



Memorandum

To: ISO Board of Governors

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

Date: December 11, 2019

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *ISO filed a tariff amendment to allow it to, voluntarily at its option, share confidential data with federal agencies that have cybersecurity responsibilities during a cybersecurity event.*
- *FERC accepted, subject to further compliance, the ISO's filing in compliance with Order No. 841 removing barriers to participation of electric storage resources in capacity, energy and ancillary service markets*
- *FERC accepted the ISO's tariff amendment to enhance energy storage and distributed energy resources participation*
- *ISO filed a congestion revenue rights exchange agreement between the ISO and the Transmission Agency of Northern California*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Tariff amendment - data sharing in response to a cybersecurity exigency (ER20-449)**

On November 22, 2019, the ISO submitted a tariff amendment to allow it to, at its discretion, share confidential data with federal agencies that have cybersecurity responsibilities in the event of a cyberattack on the ISO's systems. The proposed tariff amendment promotes reliability by allowing the ISO to immediately seek the assistance of federal agencies that have cybersecurity responsibilities in investigating and thwarting a cyberattack that risks compromising the ISO's operations, markets, or the

integrity of the grid, without having to first notify affected market participants whose information may be shared with the federal agency during the investigation. The amendment contains a process for ensuring that market participants, whose confidential data would be shared with the federal agency, have an opportunity to object to a third party request seeking the participants' information from the federal agency (such as a Freedom of Information Act request). The ISO requested the tariff amendment be effective February 5, 2020.

- **Response to deficiency letter - commitment cost and default energy bid enhancements (ER19-2727)**

On November 22, 2019, the ISO responded to FERC's November 4, 2019, letter requesting additional information to process the ISO's August 20, 2019, tariff amendment to: (1) enhance its market rules so suppliers can request adjustments to their ISO-calculated commitment cost and energy price reference levels to more accurately reflect their fuel costs; and (2) make certain other refinements to the tariff. FERC requested additional information related to the ISO's: (1) proposal to use an additional index that applies only to gas trades for Mondays; (2) proposal related to the recovery of gas system penalties in the calculation of estimated resource's fuel costs; and (3) existing use of a 25 and 10 percent adders in the calculation of commitment cost and energy price reference levels, respectively, and the ISO's proposal to also use these adders when market participants request reference level changes.

- **Joint protest with Pacific Gas & Electric of Dynegy Oakland, LLC's Reliability Service Agreement Filing (ER20-270)**

On November 21, 2019, the ISO submitted a joint protest with Pacific Gas & Electric Company (PG&E), to Dynegy Oakland, LLC's annual filing proposing revisions to its reliability must-run (RMR) service agreement with the ISO along with its annual informational filing to support its proposed changes to the annual fixed revenue requirement. Dynegy Oakland's filing was made in response to the ISO's notice to Dynegy to extend the term of the RMR agreement for the 2020 contract year. The ISO and PG&E argue that Dynegy Oakland has failed to provide adequate support to establish that the proposed rate schedules, including certain elements of the annual fixed revenue requirement are just and reasonable. The ISO and PG&E requested that FERC suspend the rate schedules subject to hearing and establish a refund date at the proposed effective date of January 1, 2020.

- **Order on the ISO's filing in compliance with FERC Order No. 841 - electric storage resources (ER19-468)**

On November 21, 2019, FERC accepted, subject to further compliance requirements, the ISO's December 3, 2018, Order 841 compliance filing, subject to further compliance requirements. Order 841 removes barriers to the participation of electric storage resource in capacity, energy and ancillary service markets operated by RTOs and ISOs.

FERC found the ISO generally complied with Order 841, effective December 3, 2019, subject to the conditions that the ISO also include the following in its tariff: (1) specific physical and operational characteristics of electric storage resources currently contained in the ISO's business practice manuals; (2) minimum size requirements for electric storage resources that do not exceed 100 kilowatts; (3) a basic description and implementation details of the ISO's metering methodology and accounting practices specific to electric storage resources; (4) an explanation of metering and accounting practices that allow for electric storage resources to participate in both wholesale and retail markets; and (5) an explicit statement that, if the host utility is unable or unwilling to net out any energy purchases associated with an electric storage resource's wholesale charging activities from the host customer's retail bill, then the ISO would be prevented from charging that resource wholesale rates for the charging energy for which it is already paying retail rates. The ISO must submit its compliance filing by January 20, 2020.

