



Memorandum

To: ISO Board of Governors

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

Date: January 30, 2019

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *FERC accepted the ISO's tariff clarification to updated the greenhouse gas price inputs and fallback logic*
- *ISO filed a tariff amendment to include in its tariff details regarding load conformances operators make and enhance its load conformance limiter tool*
- *FERC accepted the ISO's filing in compliance with FERC Order No. 844*
- *ISO filed a tariff amendment to comply with FERC Order No. 841*
- *ISO filed an EIM implementation agreement between the ISO and the Salt River Project with FERC*
- *FERC accepted the non-conforming large generator agreement between the ISO, San Diego Gas & Electric, and SEP II, LLC*
- *FERC accepted four transferred frequency response agreements for the 2018-2019 compliance year*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **FERC order accepting tariff clarification to update greenhouse gas price inputs and fallback logic (ER19-508)**

On January 24, 2019, FERC accepted the ISO's December 6, 2018, tariff clarification to update the timing and source of inputs to the daily greenhouse gas allowance price and the fallback logic used when inputs are not available. The tariff clarification allows the ISO to use the most recent and available inputs to calculate the greenhouse gas allowance cost. This language is effective February 5, 2019.

- **FERC accepted the ISO's filing in compliance with FERC Order No. 844 (ER18-2398)**

On January 8, 2019, FERC accepted the ISO's filing in compliance with Order No. 844, the final rule on uplift cost allocations and transparency in markets operated by regional transmission organizations and independent system operators. Consistent with FERC's directive, the ISO will publish three new monthly reports: (1) a zonal uplift report; (2) a resource-specific uplift report; and (3) an operator-initiated commitment report. The ISO will publish these reports after the month of January 2019.

- **Tariff amendment to include details regarding load conformances (ER19-538)**

On December 12, 2018, the ISO filed a tariff amendment to describe the conformances system operators may make to load forecast in the real-time market and in the residual unit commitment process of the day-ahead market. System operators conform the load forecast to account for system conditions and ensure the market has all essential information regarding actual system needs. The ISO also proposed to enhance the load conformance limiter tool used in the real-time market so that the tool better accounts for current system conditions. The ISO requested an order by February 25, 2019, with an effective date of February 28, 2019.

- **Comments on GenOn's application for fuel cost recovery (ER19-554)**

On January 3, 2019, the ISO filed comments to GenOn's December 13, 2018, application for fuel cost recovery under section 30.11 of the ISO tariff. The ISO responded that FERC should hold the proceeding in abeyance until February 28, 2019, to allow the parties a reasonable opportunity to resolve the matter.

- **Intervention and protest to EDF Trading North America, LLC's application to recover fuel-related costs under the CAISO's tariff (ER19-458)**

On December 21, 2018, the ISO protested EDF Trading North America LLC's application to recover fuel-related costs for the period of July 20, 2018 through August 20, 2018. The ISO argued that EDF did not identify its actual costs for fuel-related costs reflected in its energy settlements for the intervals that meet the four conditions for

recovery under the ISO tariff. On January 24, 2019, the ISO responded to EDF's answer to the ISO protest arguing that EDF has not met its burden of demonstrating that it incurred actual marginal fuel costs that it did not recover through the ISO's market settlements, including the bid cost recovery mechanism. The ISO agreed with the DMM's findings that EDF is likely not eligible for recovery during many of the days for which they are requesting recovery. The ISO requested that the Commission establish a procedural schedule that would allow the parties to resolve issues of facts informally until April 1, 2019.

- **Tariff amendment to modify the methodology for calculating prices at custom load aggregation points (ER19-582)**

On December 17, 2018, the ISO filed a tariff amendment to modify the methodology the ISO uses in calculating prices at custom load aggregation points. Specifically, the ISO requested to use the same methodology that it uses to calculate prices at default load aggregation points, in order to eliminate the need of price corrections at custom load aggregation points. The ISO requested an order by February 27, 2019, with an effective date of March 1, 2019.

- **Filing in compliance with FERC Order No. 841 (ER19-468)**

On December 3, 2018, the ISO made a filing in compliance with FERC Order No. 841, the final rule on electric storage participation in markets operated by regional transmission organizations and independent system operators. The ISO's market design and tariff already comply with the vast majority of the requirements in Order No. 841, which requires independent system operators and regional transmission organizations provide robust, fair models for electric storage resources to participate in wholesale energy markets. In compliance with the directive in Order No. 841, the ISO requested an effective date of December 3, 2019.

