

# Memorandum

**To:** ISO Board of Governors

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

**Date:** May 12, 2021

**Re:** Regulatory update as of March 8, 2021

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

## **Highlights**

- *The ISO filed a tariff amendment to implement market enhancements to prepare it for summer 2021.*
- *The ISO filed a tariff amendment to revise load, export, and wheeling through scheduling priorities in the day-ahead and real-time market optimization processes and to establish related market rules.*
- *The ISO filed a tariff amendment to ensure resource adequacy resources provide the capacity necessary to operate the grid reliably.*
- *The Federal Energy Regulatory Commission approved the ISO's tariff amendment to implement market parameter enhancements and import bidding rules supplementing the ISO's compliance with FERC Order No. 831.*

## **Federal Energy Regulatory Commission**

- **Offshore Wind Integration in RTOs/ISOs (AD20-18)**

On May 10, 2021, the ISO filed post-technical conference comments stating it can leverage its existing interconnection procedures and transmission planning process to integrate offshore wind resources. The ISO recommended that FERC not adopt a uniform practice or rule or develop a separate transmission planning process solely to integrate offshore wind. Instead, FERC should allow individual RTOs/ISOs to leverage their stakeholder processes to address specific requirements for these projects.

- **Summer Readiness – Loads, Exports and Wheeling (ER21-1790)**

On April 28, 2021, the ISO filed a tariff amendment to revise load, export, and wheeling through priorities in the day-ahead and real-time market optimization processes and establish related market rules. The ISO stated that the proposed tariff revisions were critical to ensure that, during constrained conditions, the ISO can manage transactions at the interties and internal transmission paths reliably and fairly to meet its native load obligations and provide access to external entities that also rely on the ISO grid to serve their load.

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- **Resource Adequacy (RA) Enhancements – Phase 1: Summer 2021 Provisions (ER21-1551)**

On March 29, 2021, the ISO filed tariff revisions to ensure RA resources provide capacity needed to operate the grid reliably. These revisions include: (1) adopting a minimum state of charge requirement for storage resources that provide RA capacity; (2) requiring RA substitute capacity for all maintenance outages on RA resources; (3) clarifying that extending the scope or duration of an existing outage requires a new outage card; and (4) updating the local capacity technical study criteria and permitting the ISO to designate capacity under its capacity procurement mechanism if load serving entities do not procure sufficient resources to meet the revised criteria.

On April 28, 2021, the ISO answered parties' comments and protests. Some parties supported the ISO proposals, some sought clarification on specific issues, and others protested the proposed minimum state of charge requirement and RA substitution rule changes.

- **Summer 2021 Readiness (ER21-1536)**

On March 26, 2021, the ISO filed a tariff amendment to prepare it for summer 2021 in light of the performance of the ISO's markets and supply shortages during last summer's heat wave events. The ISO proposed five categories of tariff revisions to help the ISO maintain reliable grid operations this summer: (1) incentives for suppliers to submit import schedules in the hour ahead scheduling process during tight market conditions; (2) reliability demand response resource dispatch and real-time pricing enhancements; (3) energy imbalance market coordination and resource sufficiency test modifications; (4) pricing enhancements during tight system conditions; and (5) targeted generation interconnection process improvements.

On April 23, 2021, the ISO answered parties' comments on the filing. Most parties did not oppose the proposed tariff revisions; although, some parties sought modifications or requested that FERC impose monitoring obligations on the ISO.

- **Maximum Import Capability (ER21-1469)**

On March 18, 2021, the ISO filed a tariff amendment to revise its available import capability allocation process to allow load serving entities to reserve import capability at the interties on a multi-year basis.

No party opposed the ISO's filing. On April 23, 2021, the ISO answered the comments of two parties who raised issues beyond the scope of the tariff amendment.

- **EIM Enhancements - Real time Settlements and Base Schedule Enhancements (ER21-955)**

On April 30, 2021, FERC issued an order accepting tariff revisions regarding the settlement of EIM base schedule deviations and EIM transfer bid cost recovery, effective

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May 1, 2021. FERC also accepted tariff revisions regarding the EIM entity unaccounted for energy settlement and EIM base schedule timeline change, effective October 1, 2021.

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

On March 23, 2021, the ISO filed comments supporting FERC's proposed revised policy statement regarding natural gas and electric price indices. The ISO supported FERC's efforts to (1) encourage more market participants to report their transactions to price index developers and (2) provide greater transparency into the price formation process.

