

# Memorandum

**To:** ISO Board of Governors

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

**Date:** October 25, 2017

**Re:** Regulatory update

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***This memorandum does not require Board action.***

## **Highlights**

- *ISO filed the Aliso Canyon Phase 3 electric-gas coordination enhancements tariff amendment*
- *ISO filed a tariff amendment to implement additional phases of the reliability services initiative*
- *ISO filed an energy imbalance market implementation agreement between the ISO the Salt River Project*
- *FERC accepted the ISO's energy imbalance market implementation agreement between the ISO and the Los Angeles Department of Water & Power*
- *FERC accepted the energy imbalance market implementation agreement between the ISO and Powerex Corp.*

## **Federal Energy Regulatory Commission and related Court of Appeals matters**

- **Tariff amendment – 2017 Grid Management Charge – cost of service study update (ER18-91)**

On October 17, 2017, the ISO filed a tariff amendment with FERC to implement a modest adjustment to the allocation of its revenue requirement to the market services, system operations, and congestion revenue rights services cost categories of its grid management charge (GMC). The ISO's 2016 cost of service study completed in May 2017 indicated the need to adjust the GMC percentage allocation. The ISO proposes to change the total revenue requirement allocated to the GMC cost categories as follows: (1) market services from 27% to 32%; (2) system operations from 70% to 66%; and (3) congestion revenue rights services from 3% to 2%. The ISO also proposes minor clarifications to the description of the western energy imbalance market administrative charge. The ISO

requested that FERC approve the proposed tariff amendment effective on January 1, 2018.

- **Intervention and comments on Lathrop Irrigation District's petition for tariff waiver of the ISO's tariff provisions (ER17-2528)**

On October 11, 2017, the ISO filed a motion to intervene and comments with FERC regarding Lathrop Irrigation District's request to waive resource adequacy plan reporting penalties under the tariff that would apply to Calpine Energy Solutions, LLC, in its role as Lathrop Irrigation District's scheduling coordinator. The ISO does not oppose Lathrop's waiver request and takes no position as to whether Lathrop meets the requisite standard for obtaining a tariff waiver request. However, the ISO contends that Lathrop did not submit its monthly resource adequacy plan timely (at least 45 days before the start of the month to which the resource adequacy plan applies to meet the resource adequacy requirements), and the ISO applied its tariff correctly in penalizing Lathrop with a dollar amount per day for its late submission.

- **Supplemental comments on Notice of Proposed Rulemaking regarding Primary Frequency Response (RM16-6)**

On October 10, 2017, the ISO-RTO Council (IRC), of which the ISO is a member, submitted supplemental comments regarding FERC's Notice of Proposed Rulemaking (NOPR) regarding primary frequency response. FERC's NOPR includes the proposal of retirement of baseload, synchronous generating facilities, as asynchronous and small generators are increasing. The IRC supports FERC's proposed requirements as they are meant to ensure adequate levels of primary frequency response, are aligned with NERC standards, and are consistent with current ISO requirements.

- **Comments of the Department of Market Monitoring on Berkshire Hathaway energy imbalance market entities' market base-rate tariff amendments (ER17, 2392; ER17-2394; and ER17-2395)**

On October 6 and September 21, 2017, the ISO's Department of Market Monitoring submitted comments with FERC pertaining to the Nevada Power Company, Sierra Pacific Power Company, and PacifiCorp's (Berkshire Hathaway parties) amendments to their respective market base-rate tariffs. The Department Market Monitoring supports the Berkshire Hathaway parties' participation in the western energy imbalance market with market-based bids rather than restricting their participation to cost-based default energy bids as currently required under prior FERC orders, subject to the power mitigation procedures as specified in the tariff.

- **Tariff amendment to implement reliability services initiative phase 1b and phase 2 (ER18-1)**

On September 29, 2017, and supplemented on October 5, 2017, the ISO filed a tariff amendment with FERC to implement six discrete, stand-alone tariff changes that arise from the ISO's reliability services initiative, phase 1b and phase 2. Phase 1b tariff

revisions propose to: (1) streamline the outage evaluation process for resource adequacy capacity; (2) adjust the timeline for the monthly resource adequacy process; (3) cap a load serving entity's monthly local resource adequacy requirement at its system requirement; and (4) create a deadline for local regulatory authorities that elect to allocate flexible capacity needs to inform the ISO of that election. Phase 2 tariff revisions propose to: (1) provide that capacity located in a local area but procured by a load serving entity as system capacity and now shown as listed local capacity has a system, rather than a local, substitution obligation; and (2) modify and streamline the resource adequacy reporting obligations for small load serving entities. The ISO requested an effective date of February 15, 2018.

