

Memorandum

To: ISO Board of Governors

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

Date: September 15, 2021

Re: Regulatory update since last report dated July 7, 2021

This memorandum does not require Board action.

Highlights

- *FERC dismissed as moot NV Energy's complaint against the ISO regarding the scheduling run penalty pricing parameters in the ISO's business practice manual.*
- *FERC issued an Advanced Notice of Proposed Rulemaking soliciting comments on potential changes in regional transmission planning, cost allocation, and generator interconnection processes.*
- *The ISO filed its Energy Storage and Distributed Energy Resources Phase 4 tariff amendment.*
- *The ISO filed a petition for limited waiver of its tariff to allow it to interconnect immediately two emergency generating units to meet potential capacity shortfalls and maintain reliability.*
- *The ISO filed a tariff amendment to amend its generator interconnection procedures so it could effectively study the 2021 "supercluster" of interconnection requests.*
- *The ISO filed a tariff amendment to allow EIM participants to submit EIM base schedules below the minimum load of their resources.*

Federal Energy Regulatory Commission

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

On July 26, 2021, the ISO submitted a compliance filing to include the scheduling run penalty pricing parameters in the tariff, as directed by FERC in its June 25, 2021 order. The ISO also proposed a procedure that would allow it to change the penalty pricing parameter values temporarily before filing a tariff amendment.

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On July 26, 2021, the ISO filed a motion for clarification, or in the alternative request for rehearing, of FERC's June 25, 2021, order. The ISO requested that FERC confirm it is appropriate for the ISO to include in its compliance filing a provision that allows the ISO to change the penalty pricing parameter values temporarily without first amending the tariff.

On August 4, 2021, the ISO submitted a supplemental compliance filing to clarify that its authority to make temporary changes to pricing parameter values does not allow the ISO to change the relative scheduling run priorities in the tariff.

- **Energy Storage and Distributed Energy Resources 4 – Enhancements Optimizing the Performance of Storage and Demand Response Resources (ER21-2779)**

On August 27, 2021, the ISO filed a tariff amendment to create biddable state-of-charge parameters for energy storage, apply market power mitigation and create default energy bids for energy storage, and enable demand response resources to reflect maximum daily run times.

- **Emergency Generation Connection – California Department of Water Resources (ER21-2753)**

On August 24, 2021, the ISO filed a petition for limited waiver of the ISO's tariff to allow it immediately to interconnect two emergency generating units to help address potential capacity shortfalls and maintain reliability.

- **EDF Trading North America LLC – Application to Recover Fuel Costs (ER21-2579)**

On August 19, 2021, the ISO filed a protest regarding EDF's application for after-the-fact recovery of fuel costs that EDF stated it did not recover through ISO market settlements. The ISO argued that EDF, as scheduling coordinator for the La Paloma generating facility, failed to demonstrate that its application for cost recovery was just and reasonable. The ISO requested that FERC set the matter for evidentiary hearing and authorize parties to conduct additional discovery.

- **esVolta, LP – Petition for limited Waiver of Interconnection Procedures (ER21-2605)**

On August 18, 2021, the ISO filed comments objecting to esVolta's petition for limited waiver of certain interconnection procedures in the ISO tariff. The petition pertained to esVolta's late submission of generation interconnection requests for projects in cluster 14. The ISO argued that esVolta's substantial delay in seeking the waiver was without cause and would cause unduly delay the interconnection study process.

- **Amendment 60 – Must Offer Cost Allocation (ER04-835)**

On August 13, 2021, the ISO, Pacific Gas & Electric Company, and Southern California

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Edison Company jointly filed a petition for approval of an uncontested settlement agreement with Shell Energy N.A. The settlement would resolve certain issues and ongoing litigation in connection with Shell Energy's petitions for review of recent FERC orders regarding Amendment No. 60 pending before the U.S. Court of Appeals for the District of Columbia Circuit. In Amendment No. 60, the ISO revised its methodology for allocating costs associated with the must offer obligation.

- **ISO's Rules of Conduct – Petition for Approval of Disposition of Penalty Assessment & Non-Refundable Financial Security (ER21-2040)**

On August 6, 2021, FERC granted the ISO's May 28, 2021 petition to distribute penalty proceeds collected for violations of the ISO's Rules of Conduct and certain nonrefundable interconnection study deposits.

- **Energy Imbalance Market – Base Schedules Below Minimum Load (ER21-2593)**

On August 3, 2021, the ISO filed a tariff amendment to allow EIM participants to submit EIM base schedules below the minimum load of their resources, thus improving the accuracy and efficiency of the EIM.