- **Managing Transmission Line Ratings (RM20-16)**

On March 22, 2021, the ISO filed comments in response to FERC's notice of proposed rulemaking (NOPR). The NOPR seeks to improve the accuracy and transparency of transmission line ratings by, among other things, requiring all transmission providers to implement ambient-adjusted ratings and seasonal ratings. The ISO supported FERC's efforts to expand and automate the use of ambient adjusted transmission line ratings, but suggested the proposed implementation schedule was too aggressive. The ISO noted that transmission owners would need to assess regional and local issues in connection with establishing ambient adjusted transmission line ratings. Also, RTOs/ISOs would need time to develop additional market rules associated with the automated submission and use of hourly-adjusted transmission line ratings.

- **Hybrid Resources (ER21-843)**

On March 9, 2021, FERC issued a letter order approving the ISO's January 8, 2021 tariff amendment to specify rules and definitions regarding co-located resources. The revisions permit co-located resources to deviate from dispatch instructions under very specific conditions and clarify the definitions for mixed-fuel resources and hybrid resources. The tariff revisions became effective March 12, 2021.

- **Enhance Market Parameters and Import Bidding - Order No. 831 (ER21-1192)**

On April 27, 2021, FERC accepted the ISO's February 22, 2021 tariff amendment to enhance its market parameters and import bidding rules, effective no later than June 15, 2021. These tariff revisions supplemented the ISO's tariff provisions to comply with FERC Order No. 831. The first enhancement allows the ISO to use current market scheduling and pricing parameters based on a \$1,000/MWh soft energy bid cap unless market conditions support costs and bids above \$1,000/MWh. The second enhancement provides rules for import, export, demand, and virtual bids above \$1,000/MWh.

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### **Non-Conforming Regulatory Agreements**

- **Planning Coordinator Agreement with California Department of Water Resources (CDWR) (ER21-1779)**

On April 27, 2021 the ISO filed a Planning Coordinator Agreement with CDWR under which the ISO will serve as the planning coordinator for CDWR's transmission facilities that are part of the bulk electric system in the ISO's balancing authority area.

- **Operating Agreement with City and County of San Francisco (Hetch Hetchy) (ER21-926)**

On March 15, 2021, FERC approved revisions to the operating agreement, addressing the operation of the Hetch Hetchy project, effective March 23, 2021.

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

On May 5, 2021, FERC approved the ISO's filing to add Morongo Transmission LLC as a new participating transmission owner, effective May 6, 2021.

- **EIM Implementation Agreement – El Paso Electric Co, (ER21-1003)**

On March 26, 2021, FERC accepted an EIM implementation agreement for El Paso Electric Company.

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

- **A.16-10-012 (DCR Transmission – Ten West Link Project)**

On March 12, 2021, the ISO filed its reply brief supporting a certificate of public convenience and necessity for the Ten West Link Transmission Project. The project provides economic benefits to ISO ratepayers in excess of project costs. It also provides important reliability benefits by reinforcing Path 46, which connects the ISO grid to the desert southwest. The ISO approved the proposed project in its 2013-2014 transmission planning process.

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

On March 12, 2021, the ISO submitted comments regarding the following proposals submitted in the proceeding: changes to the planning reserve margin, transmission and distribution loss factors for counting demand response qualifying capacity, a requirement to show demand response on supply plans, seasonal system resource adequacy procurement, an unforced capacity counting methodology, multi-year system resource adequacy requirements, maximum cumulative capacity framework refinements, effective load carrying capability for new solar contracts, and demand response adders.

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On March 23 and March 26, 2021, the ISO filed reply comments regarding its resource adequacy proposal. The ISO recommended all resources counting for resource adequacy to be shown on supply plans. The ISO argued this would provide more consistent treatment for all resources providing resource adequacy capacity, including the application of the must offer obligation and availability incentives.

On April 30, 2021, the ISO filed its final Local Capacity Technical Study Report.

On April 29, 2021, the ISO filed comments on the administrative law judge's ruling regarding Energy Division's demand response proposal. The ISO supported the Energy Division's proposal 1 to recognize demand response as a variable-output demand response resource.

On May 4, 2021, the ISO filed reply comments on the administrative law judge's ruling regarding the Energy Division's demand response proposal on issues regarding Proposed Revision Request 1280 and supply side demand response. The ISO supported PG&E's and SCE's comments to provide a pathway to show investor owned utility demand response resources on supply plans for the 2022 resource adequacy year. The ISO also recommended the Commission adopt the effective load carrying capability methodology as the interim qualifying capacity methodology for IOU demand response for 2022.

- **R.20-01-007 (Safe and Reliable Gas Systems)**

On March 19, 2021, the ISO filed comments supporting Energy Division's recommendation to extend So Cal Gas' current winter operational flow orders penalty structure, which were set to expire on October 31, 2021.

