

Memorandum

To: ISO Board of Governors

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

Date: November 11, 2020

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *FERC accepted the ISO's tariff amendment to implement changes to its market settlement timeline*
- *FERC accepted an energy imbalance market implementation agreement for Avangrid Renewables*
- *The ISO filed a tariff amendment to clarify its metering and settlement rules for excess behind the meter production and gross load*
- *The ISO answers complaint by Californians for Renewable Energy against the ISO, the CPUC, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company*
- *The ISO submitted comments on individual integrated resource plan filings focused on load serving entities' narratives regarding the conforming portfolios, and regarding the portfolios' ability to address retirement of the Diablo Canyon Power Plant*
- *Complaint filed by Californians for Green Nuclear Power against the ISO, the North American Electric Reliability Corporation, the Western Electricity Coordinating Council, the CPUC, the California State Water Resources Control Board, & the California State Lands Commission*
- *The ISO filed a tariff amendment related to the treatment of hybrid (storage and fuel based) resources*
- *The ISO filed the S-Line Entitlement Agreement with Citizens S-Line LLC*

Federal Energy Regulatory Commission

- **Standards for Business Practices and Communication Protocols for Public Utilities (RM05-5-030, RM05-5-029)**

On November 3, 2020, the ISO joined in comments by the ISO/RTO Council filed with FERC. The ISO/RTO Council submitted supports the adoption of the revisions in the WEQ Version 003.3 Standards necessary to effectuate the parallel flow visualization congestion management process and outlined proposed implementation timelines for the various component standards. The ISO-RTO Council also requested clarification in the final rule that each public utility may seek as part of its compliance filing: (i) a waiver of new or revised standards; and (ii) a renewal of existing waivers that FERC previously granted.

- **Complaint Californians for Green Nuclear Power (EL21-13)**

On October 27, 2020, Californians for Green Nuclear Power filed a complaint at FERC against the North American Electric Reliability Corporation, the Western Electricity Coordinating Council, the ISO, the CPUC, the California State Water Resources Control Board, & the California State Lands Commission. The complainant argues that respondents violated federal reliability standards for the bulk power system through the CPUC's approval to close Diablo Canyon Power Plant in 2025, without first properly analyzing the adverse bulk electric system and adverse bulk natural gas system consequences, in light of known California-specific hazards, including those caused by seismic activity and the Public Safety Power Shutoff policies enacted by the CPUC. The complainant further argues that NERC and WECC failed to conduct proper oversight or enforce NERC's reliability standards that will be violated by removing the Diablo Canyon Power Plant's capacity from the California electric grid. The complainants assert the premature closure of Diablo Canyon Power Plant will only exacerbate current reliability issues, and is inconsistent with federal law. The respondents' answers to the complaint are due on November 16, 2020.

- **Excess behind the meter production (ER21-190)**

On October 23, 2020 the ISO filed a tariff amendment to clarify its metering and settlement rules for excess behind the meter production and gross load. Excess behind-the-meter production is energy generated by behind the meter resources exceeding the host customer's onsite consumption. This energy generally comes from rooftop solar during the spring in the early afternoon hours when demand is low and solar generation is high. The ISO proposes to define excess behind the meter production and require scheduling coordinators representing load-serving entities to report it. Additionally, the ISO proposes to clarify its definition of gross load to expressly include demand served by excess behind the meter production. The ISO requests FERC approve the revisions effective January 1, 2020.

- **2020 Grid management charge – Cost of service study update (ER21-112)**

On October 15, 2020, the ISO submitted a tariff amendment to implement modest adjustments to the allocation of its grid management charge revenue requirement to its market services, system operations, and congestion revenue rights services cost categories.

The ISO conducted its latest cost of service study in 2020 based on 2019 data. The study results indicate the need to adjust the grid management charge percentage allocation. The ISO requests FERC approve the revisions effective on January 1, 2021.

- **Petition for disposition of rules of conduct penalties (ER20-2604)**

On October 15, 2020, FERC accepted the ISO's August 3, 2020, annual petition for approval for the disposition of penalty assessment proceeds and non-refundable interconnection financial security.

- **Tariff amendment to modify the market settlement timeline (ER20-2617)**

On October 2, 2020, FERC accepted the ISO's August 6, 2020, tariff amendment to implement changes to its market settlement timeline. The changes were proposed to address market participants' concerns regarding the inaccuracy of initial settlement statements that the ISO currently issues three business days after a trading day. Initial settlement statements are based solely on estimated meter data, and the outcome is often subject to major adjustments on the second settlement statement issued after twelve business days. These proposed changes also include changes to allow additional flexibility in the time of day when the ISO may issue invoices, and clarifications related to settlement and billing. FERC accepted the changes effective January 1, 2021.