- **Tariff amendment to extend the temporary measures to address limited operability of the Aliso Canyon facility and to make permanent or modify other measures to address potential gas limitations (ER17-2568)**

On September 29, 2017, the ISO filed a tariff amendment with FERC addressing the limited operability of the Aliso Canyon facility. The ISO's tariff amendment would maintain in effect for an additional 12 months certain market measures FERC previously approved to address issues arising from the inoperability of the Aliso Canyon gas storage facility. This will ensure that for the next 12 months the ISO will continue to have the tools it needs to mitigate reliability and market distortion risks proposed by the expected limited operability of Aliso Canyon. The ISO also requested that some of the operational measures FERC previously approved to address the inoperability of Aliso Canyon now be made permanent and extend beyond the southern California areas in order to address potential gas limitations that may affect the ISO's market footprint generally. The ISO requested that these provisions take effect on November 30, 2017.

- **Comments of the Department of Market Monitoring on Idaho Power Company's market based-rate authorization request (ER10-2126)**

On September 27, 2017, the ISO's Department of Market Monitoring submitted comments supporting Idaho Power Company's requests for FERC authorization for Idaho Power Company to participate in the western energy imbalance market under market-based rates. The Department Market Monitoring supports Idaho Power Company's participation in the western energy imbalance market with market-based bids. The Department of Market Monitoring stated that allowing Idaho Power Company to participate in the energy imbalance market under market-based rates, subject to the ISO's existing market power mitigation provisions under the tariff, would benefit the overall efficiency and competitiveness of the western energy imbalance market.

- **Request for rehearing of FERC order limiting Pacific Gas and Electric Company's requested recovery of abandoned plant costs (EL16-47)**

On September 25, 2017, the ISO filed a request for rehearing of FERC's August 24, 2017 order rejecting in part a petition of declaratory relief filed by the Pacific Gas and Electric Company (PG&E) seeking certain transmission rate incentives for eight electric

transmission projects approved by the ISO in its transmission planning process. The ISO argued that FERC erred in limiting PG&E's requested recovery of the abandoned plan costs.

### **Regulatory Agreements**

- **FERC letter order accepting amendment to Participating Load Agreement between the ISO and California Department of Water Resources (ER17-2412)**

On October 11, 2017, FERC accepted the ISO's amendment to the First Amended and Restated Participating Load Agreement between the ISO and the California Department of Water Resources. The amendment extends the terms of the agreement from November 1, 2017 to November 1, 2019.

- **FERC letter order accepting the certificate of concurrence for the UC Regents Large Generator Interconnection Agreement (ER17-2311)**

On October 10, 2017, FERC accepted the Certificate of Concurrence for the Large Generator Interconnection Agreement among the ISO, PG&E, and the Regents of the University of California, effective as of July 27, 2017. PG&E filed the agreement and rather than filing a duplicate version of the agreement under the ISO tariff, the ISO submitted a concurrence tariff record.

- **Western energy imbalance market implementation agreement with the Salt River Project (ER17-2559)**

On September 28, 2017, the ISO filed with FERC a western energy imbalance market implementation agreement between the ISO and the Salt River Project. The ISO requested an effective date of April 1, 2018, with a participation date in the western energy imbalance market of April 1, 2020. This agreement will enable the Salt River Project, an entity outside of the ISO's balancing authority area, to participate in the ISO's real-time market for energy imbalance.

- **FERC Order accepting the western energy imbalance market implementation agreement with the Los Angeles Department of Water & Power (ER17-2120)**

On September 7, 2017, FERC accepted the ISO's western energy imbalance market implementation agreement with the Los Angeles Department of Water & Power (LADWP), effective as of October 1, 2017. The implementation agreement allows the ISO to move forward with extension of the real-time energy market to the LADWP through its participation in the western energy imbalance market starting April 1, 2019.

- **FERC Order accepting the western energy imbalance market implementation agreement with Powerex Corp. (ER17-1796)**

On September 7, 2017, FERC accepted the western energy imbalance market

implementation agreement between the ISO and Powerex Corp. The implementation agreement will permit Powerex Corp, an entity with resources located in a balancing authority outside of the United States, to participate in the western energy imbalance market as of April 4, 2018.

### **Reports filed**

- **Rebidding commitment costs process informational report (ER16-2445)**

On October 2, 2017, the ISO submitted a one-time informational report on the process for rebidding commitment costs, under FERC's November 21, 2016 order. The informational report assesses: (1) the effectiveness of the process for rebidding commitment costs set forth in the tariff revisions through the summer of 2017; and (2) the ISO's efforts to automate the monitoring and enforcement of compliance with the rebidding process.