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

On March 26, 2021, the ISO commented on the administrative law judge's ruling seeking feedback on mid-term reliability and proposed procurement requirements. The ISO recommended immediate action to address the retirement of the Diablo Canyon nuclear power plant and once-through cooling resources, as well as changes in the resource fleet. The ISO supported procuring at least 10,000 MW of incremental effective capacity to be online during the mid-term (2023-2026) period. The ISO stressed that this capacity should be effective after sunset. The ISO also recommended that the CPUC adopt a planning reserve margin that establishes an acceptable level of reliability performance.

On April 9, 2021, the ISO filed reply comments reiterating the need for 10,000 MW of additional effective capacity to be online by 2025.

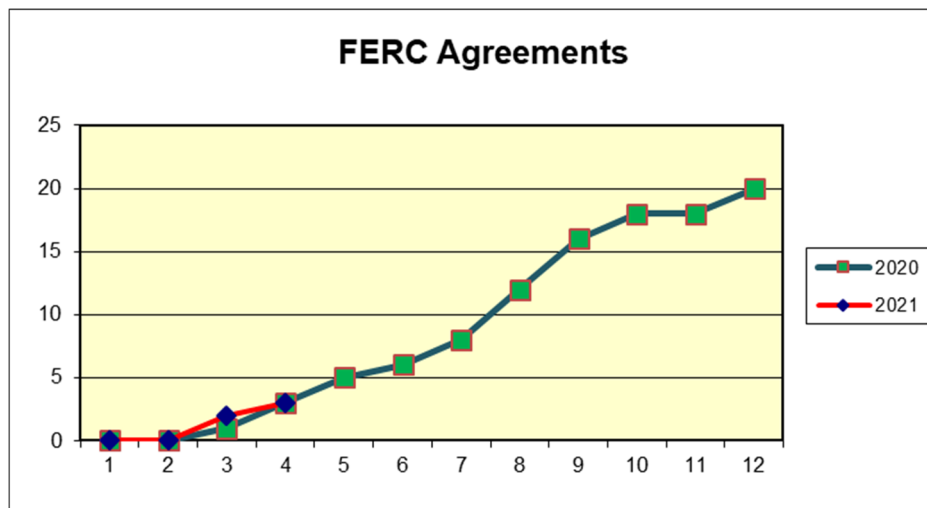
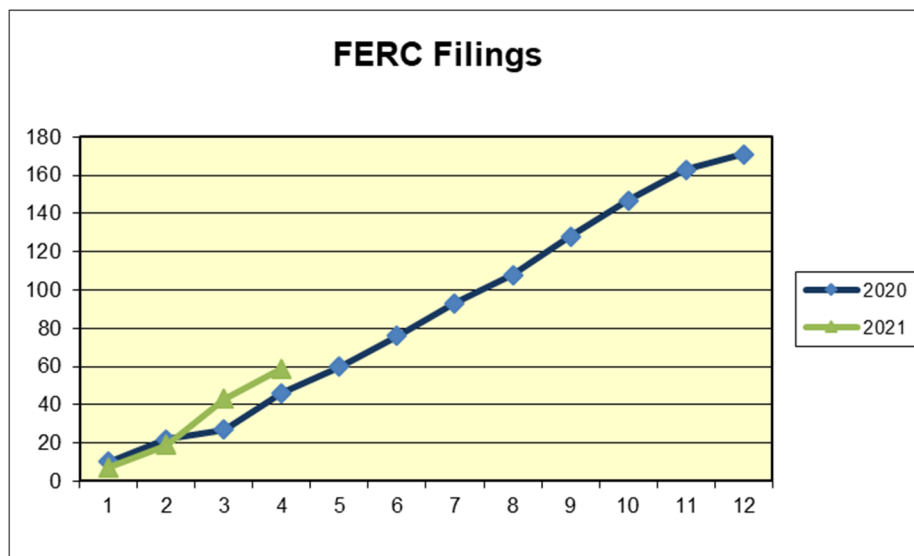
- **R.20-11-003 (Order instituting rulemaking to establish policies, processes, and rules to ensure reliable electric service in California, and in the event of an extreme weather event in 2021)**

On March 15, 2021, the ISO filed comments generally supporting the proposed decision. The ISO recommended targeted modifications to the proposed decision in the

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in the following areas: an increased planning reserve margin, mandatory incremental investor-owned utility procurement and incremental procurement during the net demand peak, encouraging incremental import resources to have firm transmission service to the ISO border and minimum availability requirements, critical peak pricing, and the emergency load reduction program. The ISO supported the proposed funding of the Flex Alert paid media campaign to solicit consumer conservation on critical need days.

On March 19, 2021, the ISO filed reply comments supporting, among other things, (1) an increased planning reserve margin, (2) incremental procurement to address needs from May through October, and (3) a requirement to show incremental procurement as resource adequacy capacity.



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