- **ESDER - Energy storage distributed energy resources - Phase 3B (ER20-2443)**

On September 30, 2020, FERC accepted the ISO's tariff revisions to enhance demand response participation in the ISO market by allowing separate load curtailment measures for electric vehicle supply equipment and optimizing behind-the-meter energy storage charging and discharging. The tariff revisions are effective October 1, 2020.

- **Greenleaf Energy, LLC – Reliability Must Run Agreement (ER20-2787)**

On September 30, 2020, the ISO answered Pacific Gas & Electric's comments and CPUC's protest arguing that the termination provision in the agreement the ISO struck with Greenleaf is unjust and unreasonable because it departs from the pro forma reliability must-run (RMR) agreement approved by FERC— an agreement designed for situations in which the RMR designation is mandatory the ISO tariff. The parties ignore the authority the ISO has under its tariff to negotiate contracts other than the pro forma RMR agreement to assure the reliability of the ISO grid, authority that the ISO properly exercised in negotiating the termination clause that appears in the Greenleaf RMR agreement. To accept the CPUC's and PG&E's arguments would be contrary to the ISO's authority to negotiate agreements to assure the reliability of the grid under the terms of its tariff and would put the reliability of the grid at risk going forward because it would undermine the ISO's authority to enter into agreements where the pro forma RMR agreement is not acceptable to a non-jurisdictional party like Greenleaf whose facility is needed to protect grid reliability.

- **Compliant by Californians for Renewable Energy (EL20-69)**

On September 28, 2020, the ISO filed its answer to the complaint filed August 31, 2020, by Californians for Renewable Energy against the ISO, the CPUC, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company. The complainants reference a few hours of power interruptions in parts of California and wholesale market price increases that occurred a few days in August as support for their claim the markets for energy and ancillary services administered by the ISO are “not workable,” and that the prices in those markets are unjust, unreasonable, or unduly discriminatory or preferential in violation of section 206 of the Federal Power Act. The complainants also argue respondents have not met certain obligations under FERC regulations that implement the Public Utilities Regulatory Policies Act. The ISO responded that the complainants provide no analysis correlating the “facts” alleged to any legal standard or violation of the law, and fail to identify any reason why the ISO tariff is contrary to statutory standards or regulatory requirements. The ISO also argued the complainants do not meet their legal burden of demonstrating the ISO market has become unjust and unreasonable or that the prices resulting from the market are contrary to law.

- **Hybrid resources technical conference (AD20-9)**

On September 24, 2020, the ISO filed responses to questions raised in the July 23, 2020 technical conference and the August 10, 2020 Commission notice inviting comments.

- **September 8-9, 2011, reliability event (IN14-10)**

On September 17, 2020 the ISO filed a motion to amend the stipulation and consent agreement approved by FERC on November 28, 2014. The ISO requests that FERC amend the consent agreement to remove the requirement that the ISO implement the contingency modeling enhancements project. The circumstances that drove the need for contingency modeling enhancement no longer exist, and the ISO has fully complied with all other aspects of the consent agreement.

- **Hybrid resources – Phase 1 (ER20-2890)**

On September 16, 2020, the ISO filed a tariff amendment related to the treatment of hybrid resources, which consist of either separate storage and fuel resources co-located or single resources with multiple components using different fuel sources or technologies. The first set of changes will permit the ISO greater flexibility to model the aggregate capabilities of separate resources co-located at a single generating facility as part of its day-ahead and real-time markets. The ISO will achieve this outcome by using an “aggregate capability constraint” in its market model. This constraint will model the maximum and minimum capability of co-located generating units at a generating facility for purposes of issuing day-ahead market and real-time market awards and dispatches. The second set of changes will ensure the ISO can maintain visibility over intermittent resource production at hybrid resources that include a wind or solar generation component. The ISO requested an effective date of December 1, 2020.

Non-Conforming Regulatory Agreements

- **Citizens S-Line LLC/CAISO (ER21-196)**

On October 23, 2020, the ISO filed the S-Line Entitlement Agreement with Citizens S-Line LLC. The agreement provides that Citizens S-Line will finance upgrades to Imperial Irrigation District's existing 230 kV S-Line in exchange for entitlement rights to incremental transfer capacity on the S-Line that Citizens S-Line will obtain on behalf of the ISO. The agreement is necessary to effectuate a transmission project approved in the ISO's transmission planning process that will provide economic benefits to ISO ratepayers by alleviating limitations on the use of the ISO system caused by parallel flows (loop flows) identified in planning study results. The approved project will materially reduce local capacity needs in the combined San Diego–Imperial Valley areas, as well as reduce market congestion on the ISO system. The agreement is necessary because the system expansion approved in the ISO transmission plan will be an upgrade to Imperial Irrigation District's existing facilities, which are not, and will not become, part of the ISO balancing authority area. The ISO requests the agreement become effective December 23, 2020.

