

# Memorandum

**To:** ISO Board of Governors

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

**Date:** March 15, 2023

**Re:** Regulatory update since last report dated January 25, 2023

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*This memorandum does not require ISO Board of Governors action.*

## Highlights

- *Avangrid Renewables, El Paso Electric Company and WAPA-Desert Southwest achieve readiness to participate in the Western Energy Imbalance Market (WEIM).*
- *CPUC adopts new procurement directives for 2026-2027.*
- *FERC accepts ISO's tariff revisions to reflect the cost of greenhouse gas compliance associated with Washington's cap-and-invest program in WEIM participating resources' default energy bids and commitment costs.*
- *CXA La Paloma files a complaint at FERC against the ISO seeking surplus interconnection service capacity*

## Federal Energy Regulatory Commission

- **WEIM Informational Readiness Certification (ER15-861)**

On March 3, 2023, the ISO filed a readiness certification for Avangrid Renewables, El Paso Electric Company and WAPA-Desert Southwest to participate in the WEIM.

- **NERC: Cold Weather Reliability Standards (RD23-1)**

On February 16, 2023, FERC issued an order approving two new extreme cold weather reliability standards EOP-011-3 and EOP-012-1, proposed by NERC in October 2022. The order also directs NERC to develop and submit various modifications to Reliability Standard

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EOP-012-1.

- **WEIM: State of Washington/Greenhouse Gas Compliance (ER23-474)**

On February 10, 2023, FERC issued an order accepting the ISO's November 21, 2022, tariff revisions to allow resources located within the state of Washington, and participating in the WEIM, to reflect the costs of greenhouse gas compliance associated with Washington's cap-and-invest program in their default energy bids and commitment costs.

- **Tariff Clarifications Amendment (ER23-609)**

On February 7, 2023, FERC accepted the ISO's tariff amendments to clarify several areas of the ISO tariff, including ancillary services procurement and bid validation rules.

- **NOPR: Reliability Standards to Address Inverter-Based Resources (RM22-12)**

On February 6, 2023, the ISO filed comments on FERC's notice of proposed rulemaking to address four identified reliability gaps related to inverter-based resources (IBRs). The ISO's comments support FERC's proposal and explains lessons learned from tariff changes it implemented regarding IBR performance, data sharing and data and modeling validation requirements.

- **Interconnection Process Enhancements – Phase 2 (ER23-941)**

On January 26, 2023, the ISO filed a tariff amendment to improve its generator interconnection process. The tariff amendment proposes to identify the requirements to qualify for higher priority in the transmission plan deliverability allocation process. This amendment will help ensure the ISO first allocates deliverability to those projects most likely to secure financing and reach commercial operation. The tariff amendment also memorializes the study and reimbursement rules when the ISO is an affected system by virtue of an interconnection request in another transmission service area, proposing to use the same rules for network upgrades as an affected system as it does for internal interconnections.

- **North America Energy Standards Board (NAESB) Compliance and Waiver (ER23-426/ER23-427)**

On January 24, 2023, the ISO filed an amended petition for waiver and amended compliance filing to incorporate the latest version of business practice standards promulgated by NAESB applicable to the ISO. The ISO also filed a petition for waiver from certain NAESB requirements because the ISO's ancillary services and imbalance energy markets and its transmission services differ significantly from the business model contemplated in FERC's *pro forma* open access transmission tariff. On February 23, 2023,

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FERC issued an order granting the waiver and accepting the compliance filing, subject to further compliance filing.

- **Western Energy Imbalance Market Agreement – El Paso Electric Company (ER22-2985)**

On January 23, 2023, FERC accepted the ISO's September 30, 2022 WEIM entity agreement between the ISO and El Paso Energy. The agreement facilitates El Paso's participation in the WEIM, which is expected to commence in April 2023.

- **CXA La Paloma v. CAISO (EL23-24)**

On January 23, 2023, CXA La Paloma filed a complaint at FERC alleging that La Paloma constructed a 1,156 MW facility and is entitled to approximately 100 MW of surplus interconnection service capacity. The ISO filed an answer refuting CXA La Paloma's claims and presenting evidence to demonstrate the facility was not constructed to generate beyond 1,062 MW.

- **Final Rule: Order No. 887 - Internal Network Security Monitoring for High and Medium Impact BES Cyber Systems (RM22-3)**

On January 19, 2023, FERC issued Order No. 887, directing NERC to develop and submit for Commission approval new or modified reliability standards that prescribe internal network security monitoring requirements.