- **Order accepting energy storage and distributed energy resources enhancements (ER19-2733)**

On November 6, 2019, FERC accepted the ISO's tariff amendment on energy storage and distributed energy resource enhancements. The amendment enhances demand response participation in the ISO by: (1) providing hourly and fifteen-minute scheduling options for demand response resources in the real-time market; (2) removing the requirement that demand response resources aggregate within a single load-serving entity; and (3) converting the net-benefits test from a settlement adjustment to a bid-floor. The revisions were accepted, effective November 13, 2019, as requested.

Non-Conforming Regulatory Agreements

- **Letter order accepting the third amendment to the market efficiency enhancement agreement with the Sacramento Municipal Utility District (ER20-56)**

On November 21, 2019, FERC accepted the ISO's third amendment to its market efficiency enhancement agreement with the Sacramento Municipal Utility District, effective October 17, 2019. The amendment revised the agreement to continue the current term structure of multiple two year extensions up to a six year period after the effective date of the third amendment and to update the contact information.

- **Congestion revenue rights agreement with the Transmission Agency of Northern California (ER20-398)**

On November 18, 2019, the ISO submitted the congestion revenue rights exchange agreement between the ISO and the Transmission Agency of Northern California (TANC). The agreement provides TANC the opportunity to exchange transmission capacity on the California-Oregon Transmission Project (COTP) for option type

congestion revenue rights that will provide compensation based on the difference between the prices at the sink and the source locations. In exchange, ISO market participants will have the opportunity to schedule transactions using the capability made available by TANC's election to convert its capacity to congestion revenue rights. TANC may choose to provide the ISO with COTP capacity in exchange for option congestion revenue rights on a month-to-month basis. The ISO requested the agreement be effective as of February 1, 2020.

- **Letter order accepting the transferred frequency response agreement with various parties (ER19- 2686, ER19-2687, ER19-2689, ER19-2690, ER19-2692, ER19-2693 and ER19-2694)**

On November 12, 2019, FERC accepted seven transferred frequency response agreements filed separate on August 27 and 28, 2019, between the ISO and Tucson Electric Power, City of Tacoma Department of Public Utilities Light Division, Grant County Public Utility District, Chelan County Public Utility District City, Bonneville Power Administration, City of Seattle, and Powerex Corp. The agreements specify the terms and conditions under which each party will provide transferred frequency response service to the ISO, and under which the ISO will compensate each party for the service. The agreements are effective December 1, 2019.

- **Order on the ISO's black start agreement with Russell City Energy Company, LLC (ER19-2800)**

On November 6, 2019, FERC issued an order on the ISO's agreement with Russell City Energy Company, LLC filed on September 1, 2019. The agreement requires Russell City to provide the ISO and PG&E black start service using a newly constructed battery energy storage system to be installed at the Russell City Energy Center. FERC found that the proposed agreement has not been shown to be just and reasonable because Russell City did not provide required cost support underlying the proposed rates. FERC found the filing raises issues of material fact that cannot be resolved based on the record before them and that are more appropriately addressed in the hearing and settlement judge procedures ordered below. FERC, therefore, accepted the proposed agreement for filing, suspended it for a nominal period, to become effective on November 6, 2019, as requested, subject to refund, and set the matter for hearing and settlement judge procedures.

Informational reports filed

- **Western energy imbalance market – available balancing capacity report (ER15-861)**

On December 3, 2019, the ISO submitted the quarterly informational report for the third quarter of 2018 (July 1 to September 30, 2018) on the available balancing capacity enhancement for the western energy imbalance market. The quarterly informational

report is to provide FERC with information on the performance of the available balancing capacity enhancement and to provide the same information the ISO provides in its monthly informational reports submitted during an EIM entity's first six-month transition period.

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

On November 15, 2019, the ISO submitted to FERC its monthly market disruption report for the period of September 16 - October 15, 2019. 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 November 13, 2019, the ISO submitted to FERC an exceptional dispatch informational report on: (1) the price impact of exceptional dispatches as ordered by FERC in its September 2, 2009, order; and (2) an analysis of the degree of mitigation as required by tariff section 34.11.4. This report covers the months of August and September 2019. 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.

- **Western energy imbalance market transition period informational reports for new participating entities (ER15-2565)**

FERC, in its October 29, 2015, order directed the ISO and its Department of Market Monitoring to file monthly informational reports on the transition period for new western energy imbalance market entities during its first six months of participation. During this six-month transition period, the ISO does not apply penalty factors, and instead calculates energy prices based on the last economic price signal. The ISO filed its informational report for the Balancing Authority of Northern California on November 12, 2019, for the month of September 2019.