- **Terra Gen, LLC – FERC OE Investigation (IN21-7)**

On August 2, 2021, FERC issued an order approving a stipulation and consent agreement resulting from FERC's Office of Enforcement investigation of Terra-Gen for providing false or misleading information regarding the physical capabilities and operation of the wind-powered electric generation facility owned by Terra-Gen's subsidiary Cameron Ridge, LLC, in violation of the ISO tariff.

- **Generator Interconnection Procedures – Supercluster Interconnection Procedures (ER21-2530)**

On July 27, 2021, the ISO filed a tariff amendment to revise the generator interconnection procedures for cluster 14, *i.e.*, the 2021 "supercluster" of interconnection requests. The ISO received more than twice the average annual number of interconnection requests, rendering the ISO unable to study cluster 14 under its current tariff procedures. The tariff revisions establish unique timelines and procedures for cluster 14.

- **Commission Information Collection Activities (AD19-16)**

On July 23, 2021, FERC staff issued a common metrics report, reflecting data collected as part of a Government Accountability Office report recommending FERC do more to track the performance and benefits of RTO/ISO markets.

- **Advanced Notice of Proposed Rulemaking – Building for the Future through Electric Regional Transmission Planning and Cost Allocation and Generator**

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Interconnection (RM21-17)

On July 15, 2021, FERC issued an Advanced Notice of Proposed Rulemaking entitled *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*. FERC seeks comments on potential reforms in three areas: (1) reforms for longer-term regional transmission planning and cost allocation processes that take into account more holistic planning, including planning for anticipated future generation; (2) rethinking cost responsibility for regional transmission facilities and interconnection-related network upgrades; and (3) enhanced transmission oversight over the identification of, and costs associated with, new transmission facilities.

- **NV Energy v. ISO (EL21-74)**

On July 15, 2021, FERC dismissed the complaint filed by NV Energy on May 17, 2021, as moot. NV Energy argued that the ISO should not be permitted to grant ISO load the same scheduling priority as wheeling through self-schedules through a change to its business practice manual. FERC found the complaint moot because FERC accepted the ISO's tariff revisions in Docket No. ER21-1790 and directed the ISO to include the penalty pricing parameters that determine scheduling priorities in its tariff instead of only in the business practice manual.

- **San Diego Gas & Electric Company – Application to Recover Fuel Costs (ER21-2193)**

On July 14, 2021, the ISO filed a protest regarding SDG&E's application for after-the-fact recovery of fuel costs that SDG&E asserted it did not recover through ISO market settlements. The ISO argued that SDG&E did not demonstrate its application for cost recovery was just and reasonable. The ISO requested that FERC set the matter for evidentiary hearing and authorize parties to conduct additional discovery.

- **Sempra Gas & Power Marketing – Application to Recover Fuel Costs (ER21-2192)**

On July 9, 2021, the ISO filed a protest regarding Sempra's application for after-the-fact recovery of fuel costs that Sempra stated it did not recover through ISO market settlements. The ISO argued that Sempra did not demonstrate its application for cost recovery was just and reasonable. The ISO requested that FERC set the matter for evidentiary hearing and authorize parties to conduct additional discovery.

- **FERC Technical Conference – Electrification and Grid of the Future (AD12-12)**

On July 1, 2021, the ISO submitted post-technical conference comments supporting integration of flexible demand resources into wholesale markets and leveraging load modifications through grid informed time variant and dynamic retail rates for newly electrified resources. The ISO stated these measures would mitigate stress on the

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system by beneficially shifting and shaping load to create a flatter and more manageable system profile.

Non-Conforming Regulatory Agreements

- **Large Generator Interconnection Agreement – Arica Solar LLC/ Southern California Edison/ISO (“Sol Catcher BESS”) (ER21-2672)**

On August 25, 2021, the ISO filed a certificate of concurrence regarding the August 4, 2021, non-conforming Large Generator Interconnection Agreement filed by Southern California Edison.

- **Large Generator Interconnection Agreement – Pacific Gas & Electric/CXA La Paloma/ISO (ER21-2592)**

On August 23, 2021, the ISO filed comments regarding the unexecuted Large Generator Interconnection Agreement filed by PG&E to establish an interconnection service capacity for the La Paloma facility equal to the generating capacity it constructed.

- **Large Generator Interconnection Agreement – Desert Quartzite LLC/ Southern California Edison/ISO (ER21-2589)**

On August 2, 2021, the ISO filed a certificate of concurrence regarding the July 15, 2021 non-conforming Large Generator Interconnection Agreement filed by Southern California Edison Company.

