



Memorandum

To: ISO Board of Governors

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

Date: March 20, 2019

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *ISO filed a tariff amendment to mitigate temporary unavailability of inverter-based generators*
- *ISO filed readiness certification for western energy imbalance market participation for Balancing Authority of Northern California/SMUD*
- *FERC accepted the ISO's tariff amendment to account for the unexpected loss of generation and the use of remedial action schemes in its market*
- *FERC accepted the ISO's tariff amendment regarding load conformances*
- *FERC accepted the ISO's tariff amendment to implement the 2018 interconnection process enhancements*
- *ISO filed a western energy imbalance market implementation agreement between the ISO and NorthWestern Energy*
- *ISO filed a tariff amendment to specify the minimum requirements for interconnection requests*
- *FERC accepted the non-conforming western energy imbalance agreement between the ISO and Salt River Project*
- *ISO filed a tariff amendment to align tariff provisions relating to opportunity costs*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Tariff amendment to mitigate temporary unavailability of inverter-based generators (ER19-1153)**

On February 28, 2019, the ISO filed a tariff amendment to mitigate reliability issues caused when inverter-based generators go offline or cease to inject current into the grid due to the routine clearing of high voltage transmission faults or transient voltage. The proposed revisions support the ISO's efforts to maintain grid reliability and resilience and promote reliable and consistent operation for inverter-based generators. The ISO requested an effective date of April 30, 2019.

- **FERC accepted the ISO's tariff amendment to implement generator contingency and remedial action scheme (ER19-354)**

On February 28, 2019, FERC accepted the ISO's November 16, 2018, tariff amendment to account for the unexpected loss of generation and the use of remedial action schemes in its market. Remedial action schemes are also known as special protection systems or direct transfer tripping and are designed to automatically disconnect generators or load in the event of a contingency that would otherwise cause system overloads. Effective March 1, 2019, the ISO is able to account for generator contingencies in the marginal cost of congestion to appropriately price each generator's contribution to congestion in the market.

- **FERC accepted the ISO's tariff amendment to modify the methodology for calculating prices at custom load aggregation points (ER19-582)**

On February 25, 2019, FERC accepted the ISO's December 17, 2018, tariff amendment to modify the methodology the ISO uses in calculating prices at custom load aggregation points. Specifically, the tariff changes allow the ISO 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. These tariff revisions became effective March 1, 2019.

- **FERC denied the ISO's request for rehearing on order rejecting alternative market values in the ISO's commitment cost enhancements phase 3 tariff amendment (ER18-1169)**

On February 21, 2019, FERC denied the ISO's request for rehearing of FERC's June 21, 2018, to the extent it rejected the ISO's proposed tariff revisions to modify its commitment cost rules. On rehearing, the ISO requested that FERC accept the rejected portions of the ISO's proposal to require scheduling coordinators to register market values in the master file for certain resource characteristics, and allow the ISO to be able to replace physical characteristics with design capability values.

- **FERC accepted the ISO's tariff amendment to include details regarding load conformance (ER19-538)**

On February 21, 2019, FERC accepted the ISO's December 12, 2018, tariff amendment to describe the conformance 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. FERC's acceptance also provides for the ISO to enhance the load conformance limiter tool used in the real-time market so that the tool better accounts for current system conditions. The tariff provisions became effective February 28, 2019.

- **FERC accepted the ISO's tariff amendment to implement 2018 interconnection process enhancements (ER18-2498)**

On February 19, 2019, FERC accepted the ISO's September 27, 2018, tariff amendment to improve its generator interconnection process. The ISO's proposed tariff revisions arose out of the 2018 interconnection process enhancements stakeholder initiative. FERC approved the ISO's originally requested effective date of November 27, 2018.