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

On September 15, 2017, and October 2, 2017, the ISO submitted exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as required by FERC in its September 2, 2009 order in this proceeding; and (2) an analysis of mitigation as required by tariff section 34.11.4. The reports covered July 2017 (Chart 1 data) and June 2017 (Chart 2 data). 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 cannot be addressed by the ISO market.

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

On September 15, 2017, the ISO submitted to FERC a monthly market disruption report for the period of July 16, 2017, to August 15, 2017. A market disruption is an action or event that causes a failure of the ISO market that is related to system operation issues or system emergencies.

- **AES Huntington Beach – hours of operation report (ER13-351)**

On September 11, 2017, the ISO filed an informational report on hours of operation for AES Huntington Beach for the months of June 2017, July 2017, and August 2017, under FERC's January 4, 2013 and May 1, 2014 orders.

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

On September 7, 2017, and October 10, 2017, the ISO submitted to FERC informational filings containing the rates or formulas used to calculate negotiated default energy bids, custom operations and maintenance adders, and major maintenance adders, that were implemented, modified or terminated in August and September 2017, respectively.

### **California Public Utilities Commission matters**

- **Comments on the proposed and alternative proposed decision to enhance the role of demand response and resource planning (R.13-09-011)**

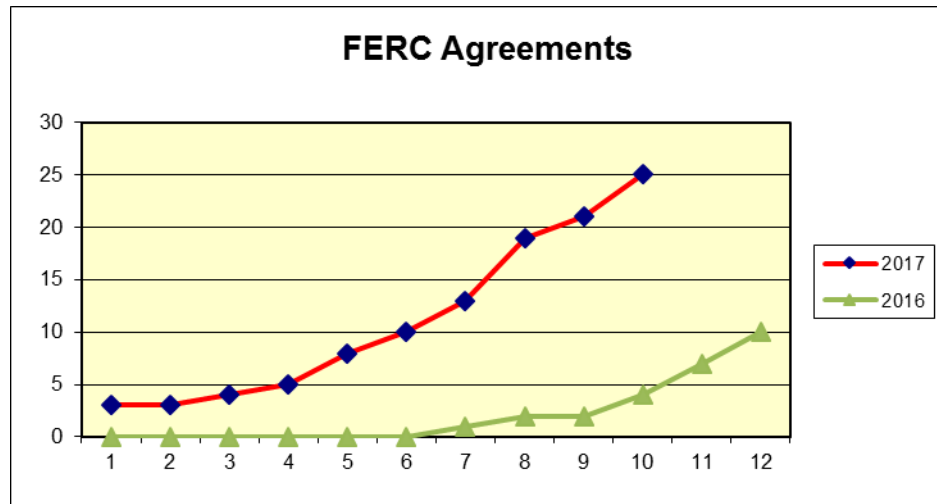
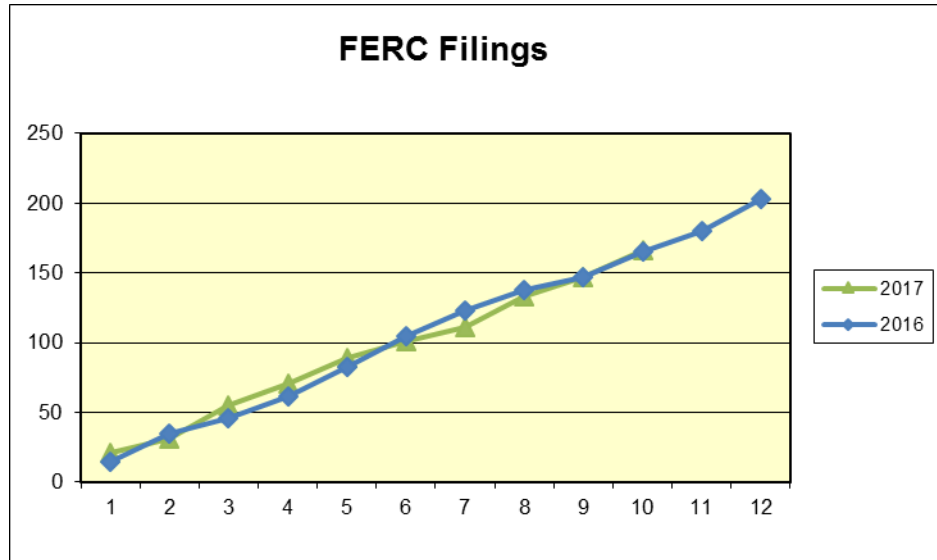
On August 5, 2017, the ISO filed comments with the CPUC supporting Commissioner Guzman Aceves' Alternative Proposed Decision that orders Southern California Edison Company and San Diego Gas & Electric Company to conduct a 2018 demand response auction mechanism pilot for deliveries in 2019, and the allocation of additional funding for the demand response auction mechanism pilot.