- **Dynamic Scheduling Host Balancing Authority Operating Agreement – Griffith Energy, LLC (ER21-2019)**

On July 15, 2021, FERC issued a letter order accepting the ISO’s May 27, 2021 notice of termination of the non-conforming Dynamic Scheduling Host Balancing Authority Operating Agreement between the ISO and Griffith Energy, LLC.

California Public Utilities Commission and other State Agencies

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

On August 16, 2021, the ISO submitted opening comments on the proposed preliminary scope and schedule of the proceeding. The ISO provided input regarding the structuring of the tracks in the docket and strongly supported coordinating with the California Energy Commission on data gathering and analytics.

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- **Ensure Reliable Electric Service in CA – Extreme Weather Event in 2021 (R.20-11-003)**

On August 6, 2021, the ISO submitted comments on the August 2, 2021 proposed amended scoping memo to address 2022 and 2023 reliability issues related to increasing peak and net peak resources, setting resource adequacy requirements properly reflecting system needs, and increasing the planning reserve margin.

- **Supply-Side Demand Response (21-DR-01)**

On August 2, 2021, the ISO submitted comments on the July 19, 2021 Staff Workshop. The ISO strongly supported counting principles and qualifying capacity values for demand response that ensure there is sufficient capacity when and where needed to maintain safe and reliable grid operations. The ISO supported showing resource adequacy demand response resources on resource adequacy supply plans to ensure ISO market and operational rules such as the must offer obligation apply to such resources. The ISO supported using its proposed Effective Load Carrying Capability methodology for supply side demand response resources.

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

On July 23, 2021, the ISO submitted a brief addressing the relevance of additional evidence submitted in the proceeding. The ISO reiterated the need for the project and requested the CPUC issue a certificate of public convenience and necessity as soon as possible.

- **Russell City Energy Company (01-AFC-7C)**

On July 2, 2021, the ISO filed comments at the California Energy Commission supporting Russell City's request to deploy temporary safety modifications to allow the facility to operate in a simple-cycle mode in order to support grid reliability and any potential black-start event needs.

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

On July 1, 2021, the ISO submitted a joint compliance filing with Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company that included a refreshed Effective Load Carrying Capability Study Restudy.

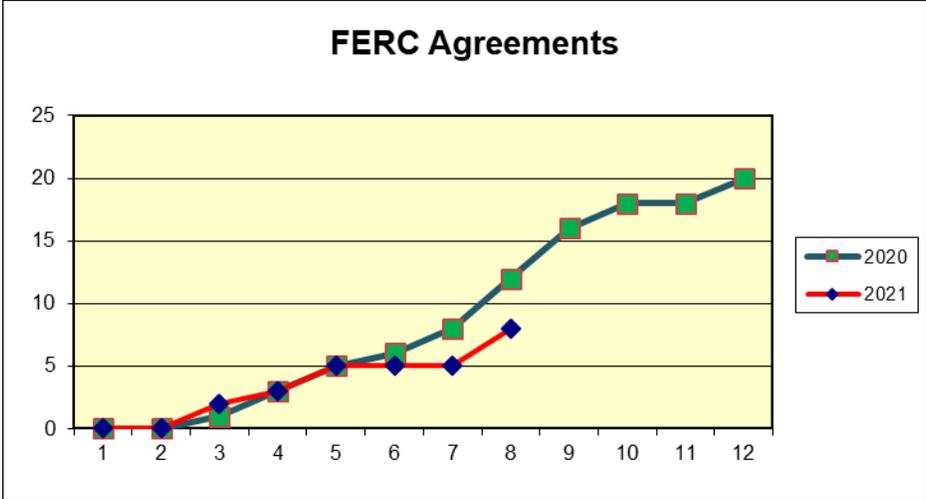
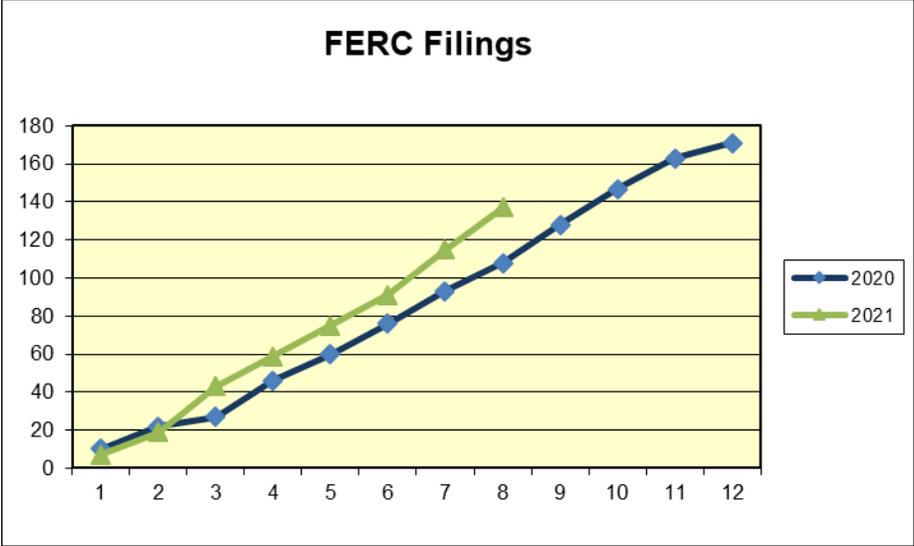
On July 6, 2021, the ISO submitted reply comments on proposed decision on Track 3B.2 issues to refine the resource adequacy program to meet evolving grid needs. The ISO noted it is increasingly necessary to consider and plan for multi-day reliability events with little or no solar or wind production and to incentivize resource procurement to maintain reliability during these events. The ISO urged the CPUC to modify the proposed decision to allow parties additional time to consider fully which elements of the submitted proposals best address key principles noted in the proposed decision.