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

On November 7, 2019, the ISO submitted to FERC an informational filing 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 month of October 2019.

California Public Utilities Commission and other State Matters

- **R.19-11-009 (Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations)**

On December 3, 2019, the ISO filed comments regarding the proposed scope of the CPUC's new resource adequacy proceeding. The ISO generally agreed with the CPUC's proposed focus on structural changes to the resource adequacy program, including: (1) an examination of the broader resource adequacy structure to address energy and hourly capacity requirements; (2) potential modifications to the maximum cumulative capacity buckets; and (3) consideration of multi-year forward system and flexible resource adequacy procurement requirements. The ISO also supported limiting the scope of refinements to the resource adequacy program in order to focus on the structural changes noted above.

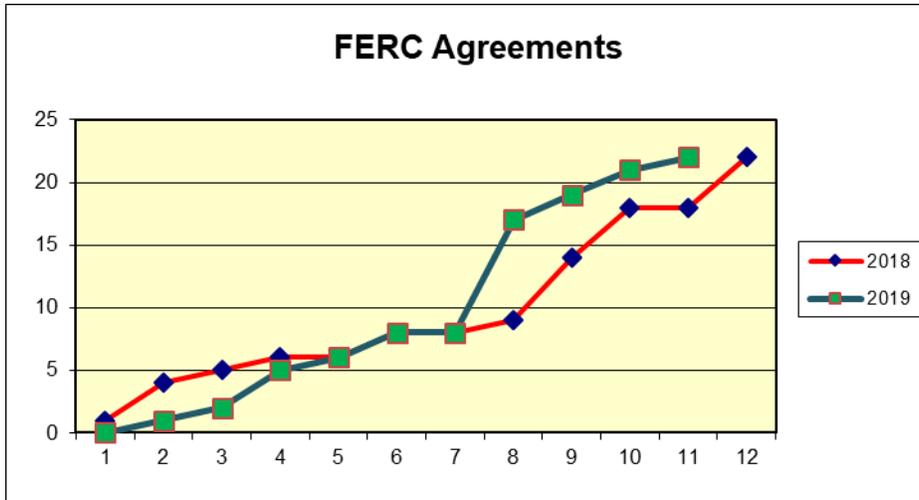
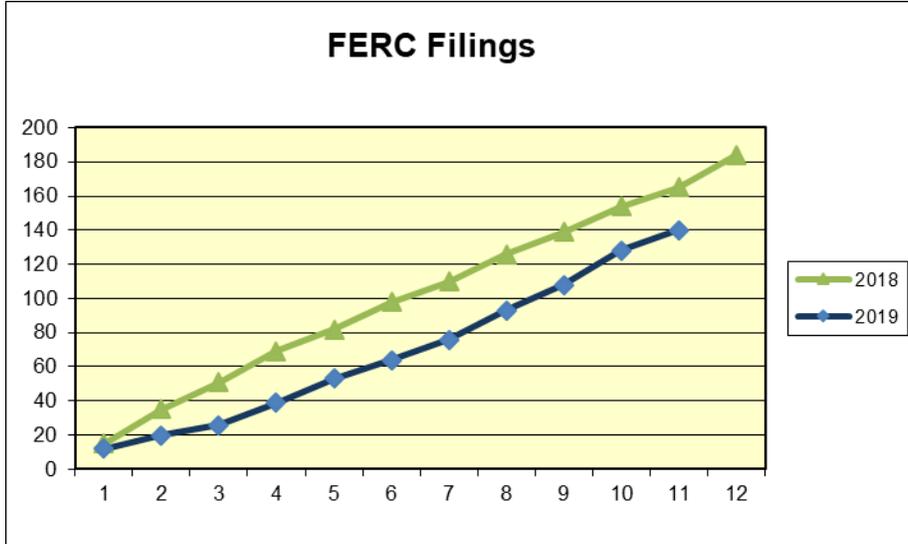
- **A.18-05-009 (Application of Southern California Edison Company (U338E) for a Certificate of Public Convenience and Necessity: Eldorado-Lugo-Mohave Series Capacitor Project)**

On November 4, 2019 and November 18, 2019, the ISO submitted opening and rebuttal testimony, respectively, supporting the need for the Eldorado-Lugo-Mohave series capacitor project. The ISO's testimony recommends that the CPUC approve Southern California Edison Company's application for a certificate of public convenience and necessity for the project. The ISO's testimony explains that the project is necessary to: (1) reliably provide the requested level of service to generators seeking transmission service under the ISO's FERC-approved tariff; (2) meet policy requirements of the State of California; and (3) meet North American Electric Reliability Corporation and ISO planning standards.

