



Memorandum

To: ISO Board of Governors

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

Date: May 8, 2019

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *FERC accepted the ISO's tariff amendment to exempt certain resources from bid generation*
- *ISO filed a tariff amendment to improve the reliability must-run framework*
- *ISO filed a non-conforming western energy imbalance market agreement among the ISO and the City of Seattle City Light Department*
- *ISO filed a tariff amendment to extend existing resource adequacy availability incentive mechanism exemption to planned outages*
- *ISO filed a tariff amendment to clarify the dispatch of reliability demand response resources*
- *FERC accepted the dynamic transfer balancing authority operating agreement between the California ISO and Gridforce Energy Management*

Federal Energy Regulatory Commission matters

- **Response to deficiency letter - inverter-based interconnection requirements (ER19-1153)**

On May 3, 2019, the ISO responded to FERC's request for additional information on the ISO's tariff amendment filed February 28, 2019. The tariff amendment is designed 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 tariff amendment will also establish a platform to collect information that will help educate the ISO, its grid operators, and stakeholders on the operation of inverter-based generators. To avoid disrupting completion of generator interconnection agreements, the ISO asked FERC to grant the same effective date of April 30, 2019, which it originally requested in its February 28 amendment.

- **Response to deficiency letter for filing in compliance with FERC Order No. 841 on electric storage participation (ER19-468)**

On May 1, 2019, the ISO responded to FERC's request for additional information on the ISO's December 3, 2018 filing in compliance with FERC Order No. 841 (the final rule on electric storage participation in markets operated by RTO/ISOs. The ISO's market design and tariff already comply with the vast majority of the requirements in Order No. 841, which requires RTO/ISOs to provide robust, fair models for electric storage resources to participate in wholesale energy markets. The ISO requested an effective date of December 3, 2019, as FERC directed.

- **FERC accepted the ISO's tariff amendment to exempt certain resources from bid generation rules (ER19-1542)**

On April 30, 2019, FERC accepted the ISO's April 9 tariff amendment to exempt combined heat and power resources, conditionally available resources, and non-dispatchable resources from the ISO's rules for inserting bids for certain must-offer resources that do not submit bids. The amendment is effective April 1, 2019. Historically, these resources have been exempt from the bid insertion rules based on their resource limitations.

- **Petition for limited tariff waiver permitting the ISO to calculate effective flexible capacity values for proxy demand resources (ER19-1690)**

On April 26, 2019, the ISO filed a petition for limited tariff waiver requesting FERC to permit the ISO to calculate effective flexible capacity values for proxy demand resources. The tariff requires the ISO establish effective flexible capacity values for proxy demand response resources based on the ISO's test of such resources response to the ISO dispatch. The ISO currently lacks rules for testing proxy demand resources for this purpose and is in the process of developing these rules. The ISO thus seeks a waiver to allow it to calculate effective flexible capacity values based on a general formula rather than a testing-based approach, as stated in the tariff. The waiver would be in effect until the ISO has developed appropriate testing rules. The ISO requested an order by May 28, 2019 to avoid disruption for the June 2019 resource adequacy month.

- **Tariff amendment to improve the reliability must-run framework (ER19-1641)**

On April 22, 2019, the ISO filed a tariff amendment to improve its reliability must-run (RMR) program and further differentiate it from the ISO's capacity procurement mechanism (CPM) backstop procurement framework. The ISO's proposed tariff changes will allow the ISO to use RMR procurement to address resource retirement-related procurement authority and "modernize" the 20-year-old RMR contract. The overhaul of the RMR contract and tariff provisions stems from the ISO's capacity procurement risk-of-retirement initiative, where the ISO filed quarterly reports on the progress of the RMR and CPM enhancements initiative. The ISO requested an effective date of July 22, 2019.

- **Tariff amendment to extend existing resource adequacy availability incentive mechanism exemption to planned outages (ER19-1562)**

On April 11, 2019, the ISO filed a tariff amendment to apply existing resource adequacy availability incentive mechanism (RAAIM) across a subset of outages, regardless whether the outage was forced or planned. RAAIM is a tool to create financial incentives for resources providing resource adequacy capacity to meet their availability obligations. The ISO's tariff exempts forced outages from RAAIM and the ISO proposes to expand this exemption to planned outages. The ISO requested an effective date of June 17, 2019.

- **Tariff amendment to clarify existing dispatch principles for reliability demand response resources (ER19-1561)**

On January 11, 2019, the ISO filed a tariff amendment to clarify existing dispatch principles for reliability demand response resources (RDRRs). The ISO proposes to clarify that RDRRs will be eligible for dispatch if the ISO issues a warning notice, without any additional conditions. This dispatch procedure is consistent with the CPUC's decision that clarified a 2010 settlement agreement approved by the CPUC, California investor-owned utilities, ratepayer advocates, large customers, and demand response providers. The ISO requested an effective date of June 11, 2019.