- **Tariff amendment to specify minimum requirements for interconnection requests (ER19-1013)**

On February 7, 2019, the ISO filed a tariff amendment to specify the requirements for a generator interconnection request to be complete and valid. The ISO's proposed changes are part of the ISO's most recent interconnection process enhancements stakeholder initiative. The proposed changes specifically address the decrease in the quality of interconnection requests submitted during the ISO's annual interconnection request window due to a lack of necessary information and an increase in deficient interconnection requests. The ISO requested that the tariff revisions become effective April 1, 2019, when the 2019 interconnection window opens.

- **Tariff amendment to align tariff provisions relating to opportunity costs (ER19-951)**

On January 31, 2019, the ISO filed a tariff amendment to add additional details regarding the commitment cost enhancements phase 3 (CCE3) tariff changes that were accepted by FERC. The ISO's specific incremental amendments are to address any gaps identified between the CCE3 tariff changes and the ISO's reliability services initiatives, and to align tariff provisions with consistent with opportunity costs. The ISO also re-filed a portion of the CCE3 tariff amendment that FERC rejected regarding generator design capabilities registered in the ISO's Master File. The ISO requested an effective date of April 1, 2019, in order to align the proposed changes with the ISO's implementation of the CCE3 tariff changes.

Non-Conforming Regulatory Agreements

- **Western energy imbalance market readiness certification informational filing for Balancing Authority of Northern California/SMUD (ER15-861)**

On February 28, 2019, the ISO filed readiness certification for Balancing Authority of Northern California/Sacramento Municipal Utility District (BANC/SMUD) to join the ISO's western energy imbalance market. As such, the ISO and BANC/SMUD certify to FERC that they have met all readiness criteria specified in section 29.2(b)(7) of the tariff and their readiness to proceed with BANC/SMUD's participation in the western energy imbalance market on April 3, 2019.

- **Western energy imbalance market implementation agreement between the ISO and NorthWestern Energy (ER19-1080)**

On February 20, 2019, the ISO filed a western energy imbalance market implementation agreement between the ISO and NorthWestern Energy. The ISO requested an effective date of April 22, 2019, with a participation date in the western energy imbalance market of April 1, 2021. This agreement will enable NorthWestern Energy, an entity outside of the ISO's balancing authority area, to participate in the ISO's real-time market for energy imbalance.

- **Order accepting non-conforming western energy imbalance market agreement between the ISO and Salt River Project Agricultural Improvement (ER19-539)**

On February 8, 2019, FERC accepted the ISO's non-conforming western energy imbalance market 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 agreement became effective February 11, 2019, and SRP will commence with participation in the western EIM on April 1, 2020.

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 February 7 and March 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 January and February, 2019, respectively.

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

On January 30, February 15, and February 28, 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 October, November, and December 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 February 15, 2019, the ISO submitted to FERC its monthly market disruption reports for the periods of December 16, 2018, through January 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.

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

On March 1, 2019, the ISO submitted its third 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.

California Public Utilities Commission and other State Matters

- **Comments on proposed scenarios for 2019-2020 system reference portfolio (R.16-02-007)**

On March 5, 2019, the ISO filed comments with the CPUC regarding the proposed scenarios for 2010-2020 reference system portfolio. In its comments, the ISO requested that the CPUC clarify the intended use of the framing study scenarios and

ensure that at least one of the core scenarios is consistent with at least one of the framing study scenarios. The ISO recommended that the CPUC test the new economic functionality before deployment as a default assumption for core scenarios and that the CPUC check the reference system plan using the RESOLVE or SEVRM models.

