

# Memorandum

**To:** ISO Board of Governors

**From:** Stacey Crowley, Vice President, External and Customer Affairs  
Anna McKenna, Vice President, Market Policy and Performance

**Date:** July 7, 2021

**Re:** State, Regional, and Federal Affairs update

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*This memorandum does not require Board action.*

## STATE AFFAIRS

### Regulatory update

#### **Resource Adequacy Proceeding:**

On June 3, the California Public Utilities Commission released an Assigned Commissioner Ruling creating a pathway for the ISO to file refreshed effective load carrying capability study results for demand response resources into the resource adequacy proceeding. This ruling reverses prior guidance from a proposed decision and will ensure that demand response resources using the effective load carrying capability values are assessed on their reliability contribution to the grid. This exercise is narrowly scoped for investor-owned utility (IOU) demand response programs to determine the qualifying capacity of IOU demand response resources for the 2022 compliance year. For the 2023 compliance year, the ISO will work with the CPUC under a process led by the California Energy Commission to develop a permanent counting methodology. As detailed in the May 2021 regulatory update, these efforts are related to the ISO's commitment to bring to the Board a proposal to file a tariff amendment at the Federal Energy Regulatory Commission to waive application of certain resource adequacy-related penalties for demand response resources using a reliability-based counting methodology.

#### **Integrated Resource Plan Proceeding:**

On June 24, the CPUC voted 5-0 to authorize 11,500 MW of incremental capacity to address critical mid-term reliability needs from 2023 through 2026, including the retirement of Diablo Canyon Power Plant and 3,700 MW of once-through cooling thermal resources. The ISO strongly supported this level of procurement, which is in line with the ISO's original calculated need of a minimum of 10,000 MW of incremental capacity above existing procurement for the mid-term. The ISO also strongly supports efforts led by the CEC and CPUC to develop a plan for orderly thermal generation

retirement and retention, which will inform a separate procurement order at the end of 2021.

## **Legislative update**

### **Legislature:**

The Legislature continues to hold policy hearings on bills that made it out of their house of origin before the deadline of June 4. Of the dozens of energy-related bills introduced earlier this year, considerably fewer have continued to move through the legislative process, including those that are of interest to the ISO or the energy industry more generally. Moreover, the Legislature will adjourn for Summer Recess on July 16 for one month, giving policymakers four weeks after they return on August 16 to focus on Appropriations and Floor Session, before the September 10 deadline to pass bills.

### **Budget Trailer Bills**

While the actual budget was already passed by the Legislature before the June 15 deadline, the proposal still required funding and expenditure allocations. California allows for budget trailer bills to be added after the budget has passed. Trailer bills still need to be approved by the Legislature, but legislators are not bound to the June 15 deadline. Specifically, under AB 137, an “Energy Unit” would be established within the Governor’s Office of Business and Economic Development. The Governor would appoint a Deputy Director to lead the Energy Unit and their focus would be to “accelerate the planning, financing, and execution of critical energy infrastructure projects that are necessary for the state to reach its climate, energy, and sustainability policy goals.” While transmission is not specifically named, it is possible that transmission planning would be a part of the Energy Unit’s purview. The bill would require the Energy Unit, on or before February 1 of each year, to annually submit a report to the Legislature with specified information relating to infrastructure priorities and the Energy Unit’s work in the prior calendar year with recommendations to accelerate their progress. On Friday, July 1, the Legislature voted on AB 137 and passed onto the Governor for adoption. The Governor is likely to sign AB 137 before Summer Recess.

## **REGIONAL AFFAIRS**

### **EIM Governing Body:**

The EIM Governing Body held a general session teleconference meeting on June 30. The members were briefed by the ISO on aggregate capability constraints for co-located hybrid resources and moved to support the initiative under their advisory authority. In addition, the members unanimously moved to approve Management’s proposed policies to implement the EIM Governance Review Committee’s part 1 proposal. The EIM Governing Body also supported the nominations of Robert Kondziolka and Jennifer Gardner to the EIM Governing Body, and voted Anita Decker and Robert Kondziolka to serve as the Chair and Vice Chair of the body, all beginning their terms July 1.

