

Memorandum

To: ISO Board of Governors

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

Date: May 4, 2022

Re: Regulatory update since last report dated March 8, 2022

This memorandum does not require ISO Board of Governors action.

Highlights

- *FERC issues a Notice of Proposed Rulemaking: Building for the Future through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*
- *FERC approves the ISO's tariff amendment to improve its pro forma interconnection agreements and related generator interconnection procedures*
- *FERC approves the ISO's tariff amendment to create the new roles of western energy imbalance market (WEIM) sub-entity and WEIM sub-entity scheduling coordinator*
- *FERC approves the ISO's tariff amendment to allow market participants to submit maximum import capability expansion requests in the transmission planning process*
- *FERC issues an order on remand regarding compensation above the capacity procurement mechanism soft offer cap*
- *FERC accepted a two-year extension of the interim wheeling through priority tariff provisions*

Federal Energy Regulatory Commission

- **Notice of Inquiry: Implementation of Dynamic Line Ratings (AD22-5)**

On April 25, 2022, the ISO submitted comments in response to FERC's notice of inquiry. The ISO supports FERC's efforts to employ dynamic line ratings but only when increased efficiency and reliability benefits justify the cost.

- **Capacity Procurement Mechanism – Offers Above Soft Offer Cap (ER20-1075)**

On April 22, 2022, FERC issued an order on remand of its May 2020 order accepting the ISO's preferred tariff revisions, which included a 20% adder to a resource's going forward costs as compensation for offers above the capacity procurement mechanism soft offer cap. FERC found the evidence did not support the adder and instead accepted the ISO's alternative methodology, without the adder.

Regulatory Filings Through April 25, 2022

- **NOPR: Building for the Future through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection (RM21-17)**

On April 21, 2022, FERC issued a Notice of Proposed Ruling to remedy deficiencies in existing regional transmission planning and cost allocation requirements.

- **Modernizing Electricity Market Design (AD21-10)**

On April 21, 2022, FERC issued an order directing all ISOs and RTOs to file reports that describe (1) current system needs given changing resource mixes and load profiles, (2) expected system changes over the next ten years, (3) plans to reform energy and ancillary services to meet such expected system needs, and (4) information about any other reforms to help meet changing system needs.

- **Resource Sufficiency Evaluation (ER22-1278)**

On March 11, 2022, the ISO filed a tariff amendment to implement enhancements to improve performance of the resource sufficiency evaluation in the WEIM. On April 15, 2022, the ISO responded to the CPUC's limited protest of the proposed e-tagging requirement applicable to the ISO balancing authority area.

- **Central Procurement Entities (ER22-1604)**

On April 8, 2022, the ISO filed a tariff amendment to recognize the new role central procurement entities will play in California's resource adequacy program. The tariff amendment also adjusts how the ISO sets local capacity requirements in the monthly resource adequacy process for load-serving entities serving load in multiple transmission access charge areas.

- **Contract Management Enhancements (ER22-878)**

On March 25, 2022, FERC issued an order accepting the ISO's January 25, 2022, tariff amendment to improve its pro forma interconnection agreements and related generator interconnection procedures.

- **Short Start/Long Start Tariff Amendment (ER22-1438)**

On March 24, 2022, the ISO filed a tariff amendment to revise the defined terms short start unit and long start unit to align with the ISO's existing market timelines, and to make additional tariff revisions related to the revised definitions.

- **Reliability Demand Response Resource Enhancements (ER22-1431)**

On March 23, 2022, the ISO filed a tariff amendment to enhance reliability demand response resource (RDRR) bidding in ISO real-time markets. The ISO proposed to raise the RDRR real-time bid floor to 95 percent of the hard energy bid cap in the real-time market for hours when the ISO accepts energy bids priced up to \$2,000/MWh.

Regulatory Filings Through April 25, 2022

- **Loads, Exports & Wheeling Priorities - Summer Readiness (ER21-1790)**

On March 15, 2022, FERC issued an order providing additional discussion supporting its June 25, 2021 order accepting the ISO's tariff provisions to establish wheeling through scheduling priorities on an interim basis.

Also on March 15, 2022, FERC issued an order on the ISO's July 26 compliance filing that accepted the proposed penalty parameters, but rejected the proposed parameter change provision as being beyond the scope of compliance.