### **California Energy Commission matters**

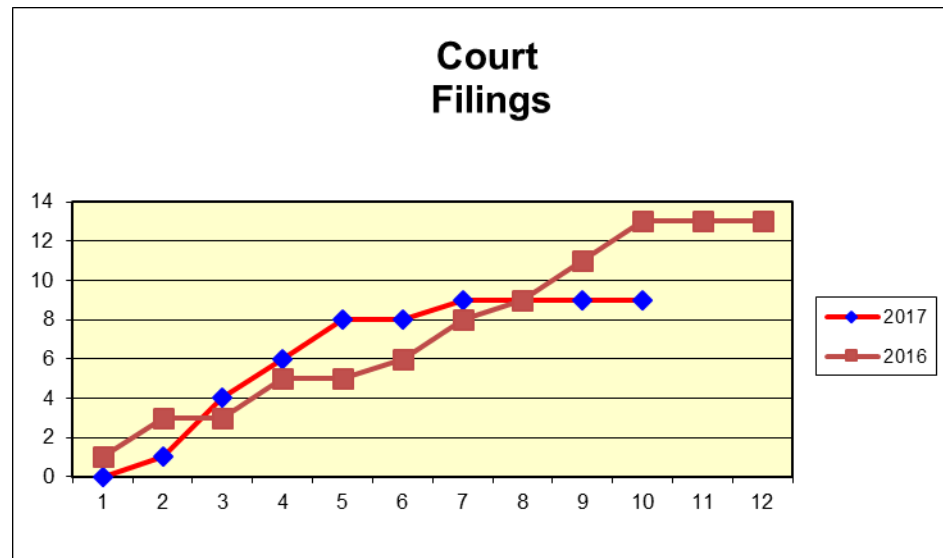
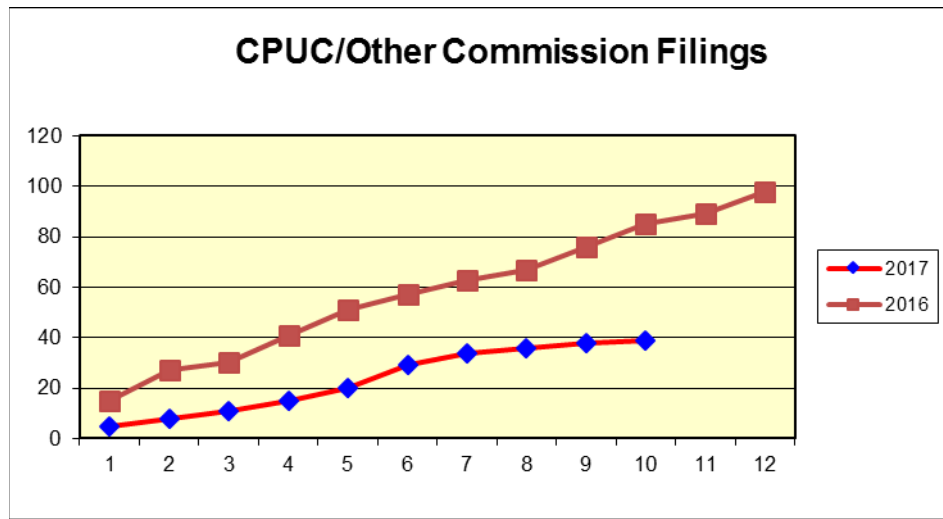
- **Prehearing statement, testimony, and comments regarding the ISO's special study of the Moorpark sub-area local capacity alternative (15-AFC-01)**

On September 7, 2017, the ISO filed a prehearing conference statement with the CEC identifying all witnesses that were to testify at the September 12, 2017 hearing pertaining to the Puente Power Project Application for Certification (AFC). Subsequently, on September 12, 2017, the ISO attended the CEC hearing and provided additional testimony regarding the ISO's Moorpark Sub-Area Local Capacity Alternative Study (special study). On September 29, 2017, the ISO submitted comments to the CEC regarding the Puente Power Project AFC. The ISO's comments stated that the special study established a baseline quantity of resources that should be targeted in any new request for offer conducted in the Moorpark sub-area.

## Regulatory Filings Through October 2017



## Regulatory Filings Through October 2017





*Regulatory Filings Through  
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