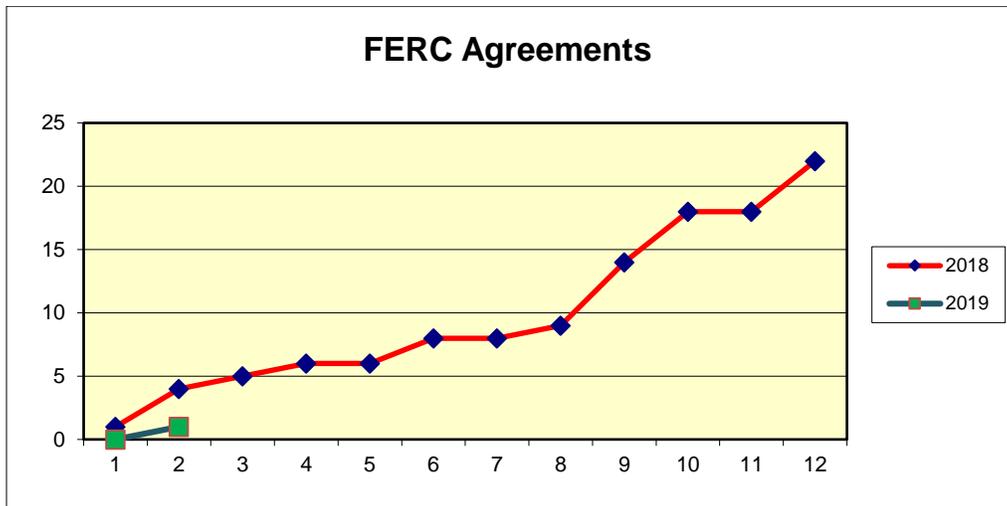
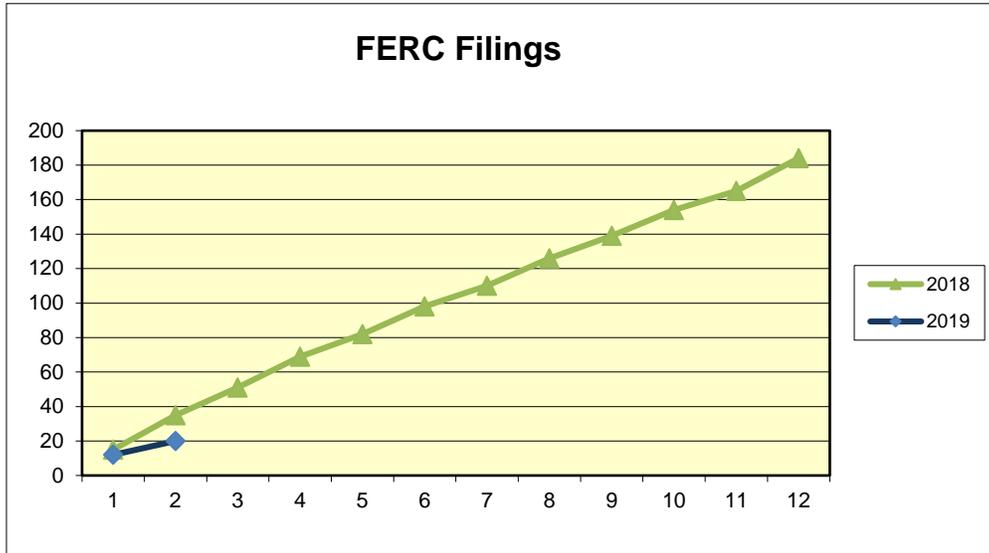
- **Track 3 proposals for the resource adequacy proceeding (R.17-09-020)**

On March 4, 2019, the ISO filed comments regarding the CPUC's track 3 proposals for the resource adequacy proceeding. On February 21, 2019, the CPUC adopted a decision implementing multi-year local resource adequacy procurement requirements. The CPUC's decision provided implementation details to be addressed in track 3 of the proceeding. The ISO agrees with the CPUC's implementation details, but requested that the CPUC consider refinements to the local penalty and waiver process as part of the central buyer implementation. The ISO also recommended that any additional refinements to the resource adequacy program not be addressed until the central procurement framework is established.