Non-Conforming Regulatory Agreements

- **Order accepting non-conforming large generator agreement among the ISO, San Diego Gas & Electric, and SEP II, LLC (ER19-486)**

On January 18, 2019, FERC issued an order accepting the ISO's December 4, 2018, filing of a non-conforming large generator interconnection agreement (LGIA) between the ISO, San Diego Gas & Electric, and SEP II, LLC for the Mesquite Solar 5 solar generating facility. The LGIA became effective on January 3, 2019, as requested by the ISO.

- **EIM non-conforming service agreement with Salt River Project Agricultural Improvement (ER19-539)**

On December 12, 2018, the ISO filed a non-conforming EIM agreement between the ISO and the Salt River Project Agricultural Improvement (SRP). The EIM agreement provides modifications to account for SRP's status as a publicly owned utility. The ISO requested that the agreement become effective February 11, 2019. SRP will commence participation in the western EIM on April 1, 2020.

- **Order accepting notices of cancellation of EIM implementation agreements (ER19-498 and ER19-501)**

On January 15, 2019, and January 11, 2019, FERC accepted the ISO's December 6, 2018, notices of cancellation of the EIM implementation agreements with Puget Sound Energy and Arizona Public Service Company, respectively. The EIM implementation agreements will no longer be in effect as of February 5, 2019, as requested. The ISO filed the notices of cancellation as the terms of the EIM implementation agreement were no longer in effect, and both Puget Sound Energy and Arizona Public Service Company have actively been participating in the western EIM since October 1, 2016.

- **Order accepting transferred frequency response agreements for the 2018-2019 compliance year (ER19-179, ER19-188, ER19-190, and ER19-196)**

On December 11, 2018, FERC accepted the ISO's four transferred frequency response agreements between the ISO and Bonneville Power Administration, Powerex Corp., City of Seattle, by and through its City Light Department, and Chelan County, Washington, Public Utility District No. 1. These agreements became effective December 1, 2018, as requested, for the 2018-2019 compliance year in accordance with NERC Reliability Standard BAL-003.1.1, which requires balancing authorities to achieve annual frequency response that is equal to, or exceeds, its frequency response obligation. The ISO purchased the frequency response to meet its compliance obligation.

Informational reports filed

- **Annual report: demand response (ER06-615)**

On January 15, 2019, the ISO filed its annual report evaluating demand response participation in the ISO market for 2018, pursuant to FERC's June 25, 2007, order in the market redesign and technology upgrade proceeding, for the period January 1 through November 30, 2018.

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

On December 7, 2018, and January 7, 2019, the ISO submitted to FERC informational filings containing the rates or formulas used to calculate negotiated default energy bids, major maintenance adders, and custom operations and maintenance adders that the ISO implemented, modified, or terminated in the months of November and December 2018, respectively.

- **Exceptional dispatch reports (ER08-1178 and EL08-88)**

On December 17 and 31, 2018, and January 15, 2019, the ISO submitted to FERC exceptional dispatch informational reports 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. These reports covered the months of September, October, and November 2018, 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.

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

On December 17, 2018, and January 15, 2019, the ISO submitted to FERC its monthly market disruption reports for the periods of October 15 through November 15, 2018, and November 16 through December 15, 2018. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

- **Informational report: Natural gas and electric coordination (EL14-22)**

On December 17, 2018, the ISO filed a report pursuant to FERC's December 2015 order, regarding the ISO's efforts to improve natural gas and electric coordination, in particular as a result of the gas storage constraints at the Aliso Canyon gas storage facility in southern California. The report also provides information on the time required for the ISO to publish day-ahead market results during 2018, the causes for any delays, and the steps the ISO is taking to mitigate any delays. Finally, this report identifies operational challenges related to gas-electric coordination issues – apart from the constraints at the Aliso Canyon natural gas storage facility – that affected natural gas fired generators in the ISO's balancing authority area during 2018, and discusses mitigation efforts explored by the ISO in connection with these challenges.

- **Quarterly informational report: status of reliability must-run and capacity procurement mechanism stakeholder process (ER18-641)**

On December 3, 2018, the ISO submitted its second quarterly informational report to FERC providing an update on the status of the ISO's reliability must-run and capacity

procurement mechanism stakeholder process. On January 12, 2018, the ISO filed a tariff revision addressing the issue of risk of retirement capacity procurement designations on an earlier timeline for an upcoming resource adequacy compliance year. On April 12, 2018, FERC issued an order rejecting the ISO's tariff amendment, and ordered the ISO to submit quarterly informational reports, beginning June 1, 2018, describing the progress of the reliability must-run and capacity procurement mechanism stakeholder process until it is complete.