- **Energy imbalance market implementation agreement – Los Angeles Department of Water and Power (ER21-101)**

On October 14, 2020 the ISO filed an unexecuted EIM entity agreement, for effective date of January 20, 2021. The agreement sets forth the legal obligations and operational rules that will govern LADWP's participation in the EIM. The ISO is filing the Agreement unexecuted by LADWP. LADWP has submitted the agreement for approval in its governance process. Execution has been approved by its Board of Water and Power Commissioners and awaits action by the City Council. LADWP intends to execute it as soon as possible following the City Council's approval, after which the ISO will file the fully executed signature page in this proceeding. The ISO expects to submit the fully executed signature page by January 10, 2021.

- **Western energy imbalance market implementation agreement – Avangrid Renewables, LLC (ER20-2688)**

On October 7, 2020 FERC issued a letter order accepting the ISO's energy imbalance market agreement with Avangrid Renewables, with an effective October 18, 2020, as requested.

- **Energy imbalance market entity agreement – Balancing Authority of Northern California (ER20-2502)**

On September 28, 2020 FERC issued a letter order accepting the ISO's energy imbalance market agreement with the Balancing Authority of Northern California, effective March 25, 2021, as requested.

- **Large generator interconnection agreement with Sun Stream Solar/ San Diego Gas & Electric (ER20-2636)**

On September 16, 2020, FERC approved the large generator interconnection agreement with Sun Streams Soar 2 and San Diego Gas & Electric, with an effective date of October 7, 2020, as requested.

Informational reports filed

- **Common performance metrics data for calendar years 2014 - 2018 (AD19-16)**

On October 30, 2020 the ISO filed information and data on performance metrics for years 2014 through 2018 in response to FERC's May 27, 2020, notice for independent system operators, regional transmission operators, and regions outside ISOs and RTOs to report data on certain performance metrics.

- **Western energy imbalance market transition period reports (ER15-2565)**

On October 30, 12, and 5, 2020 the ISO filed informational reports for Salt River Project for the period July-September 2020. On October 12, 2020, October 2, 2020 and September 15, 2020, the ISO filed informational reports for Seattle City Light for the periods June-September 2020. These reports are filed pursuant to FERC's October 29, 2015, order directing the ISO and its Department of Market Monitoring to file monthly informational reports on the transition period for new EIM during their first six months of participation.

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

On September 15, 2020, and October 15, 2020, the ISO filed informational market disruption reports for the time periods of July 16-August 15, 2020, and August 16-September 15, 2020, respectively. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

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

On September 15, 2020, and October 15, 2020, the ISO filed 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 cover the months of July 2020 and August, 2020, 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.

- **Negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs (ER06-615)**

On October 7, 2020, the ISO filed informational reports containing the rates or formulas used to calculate negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs that the ISO implemented, modified, or terminated in the month of September 2020.

California Public Utilities Commission and other State Matters

- **R.20-01-007 (Order instituting rulemaking to establish policies, processes, and rules to ensure safe and reliable gas systems in California and perform long-term gas system planning)**

On November 2, 2020, the ISO submitted comments in response to the CPUC's Administrative Law rulemaking issuing workshop report and staff recommendations. In response to the ruling's request that the ISO indicate how it would allocate that gas to electric generators bidding in the ISO's electric markets, the ISO noted it already provides expected gas supply needs to the gas company in the operational (i.e., day-ahead and real-time) timeframe. The ISO indicated that at this time, the ISO cannot provide a planning level mechanism for determining expected or minimum gas supply requirements, especially given the significant unanswered questions regarding long-term gas needs for electric generation.

