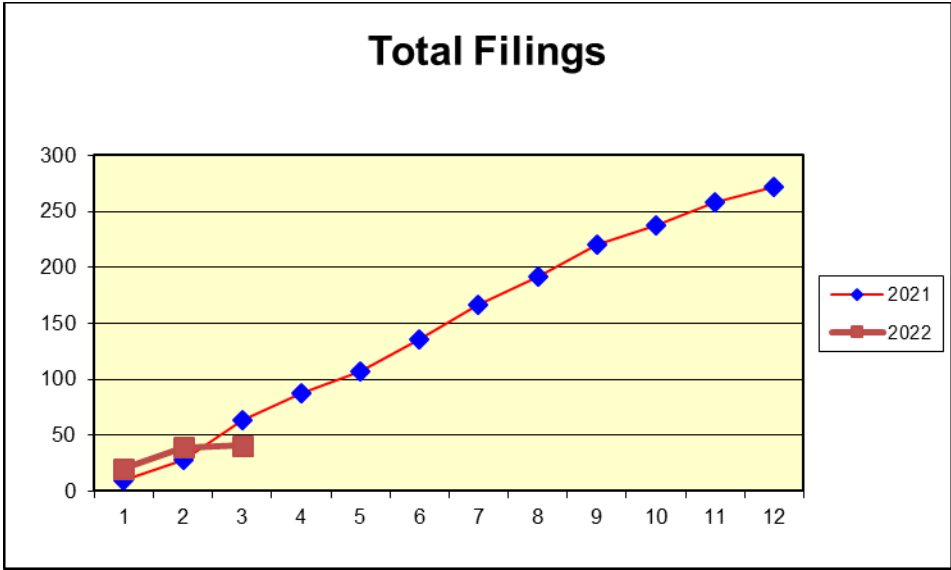


In December 2021, the ISO submitted 7 filings at the CPUC.  
From January 2022 through March 3, 2022, the ISO submitted 12 filings at the CPUC.  
From December 2021 through March 3, 2022, the ISO submitted 19 total filings.



From December 2021 through March 3, 2022, the ISO submitted 0 court filings.

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In December 2021, the ISO submitted **14** filings at FERC and the CPUC.

From January 2022 through March 3, 2022, the ISO submitted **41** filings at FERC and the CPUC.

From December 2021 through March 3, 2022, the ISO submitted **55 total filings** to its Regulators.