- **Performance Metrics for ISOs, RTOs and Utilities in regions outside ISOs and RTOs (AD19-16)**

On January 18, 2023, FERC issued a notice requesting ISOs, RTOs and utilities in regions outside of ISO and RTOs to submit data responsive to common performance metrics for the calendar years 2019-2022. FERC has requested responses by April 24, 2023.

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

- **Hosted Advanced Network Application Services Agreement: El Paso Electric Company (ER23-670)**

On February 23, 2023, FERC issued a letter order accepting the ISO's December 19, 2022, Hosted Advanced Network Application (HANA) Services Agreement with El Paso Electric Company, effective March 1, 2023. The agreement will facilitate El Paso's entry into the WEIM this spring. Under the agreement, El Paso will pay the ISO an annual service fee for

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HANA services during the initial three-year term of the agreement.

- **CSU Channel Island – Reliability Must Run (RMR) Agreement (ER23-732)**

On February 21, 2023, FERC issued a letter order accepting revisions to the RMR agreement between the ISO and CSU Channel Islands. The revisions facilitate the recovery of unplanned maintenance costs incurred in 2022 for the generator at CSU Channel Islands RMR facility.

- **Unexecuted LGIA - Pacific Gas & Electric Company/CXA La Paloma/ISO (ER21-2592)**

On February 13, 2023, the ISO filed its initial brief concerning a dispute involving an interconnection agreement between the ISO, PG&E and CXA La Paloma to replace the original generation interconnection agreement between PG&E and La Paloma. PG&E filed the replacement interconnection agreement unexecuted because CXA La Paloma has asserted a right to more interconnection service capacity than the agreement reflects.

- **Oakland Power Company LLC – Reliability Must Run (RMR) Agreement (ER21-292)**

On January 24, 2023, the ISO and Oakland Power Company LLC filed a joint offer of settlement to resolve all issues with Oakland's annual RMR agreement. The offer of settlement adjusts Oakland Power company's rate schedules to account for the next contract year's costs and proposes to establish a "true-up" mechanism to allow Oakland Power Company to receive a payment following termination of the RMR Agreement to compensate it for costs associated with providing RMR service not recovered at the time of the RMR Agreement's termination

- **Scheduling Coordinator Agreement (SCA) – Bia Capital Management LLC (ER23-498)**

On January 18, 2023, FERC accepted the November 23, 2022 notice of termination of Bia Capital Management, LLC's SCA. The ISO filed the notice of termination after Bia Capital informed the ISO that it would not post additional security or pay additional invoices and would cease to participate in ISO markets.

- **Transmission Control Agreement (TCA) – Citizens S-Line Transmission LLC (ER23-861)**

On January 17, 2023, the ISO filed a revision to the TCA to add Citizens S-Line Transmission LLC as a new participating transmission owner, to be effective April 15,

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2023.

### **California Public Utilities Commission**

- **Net Energy Metering (R.11-09-011)**

On March 3, 2023, the ISO filed comments on an Administrative Law Judge's ruling arguing the CPUC should direct utilities to share telemetry and site-specific information with the ISO for both exporting and non-exporting transmission-connected resources with capacity greater than 1MW.

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

On February 24, 2023, the ISO filed comments on the CPUC staff's infrastructure decommissioning proposal. The ISO explained the electric system is interdependent with the gas system, and the CPUC needs to consider impacts to the electric system and electric reliability when making decisions about gas infrastructure. In addition, electrification may result in changes to electric demand shapes themselves in addition to higher electricity consumption overall, which may drive gas-fired generation needs. The ISO encouraged the CPUC to align long-term planning efforts for safe and reliable natural gas systems with the planning processes administered by the ISO, other state regulatory agencies and local regulatory authorities, and with other proceedings addressing gas and electric matters.

- **Resource Adequacy Program (R.21-10-002)**

On February 24, 2023, the ISO filed comments expressing concerns with the resource adequacy program, including its concern about inadequate planning reserve margins.

On March 1, 2023, the ISO filed comments on the CEC qualifying capacity of supply-side demand response working group report and recommendations to enhance supply-side demand response framework in the resource adequacy program. The ISO comments express support for the CEC's recommendations and recommend further analysis and development of the CEC's penalty based approach to set demand response qualifying capacity values.