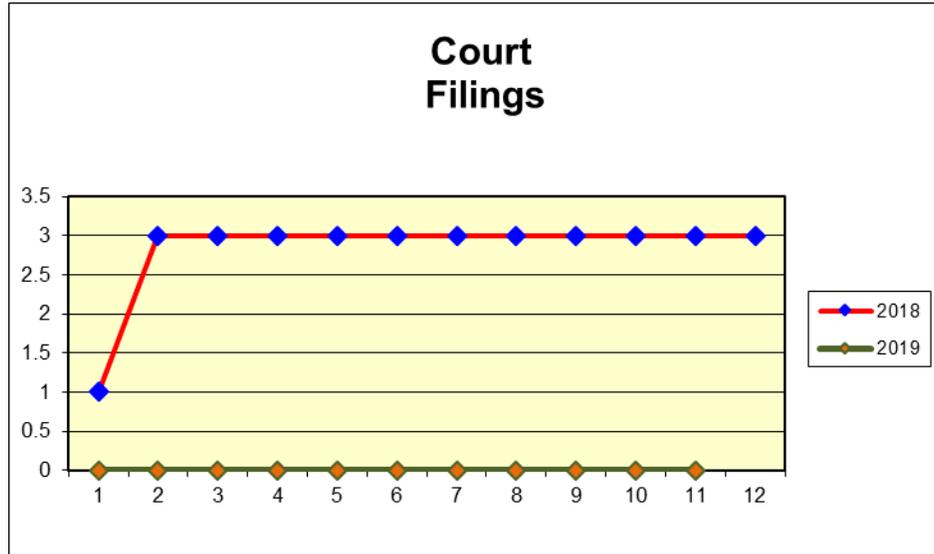
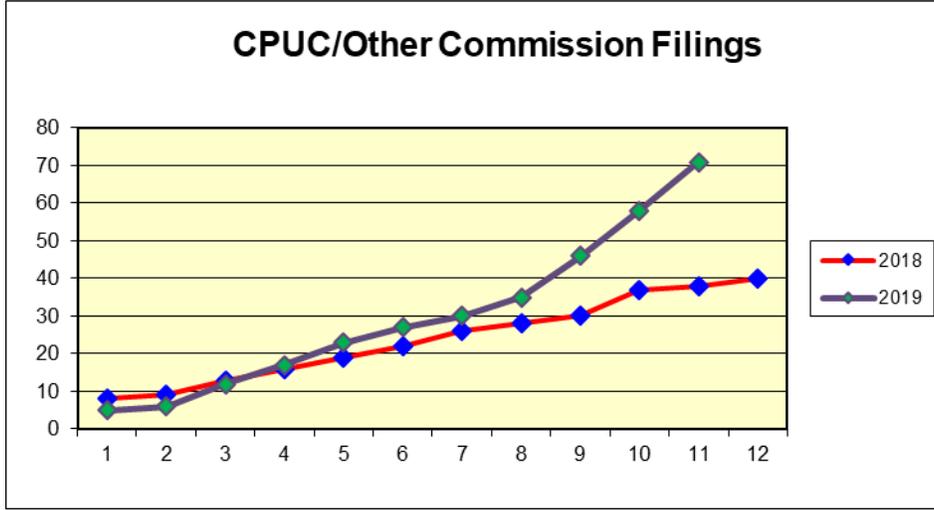
- **R.17-09-020 (Resource Adequacy OIR - 2019 - 2020 Compliance Years)**

On November 18, 2019, the ISO submitted an application for rehearing of CPUC decision 19-10-021 regarding the CPUC's rules for imports qualifying for resource adequacy capacity. The ISO's argues that the CPUC's import decision is legally deficient because it modifies existing resource adequacy import rules without substantial evidence and because the CPUC significantly modified its proposed decision without providing parties with notice and an opportunity to comment on the material modifications.

Regulatory Filings Through November 2019



Regulatory Filings Through November 2019



Regulatory Filings Through November 2019