- **Amendment 60 (ER22-963/ER04-835)**

On March 16, 2022, the ISO filed its final refund report. The ISO issued final settlement statements in September 2021, and received full payment on all of the final invoices as of March 1, 2022. In Amendment No. 60, which dates back to 2004, the ISO proposed revisions to the methodology for allocating costs related to the must-offer obligation. Amendment No. 60 proceedings have an extensive history before FERC and have also been the subject of multiple petitions for review before the D.C. Circuit.

- **Transmission Services and Market Scheduling Practices - Wheeling (ER22-906)**

On March 15, 2022, FERC issued an order approving the ISO's tariff amendment to extend the interim wheeling through scheduling priority tariff provisions it previously approved for an additional two-years (until June 1, 2024). FERC urged the development of a long-term solution.

- **WEIM Sub-Entity and Sub-Entity Scheduling Coordinator Roles (ER22-869)**

On March 31, 2022, FERC accepted the ISO's January 21, 2022, tariff amendment to create the new roles of WEIM sub-entity and WEIM sub-entity scheduling coordinator. The WEIM sub-entity role will allow one or more electric utilities embedded within a single WEIM Entity balancing authority area to participate individually in the WEIM. The amendment creates a direct relationship between these WEIM sub-entities and the ISO, thus enabling their WEIM sub-entity scheduling coordinators to schedule and financially settle non-participating loads and resources directly in the WEIM. This will allow for more diverse and expanded participation within the WEIM.

- **Intertie Penalty Constraints (ER22-1246)**

On March 10, 2022, the ISO filed a tariff amendment to increase existing scheduling parameter values associated with intertie transmission constraint relaxation in both the residual unit commitment and real-time market. This will ensure the ISO market reaches a solution that more accurately reflects actual supply available to the system to meet demand and mitigates the reliability risk of overscheduling on the interties during tight supply conditions.

Regulatory Filings Through April 25, 2022

- **Maximum Import Capability (ER22-844)**

On March 18, 2022, FERC issued an order accepting the ISO's January 19, 2022 tariff revisions to (1) allow market participants to submit maximum import capability expansion requests in the transmission planning process and (2) refine the available import capability allocation process to prioritize requests for unassigned available import capacity to entities with existing resource adequacy contracts.

Non-Conforming Regulatory Agreements

- **LGIA: Arizona Public Service Company/Imperial Irrigation District/San Diego Gas & Electric/White Wing Ranch North/ISO (ER22-1669)**

On April 21, 2022, the ISO filed a certificate of concurrence for Arizona Public Service Company's March 3, 2022 non-conforming Large Generator Interconnection Agreement.

- **WEIM Implementation Agreement: Public Service Company of Colorado (ER22-1070)**

On April 13, 2022, FERC accepted the ISO's February 17, 2022, notice of cancellation of the implementation agreement, as the parties mutually agreed to the termination.

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

On April 1, 2022, the ISO filed informational readiness certification for Tucson Electric Power and Bonneville Power Administration, certifying their readiness to participate in the WEIM on May 3, 2022.

- **Joint Owned Unit Pilot Agreement with Public Service Company of New Mexico and Tucson Electric Power (ER22-1394)**

On March 18, 2022, the ISO filed Amendment No. 1 to the Joint Owned Unit Pilot Agreement to document targeted modifications to the technical requirements to the pilot program governed by the agreement. The ISO supplemented its filing on April 6, 2022.

- **Non-conforming LGIA: PG&E/Calpine Greenleaf/CAISO (ER22-891)**

On March 17, 2022 FERC issued an order accepting the January 26, 2022, non-conforming Large Generator Interconnection Agreement.

- **Reliability Must Run Agreement - Oakland Power Company, LLC (ER22-290)**

On March 15, 2022, the ISO filed objections to Oakland Power Company's February 22, 2022, compliance filing, citing concerns about the adequacy of the compliance filing and justification for the claimed cost recovery.

Regulatory Filings Through April 25, 2022

On March 18, 2022, the ISO filed objections to Oakland Power Company's March 17, 2022 amendment to its February 22, 2022, compliance filing. Oakland Power Company calculated costs in the same manner as its February 22 filing to which the ISO objected.

California Public Utilities Commission and other State Agencies

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

On March 15, 2022, the ISO filed comments on the Track 2a draft workshop report on gas infrastructure, providing its perspective on the planning necessary to ensure electric reliability before a significant natural gas asset is derated or decommissioned.