On March 3, 2023, the ISO filed reply comments urging the CPUC to develop a programmatic procurement framework to alleviate supply issues in the resource adequacy timeframe. The ISO's reply comments also ask the CPUC to reject proposed changes to the ISO's maximum import capability and available transfer capability processes, which are issues not within the CPUC's jurisdiction.

Also on March 3, 2023, the CPUC issued a proposed decision to adopt various reforms to the administration of the CPUC's resource adequacy program as well as implementation details for the 24-hour slice-of-day framework. These details include compliance tools, resource counting rules for various resource types, and a

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methodology to translate the Planning Reserve Margin to the slice-of-day framework. Comments are due March 23.

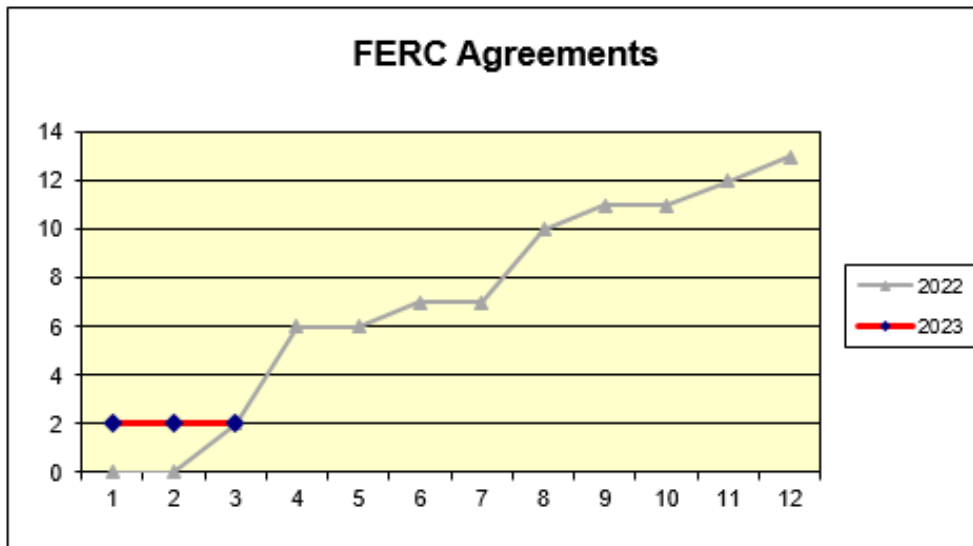
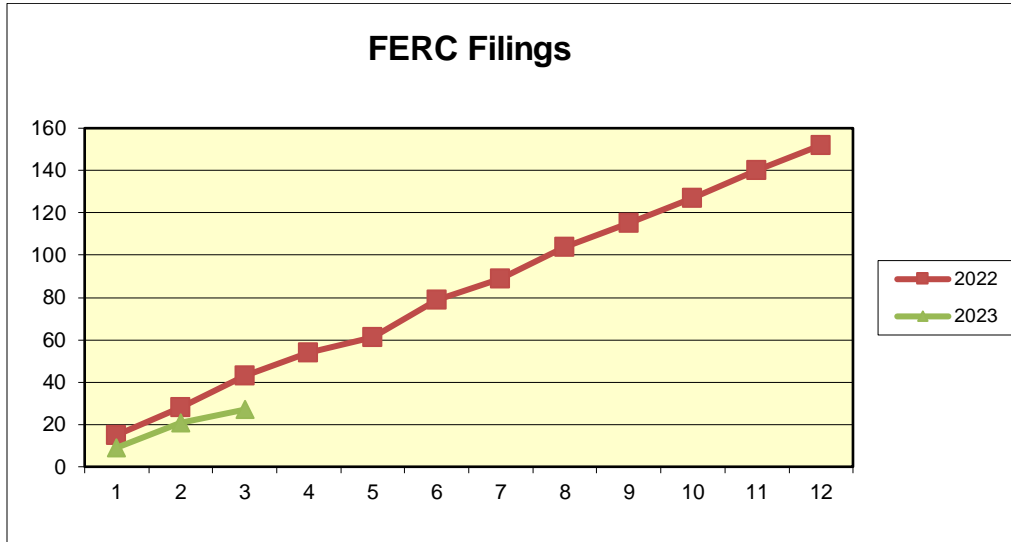
- **Order Instituting Rulemaking: Diablo Canyon Nuclear Power Plant (R.23-01-007)**

On February 10, 2023, the Administrative Law Judge issued a ruling setting a prehearing conference for March 17, 2023. This rulemaking stems from legislation approved in September 2022 (SB 846) requiring the CPUC to issue a decision establishing new retirement dates for the two units of the nuclear plant.