- **R.20-05-003 (Order instituting rulemaking to continue electric integrated resource planning and related procurement processes)**

On October 23, 2020, the ISO submitted comments pursuant to Administrative Law Judge's October 9, 2020, ruling inviting initial comments on individual integrated resource plan (IRP) filings. The ISO's comments primarily focus on load serving entities' narratives regarding the conforming portfolios, and regarding the portfolios' ability to address retirement of the Diablo Canyon Power Plant. To support these comments, the ISO provides detailed modeling results from its production cost modeling assessment of the CPUC's 38 million metric ton greenhouse gas target portfolio, one of the portfolios the CPUC's provided to load serving entities as guidance for developing the individual IRPs. The ISO provides this analysis for the CPUC to consider as it reviews the individual IRPs for aggregation and consideration of the preferred system portfolio. The ISO's modeling results shows that incremental resource needs may be much greater than originally anticipated and that the system hits a critical inflection point after Diablo Canyon retires. The ISO's modeling analysis found a significant resource deficiency—3,493 MW in effective capacity—in 2026. The CPUC should coordinate expedited procurement with any contracted for new resources included in the individual load serving entity's IRPs but not delay procurement to wait for planned but unexecuted procurement referenced in the individual load serving entity's IRPs. The CPUC must ensure there are sufficient and diverse resources to meet this post-Diablo Canyon retirement need and reliably decarbonize the grid. In addition, the ISO provides comments regarding the need to improve modeling efforts to identify reliability needs, the benefits of resource diversity, and improve resource planning.

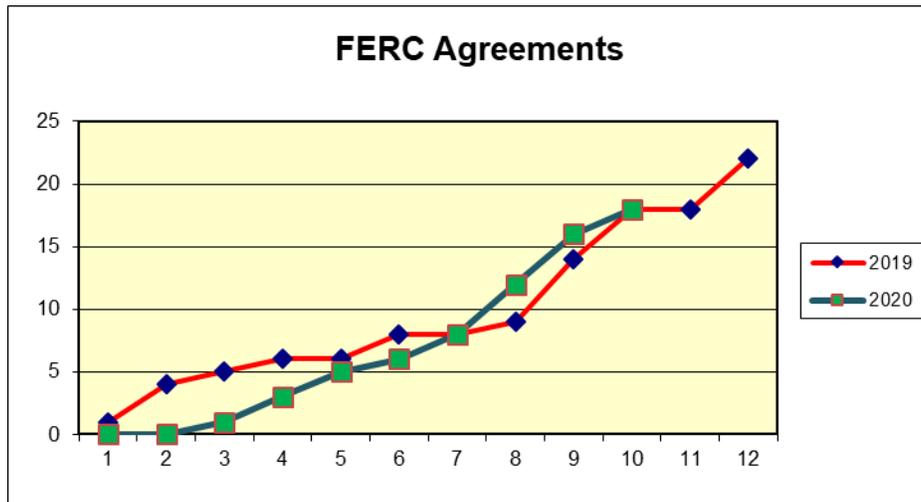
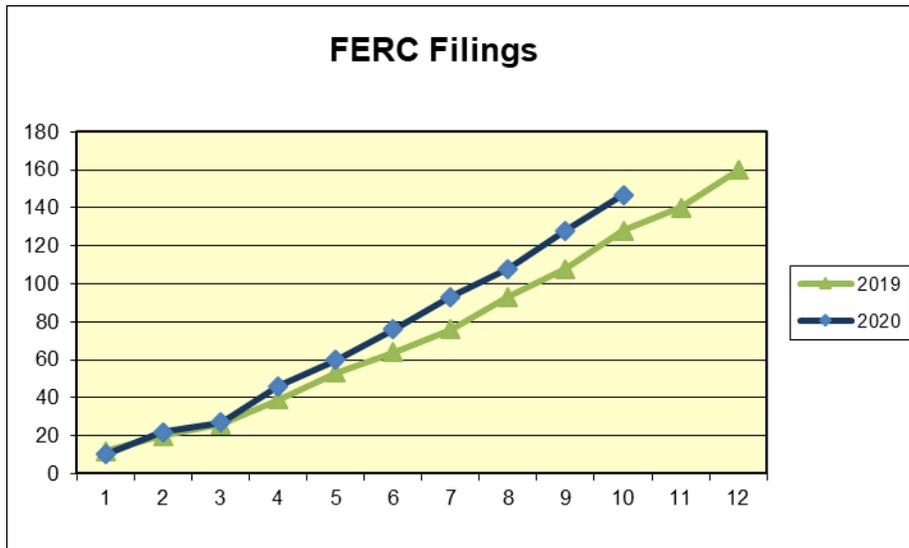
- **A.18-05-007 (El Dorado-Lugo-Mojave series capacitor project: certificate of public convenience and necessity)**

On October 20, 2020, the ISO responded to Wild Tree Foundation's application for rehearing of the September 3, 2020, decision approving Southern California Edison's application for a certificate of public convenience and necessity for the El Dorado-Lugo-Mojave project. The ISO addresses the Foundation's claims that the decision (1) provides inadequate factual support for its finding that the El Dorado-Lugo-Mojave project serves the public convenience and necessity; and (2) commits legal error by failing to consider non-transmission alternatives consistent with Public Utilities Code. The ISO argued that contrary to the Foundation's assertions, the decision provides a sound and accurate factual basis for determining the project serves the public convenience and necessity. The decision finds the project will (1) increase capacity on the Eldorado, Lugo, and Mohave transmission lines, (2) allow renewable resources in the CPUC's most recent renewable portfolio standard portfolio to achieve full capacity deliverability status, (3) support load-serving entities' abilities to procure new resource adequacy resources, and (4) help the state meet its renewable portfolio standard goals.