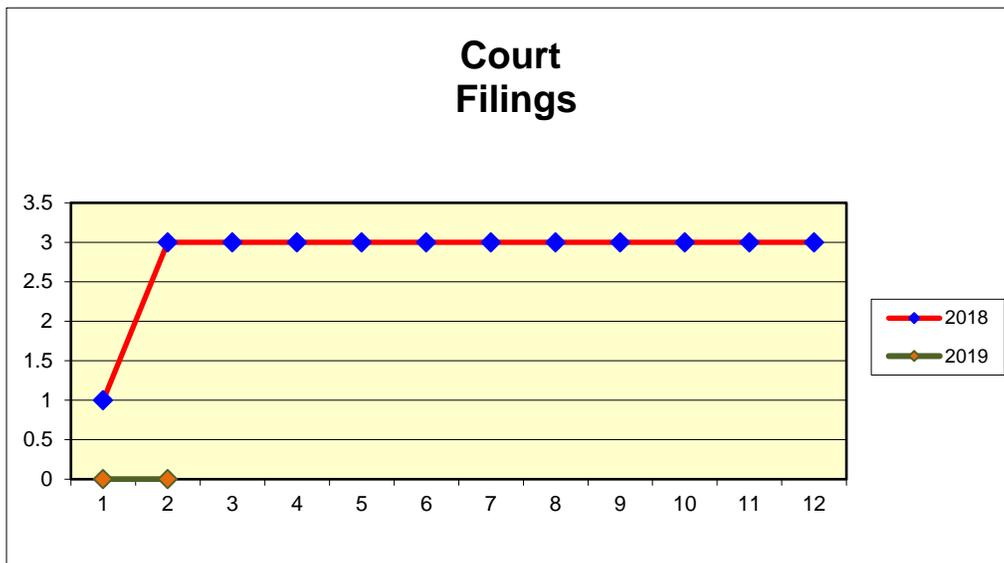
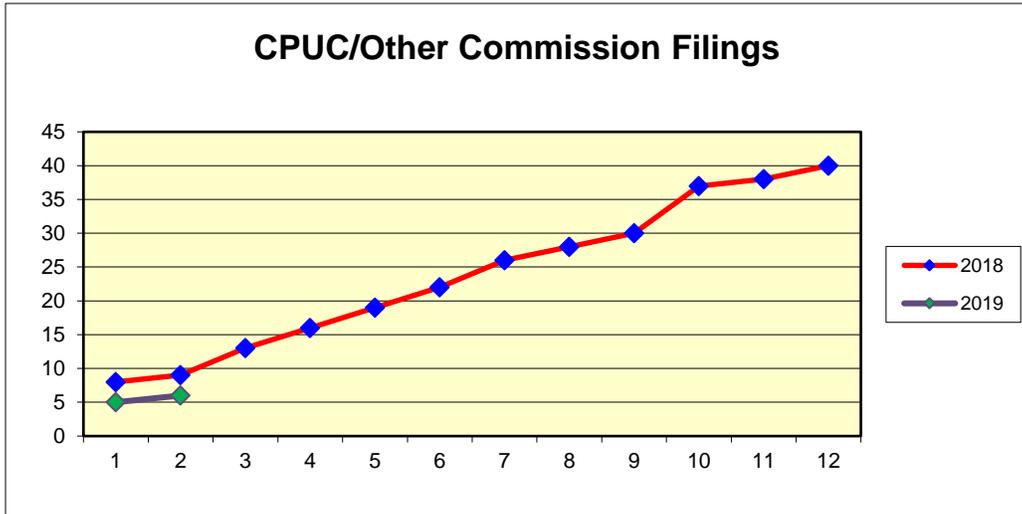
- **Comments on proposed preferred system portfolio and transmission planning process recommendations (R.16-02-0070)**

On January 31, 2019, the ISO filed comments, and subsequently filed reply comments on February 11, 2019, with the CPUC regarding the CPUC's proposed preference system portfolio and transmission planning process recommendations. The ISO conducted an independent assessment of the integrated resource planning (IRP) hybrid conforming portfolio for 2030, the production cost modeling study, and presented the results at the IRP workshop held on January 7, 2019. By filing its comments, the ISO also formally filed with the CPUC its production cost modeling results.

Regulatory Filings Through
February 2019



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