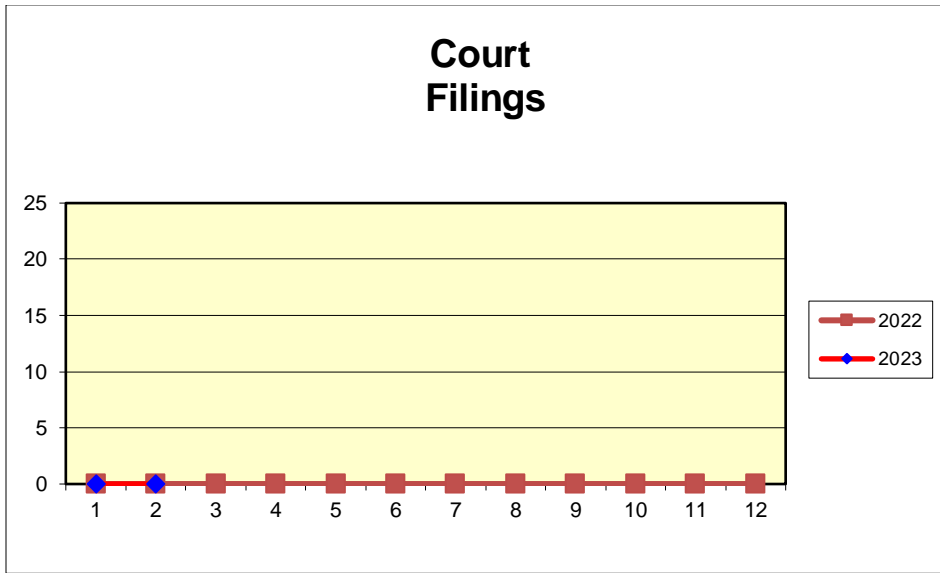
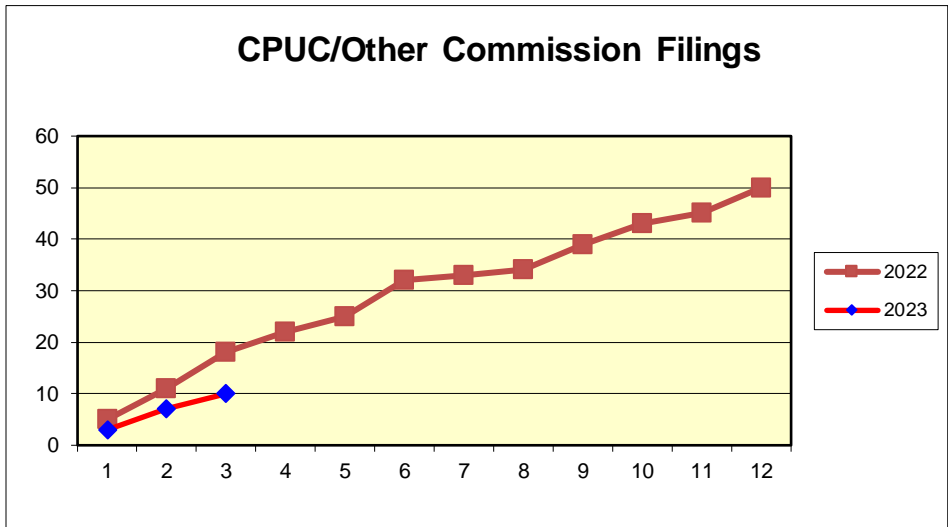
- **Integrated Resource Planning (R.20-05-003)**

On February 2 and 7, 2023, the ISO filed opening comments and reply comments on the Administrative Law Judge's January 13, 2023, proposed decision ordering supplemental mid-term reliability procurement. The ISO urged the CPUC to adopt the proposed decision, which (1) establishes 4,000 MW of new procurement between 2026 and 2027 and (2) approves the base case portfolio and one sensitivity portfolio for use in the ISO's transmission planning process. On February 23, 2023, the CPUC adopted the proposed decision.

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