- **EIM transition period informational reports for new EIM entities (ER15-2565)**

FERC, in its October 29, 2015, order directed the ISO and DMM to file monthly informational reports on the transition period for new EIM entities during its first six months of participation in the EIM. 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 following reports were filed: (1) on January 18, 2019, DMM filed its informational report for Powerex Corp. for August 2018; (2) on January 18, 2019, DMM filed its informational report for Powerex Corp. for September 2018; (3) on January 18, 2018, DMM filed its informational report for Idaho Power Company for August 2018; and (5) on January 18, 2019, DMM filed its informational report for Idaho Power Company for September 2018.

California Public Utilities Commission and other State Matters

- **Ex Parte communication and opening comments on proposed decision – resource adequacy program (R.17-09-020)**

On January 15, 2019, the ISO filed an *ex parte* communication with the CPUC. The *ex parte* communication was addressed to the Commissioners requesting modification to the CPUC's November 21, 2018, proposed decision to direct load serving entities to conduct a three-year forward procurement beginning in the 2020 resource adequacy cycle. On December 11, 2018, the ISO filed opening comments with the CPUC recommending that the CPUC (1) disaggregate local area and sub-area procurement requirements; and (2) adopt a multi-year procurement framework.

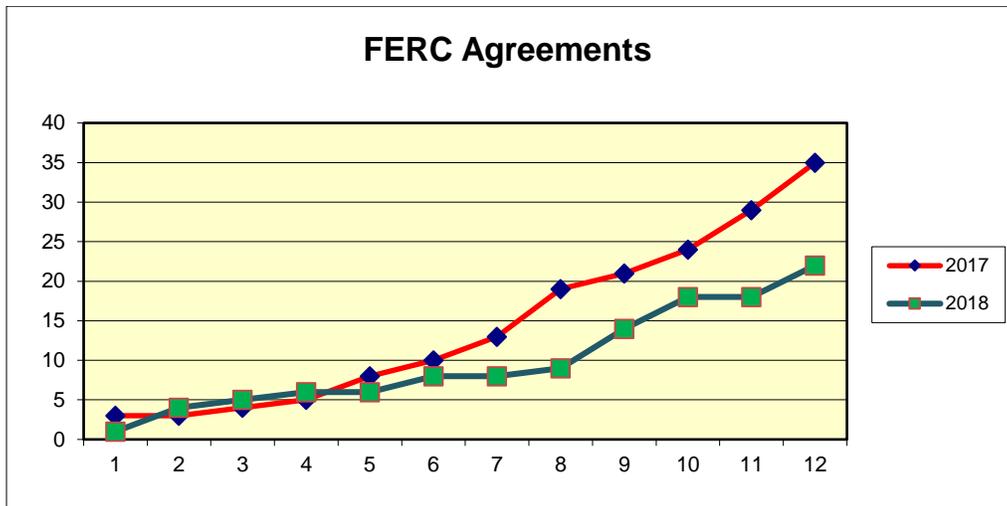
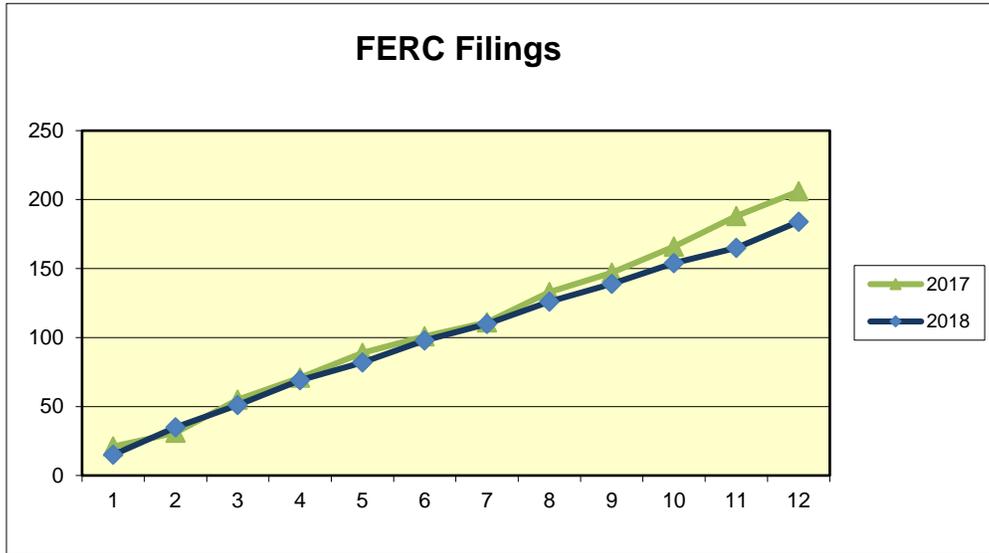
- **Comments on inputs and assumptions for development of 2019-2020 reference system plan (R.16-02-007)**

On January 4, 2019, the ISO filed opening comments, and subsequently filed reply comments on January 15, 2019, with the CPUC regarding inputs and assumptions for development of 2019-2020 references system plan. In its response, the ISO noted the need to recognize local capacity requirements in the integrated resource plan modeling and requested to study an alternative base case with inputs and assumptions from the CEC's *Deep Carbonization in a High Renewables Future* study.