On April 7, 2022, the ISO filed comments on the proposed decision to extend Southern California Gas Company's winter Operational Flow Order penalty structure year-round, and to apply it to the Pacific Gas & Electric and San Diego Gas & Electric service territories.

- **Resource Adequacy Program (R.21-10-002/R.19-11-009)**

On March 14, 2022, the ISO filed comments regarding the loss of load expectation study, local capacity requirement-flexible capacity requirement schedule, and local capacity requirement working group report. The ISO supported efforts to determine the planning reserve margin and effective load carrying capability values based on a stochastic loss of load expectation study. The ISO filed reply comments on March 22, 2022.

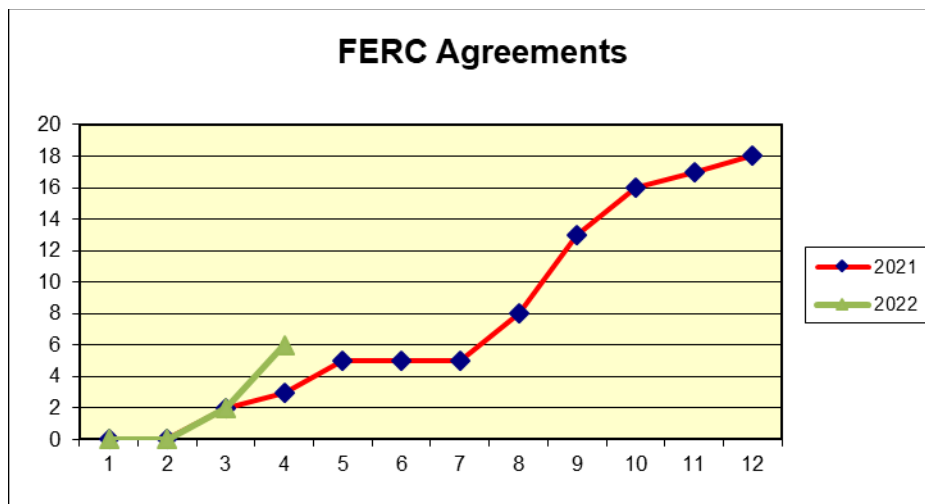
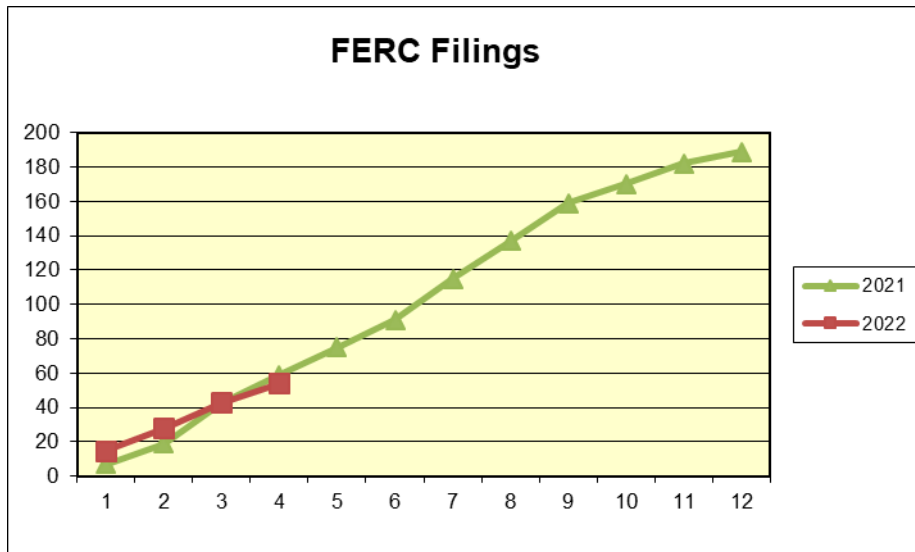
On March 14, 2022, the ISO filed comments on the working group report regarding the qualifying capacity of supply side demand response. The ISO urged the CPUC to (1) direct investor owned utilities to show demand response resources on supply plans and (2) adopt the proposed load impact protocol profile-informed effective load carrying capability qualifying capacity methodology for resource adequacy year 2023. The ISO supported an extension of the CEC's supply-side demand response working group to continue refining a long-term qualifying capacity methodology for supply-side demand response resources and address other issues. The ISO filed reply comments on March 22, 2022.