- **FERC accepted tariff amendment to specify minimum requirements for interconnection requests (ER19-1013)**

On April 1, 2019, FERC accepted the ISO's February 7, 2019, 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. These tariff provisions became effective April 1, 2019, when the 2019 interconnection window opened.

Non-Conforming Regulatory Agreements

- **Non-conforming western energy imbalance market agreement between the ISO and City of Seattle City Light Department (ER19-1612)**

On April 18, 2019, the ISO filed a non-conforming western energy imbalance market agreement between the California ISO and City of Seattle, by and through its City Light Department. The western energy imbalance market agreement sets forth the legal obligations and operational rules that will govern the City of Seattle's participation in the western energy imbalance market. The ISO requested an effective date of June 18, 2019, in order to provide the ISO and City of Seattle adequate time to complete all necessary actions to enable the City of Seattle's participation in the western energy imbalance market on April 1, 2020.

- **FERC accepted the dynamic transfer balancing authority operating agreement between the ISO and Gridforce Energy Management (ER19-1420)**

On April 15, 2019, FERC accepted the dynamic transfer balancing authority operating agreement between the ISO and Gridforce Energy Management that was filed on March 22, 2019. The ISO requested an effective date of April 12, 2019.

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

On April 5, 2019, FERC accepted the ISO's February 20, 2019, western energy imbalance market implementation agreement between the ISO and NorthWestern Energy. The western energy imbalance market implementation 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. The western energy imbalance market implementation agreement became effective April 22, 2019, to facilitate North Western Energy's participation in the western EIM on April 1, 2021.

Informational reports filed

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

On April 1, April 15, and April 30, 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 December 2018 and February and January 2019, 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 April 15, 2019, the ISO submitted to FERC its monthly market disruption reports for the periods of February 16, 2019, through March 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.

California Public Utilities Commission and other State Matters

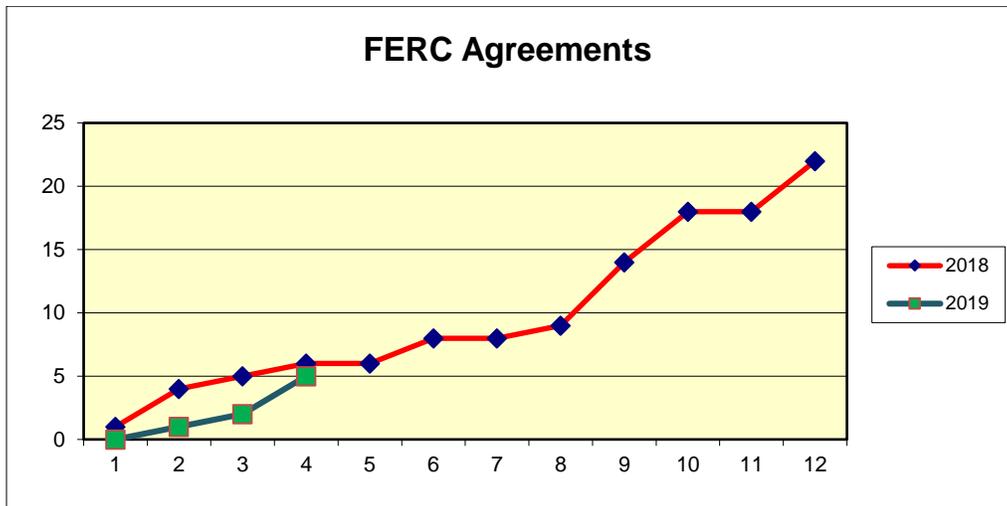
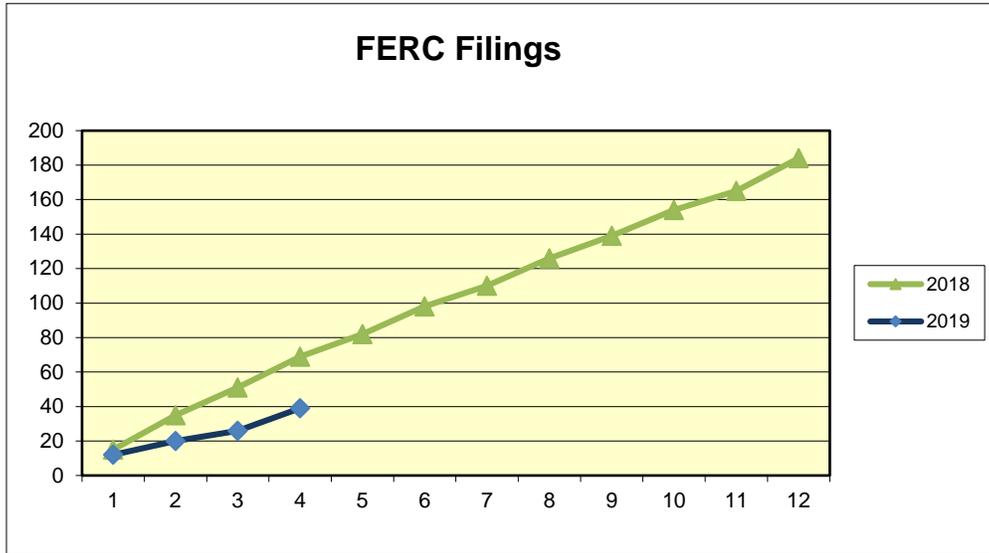
- **Proposed decision adopting preferred system portfolio and plan for 2017-2019 integrated resource plan cycle (R.16-02-007)**

On April 8, 2019, the ISO filed comments, and subsequently reply comments on April 15, 2019, regarding the proposed decision adopting preferred system portfolio and plan for 2017-2019 integrated resource plan cycle. The ISO supports the proposed decision as it proposes to coordinate the integrated resource planning and resource adequacy program.