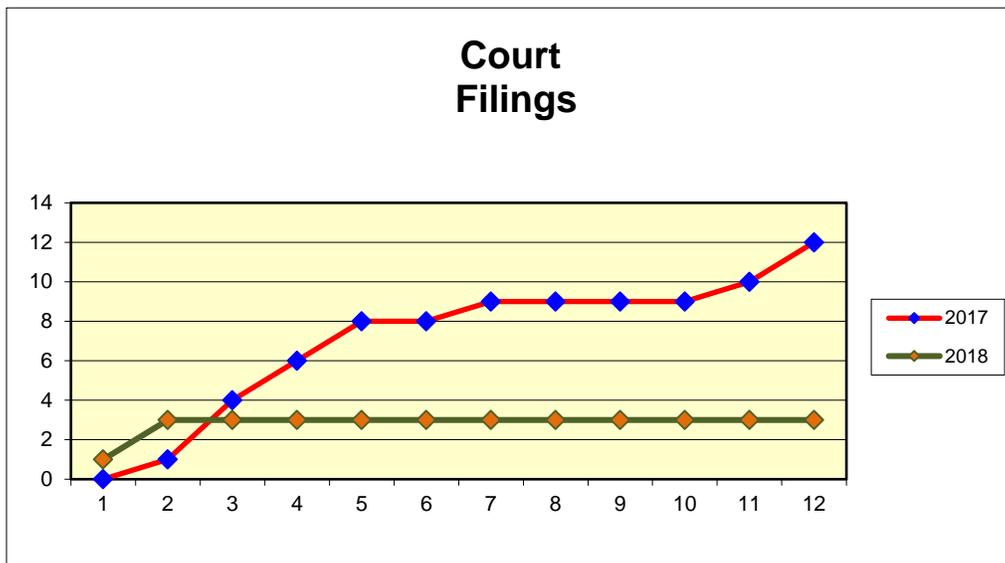
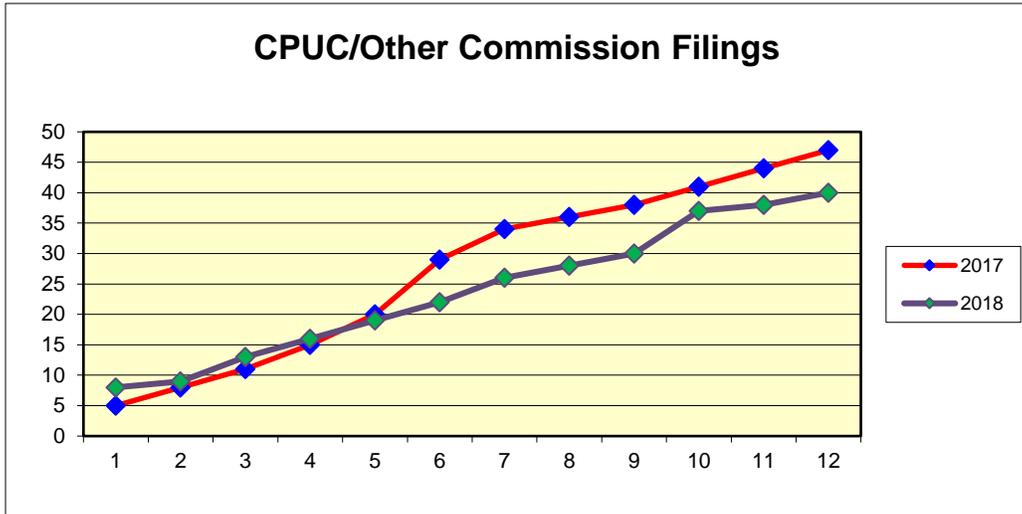
- **Comments on policy issues and options related to reliability (R.16-02-007)**

On December 20, 2018, the ISO filed opening comments, and subsequently filed reply comments on January 14, 2019, with the CPUC regarding policy issues and options related to reliability in the integrated resource planning proceeding. The ISO commented that the CPUC should work closely with the ISO to further develop a process to identify and set procurement requirements to more closely match operational needs.

Regulatory Filings Through
December 2018



Regulatory Filings Through
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