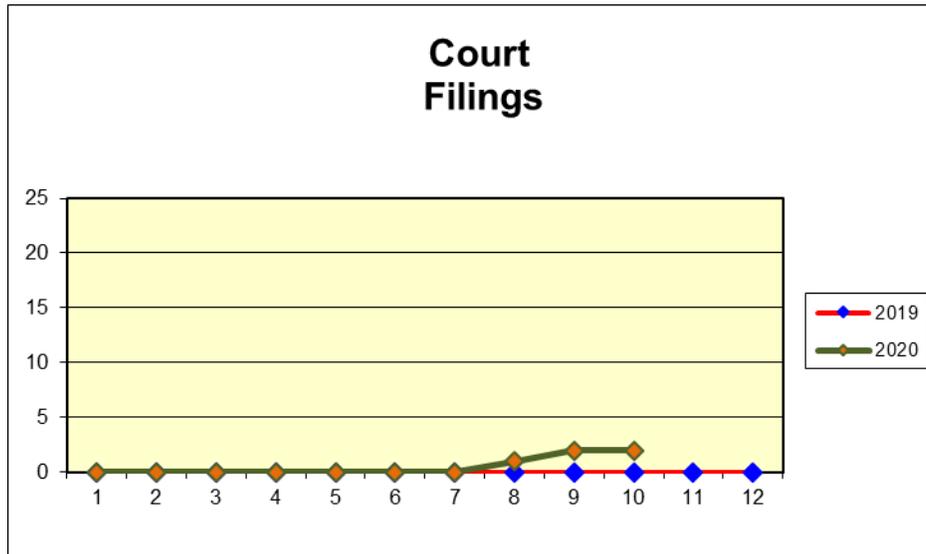
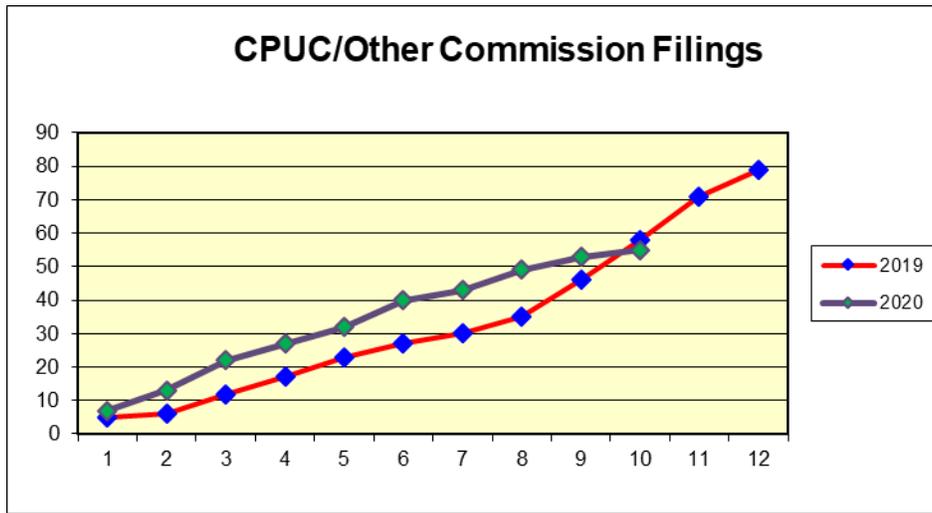
- **R.19-11-009 (Order instituting rulemaking to oversee the resource adequacy program, consider program refinements, and establish forward resource adequacy procurement obligations)**

On September 18, 2020, the ISO filed comments on the Track 3A proposals. The ISO supports further development of load modifying demand response, recognizing not all demand response is suited for market integration and supply-side resource participation. As an alternative, hard triggers should be developed to prompt the modification of load to meet net peak load and net peak ramping needs. The ISO supports the development of this type of dispatchable load modifying resource, with the caveat that it demonstrates, like other load modifying programs, a reduction in resource adequacy obligations.

Regulatory Filings Through October 31, 2020



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