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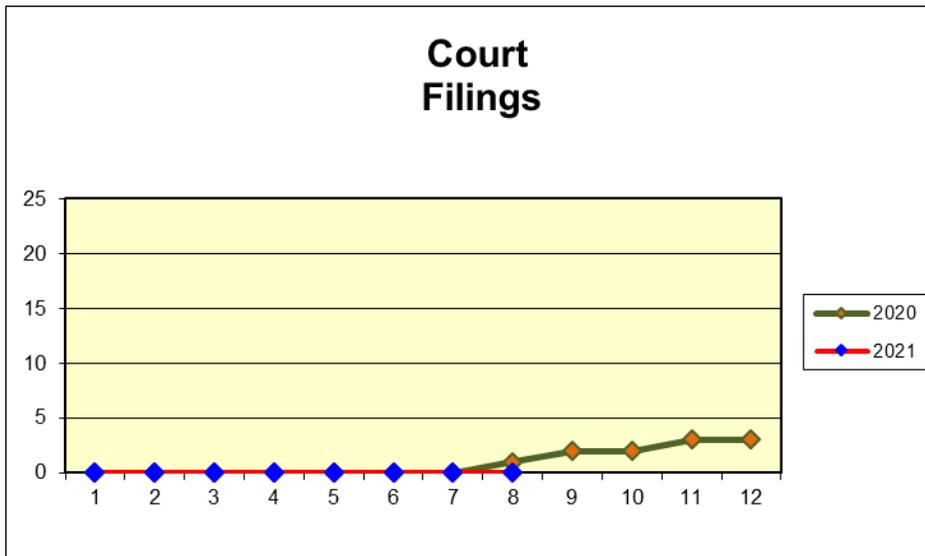
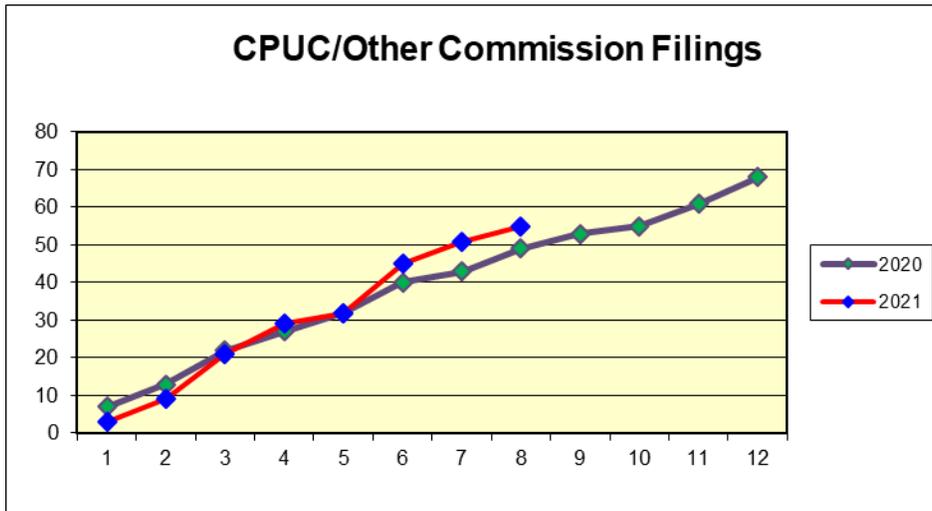
On July 19, 2021, the ISO submitted opening comments on the July 1 joint compliance filing.

On July 26, 2021, the ISO filed reply comments supporting the use of the values submitted in the July 1 joint compliance filing, updated with more recent data as proposed in Southern California Edison's opening comments.

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