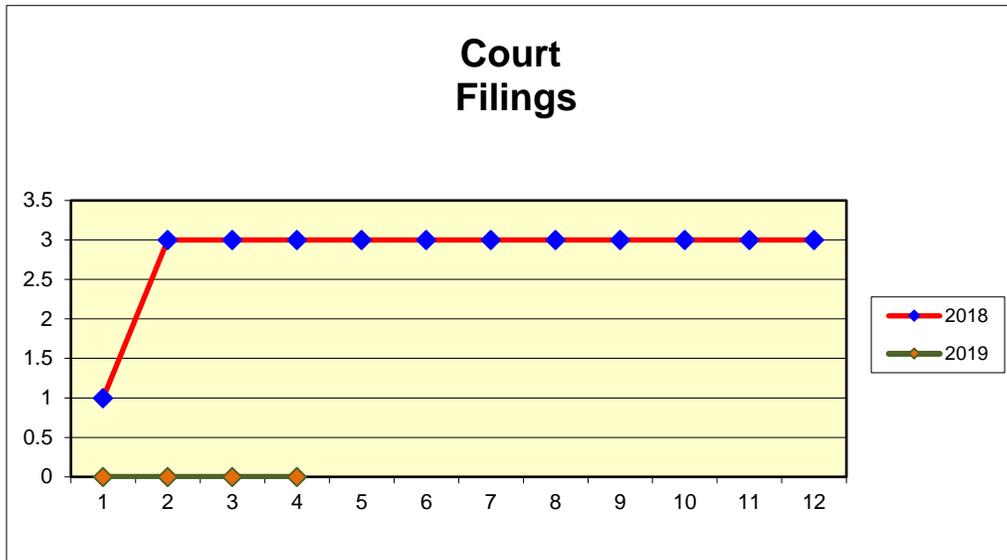
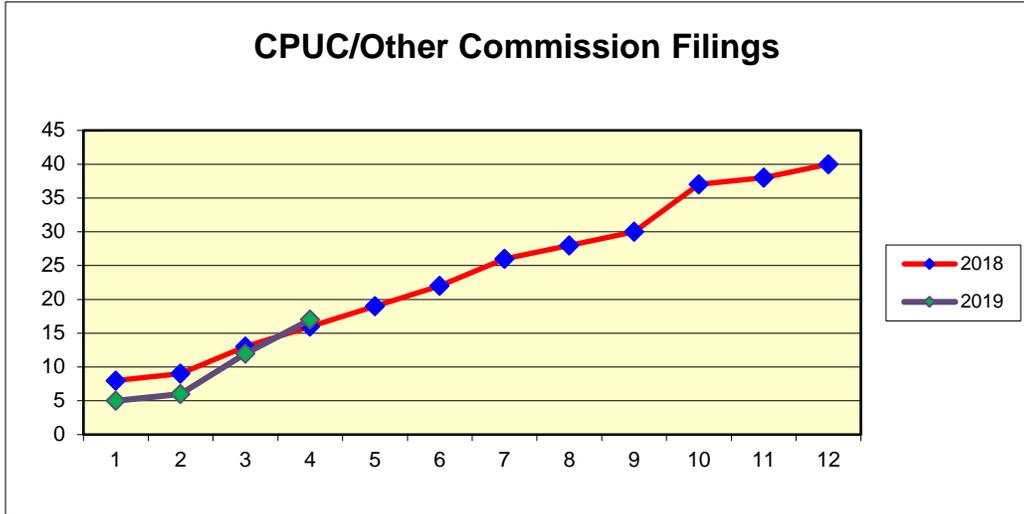
- **Track 3 proposals for the resource adequacy proceeding and local capacity technical analysis report (R.17-09-020)**

On March 22, 2019, the ISO filed comments, and subsequently reply comments on March 29, 2019, regarding the CPUC's track 3 proposal and effective load carrying capability 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. On March 4, 2019, the CPUC Energy Division staff submitted an updated effective load carrying capability methodology analysis. The ISO requested that the CPUC defer adopting of this methodology. Additionally, on April 4, 2019, the ISO submitted a draft local capacity technical analysis report and a flexible capacity needs assessment for 2020. On May 1, 2019, the ISO filed the final local capacity technical analysis report and will file the final flexible capacity needs assessment for 2020 on May 15, 2019, with the CPUC.

Regulatory Filings Through
April 2019



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