On March 24, 2022, the ISO filed comments on the future of the resource adequacy working group report. The ISO noted that a reformed resource adequacy program should ensure an energy sufficiency component to maintain reliability with the evolving resource fleet. The ISO also stated that the resource adequacy fleet must be deliverable to meet system reliability needs under NERC and WECC standards. The ISO suggested that the CPUC update the planning reserve margin and effective load carrying capability values under the

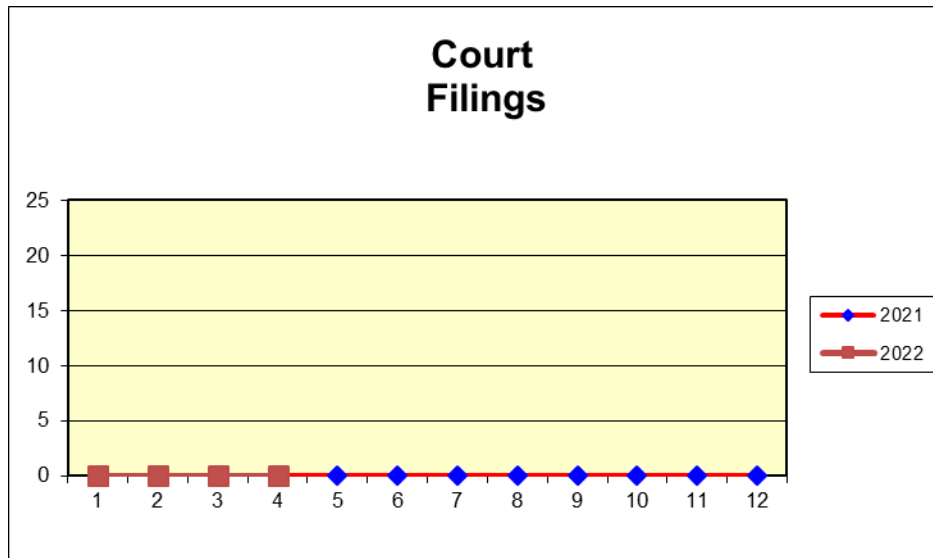
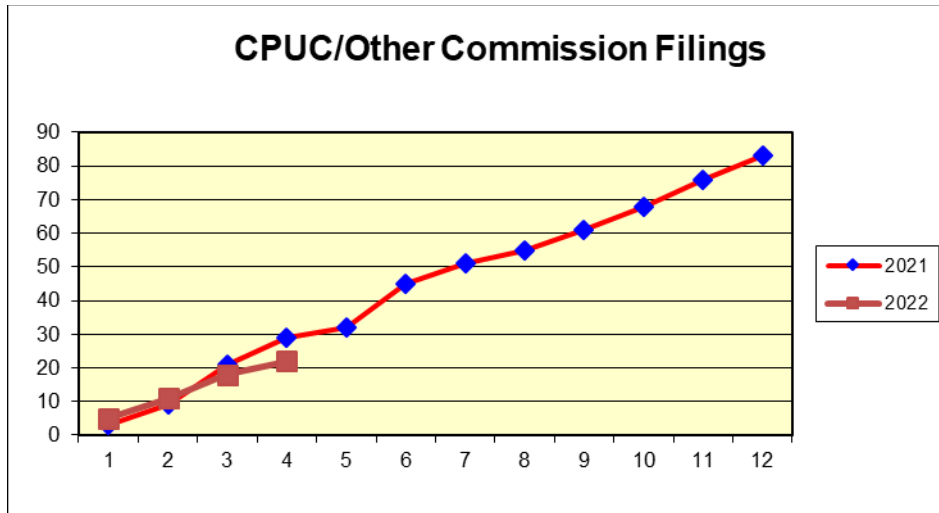
Regulatory Filings Through April 25, 2022

current resource adequacy framework and prioritize loss of load expectation study work. The ISO filed reply comments on April 1, 2022.

On April 7, 2022, the ISO filed its draft 2023 Local Capacity Technical Analysis, and an update regarding its draft Flexible Capacity Needs Assessment for 2023.



Regulatory Filings Through April 25, 2022



Regulatory Filings Through April 25, 2022