### **Regional Issues Forum:**

The Regional Issues Forum held a public teleconference meeting on June 29, which included a briefing from a number of EIM entities on-boarded in 2021 and a presentation from the Western Electricity Coordinating Council (WECC). During the presentations from the new EIM entrants, representatives from Los Angeles Department of Water and Power, Public Service of New Mexico, Turlock Irrigation District, and Balancing Authority of Northern California Phase 2 explained their onboarding experience and lessons learned from go-live. WECC members Jordan White and Victoria Ravenscroft presented on the Western Assessment of Resource Adequacy report, followed by audience questions on the technical assessment used in their process.

### **EIM Governance Review Committee:**

The EIM Governance Review Committee held a general session meeting on May 20 to discuss their Straw Proposal on Delegation of Authority Issues in the EIM Governance Review. During this meeting, the committee presented their proposal and reviewed the key questions for consideration by stakeholders. The Governance Review Committee asked for comments on this proposal by June 11, and received 18 sets of stakeholder comments. The committee is now working towards developing a revised proposal.

## **FEDERAL AFFAIRS**

### **Administration:**

As widely reported, President Biden announced on June 23 that the White House has reached an agreement with a bipartisan group of 10 Senators on a framework for infrastructure legislation. The framework includes \$73 billion for a new Grid Authority, \$47 billion for cybersecurity and resilience, and \$7.5 billion for new electric vehicle charging stations, among a host of other provisions. The framework will enable lawmakers to begin drafting legislative language. The Senate negotiators and the President have also agreed on funding through enforcement of unpaid taxes, redirection of unused unemployment benefits and other emergency relief funds, sale of oil from the Strategic Petroleum Reserve, and unspecified public-private partnership arrangements. President Biden has said he expects a full Senate vote on the bill before September 30, the end of the Fiscal Year. House Speaker Nancy Pelosi (D-12<sup>th</sup> District – San Francisco) has stated that the House will take up the infrastructure bill only if the Senate approves the social infrastructure-focused reconciliation package as well.

### **Congress:**

The Senate has recessed until July 12 and the House will be in recess from July 1 until July 19.

On June 24, Senate Energy and Natural Resources Committee chair Joe Manchin (D-WV) held a full committee hearing on his 423-page discussion draft of an omnibus

energy bill, the “Energy Infrastructure Act.” The measure would authorize \$100 billion in funding for energy initiatives, including \$19 billion for grid modernization, \$3 billion for smart grid investment matching grants, funding to help utilities protect against and respond to cyberattacks, and support for deployment of broadband infrastructure for wireless utility communications. Witnesses representing the Department of Energy, the Department of Agriculture, and the Department of Interior spoke in support of the bill at the hearing. Senator Manchin has stated his intent that the draft bill be folded into the broad bipartisan infrastructure package, which he helped develop.

On June 22, the House passed the “Enhancing State Energy Security Planning and Emergency Preparedness Act (H.R. 1374) by a vote of 398-21. The bill was introduced on February 25 by Rep. Bobby Rush (D-IL) and was cosponsored by Rep. Fred Upton (R-MI). It authorizes \$90 million over 5 years to assist states in protecting critical infrastructure from cyber and physical security threats and establishes requirements for state energy security plans, including identification of threats to each energy sector and cross-sector dependencies. The bill has now been sent to the Senate for consideration.

### Legislation Introduced

S. 2199, “The Cyber Sense Security Act,” introduced on June 23, 2021. Sponsors: Senator Jacky Rosen (D-NV) and Jim Risch (R-ID); 4 cosponsors. Creates a voluntary Cyber Sense program within the Department of Energy to identify secure products for use in the bulk power system. Sets up a testing and reporting process and creates a database of approved products. Status: Referred to the Senate Committee on Energy and Natural Resources. NOTE: The House companion bill, H.R. 2928, is cosponsored by Reps. Jerry McNerney (D-9th District – Stockton) and Bob Latta (R-OH).

H.R. 4027, “The Efficient Grid Interconnection Act of 2021,” introduced on June 23, 2021. Sponsor: Kathy Casten (D-FL); 7 cosponsors. Expresses a sense of Congress that legislation is needed to accelerate the timely and efficient interconnection of renewable energy and energy storage projects and directs FERC to issue a regulation that fairly allocates the costs of such interconnections to users or other beneficiaries. Status: Referred to House Energy and Commerce Committee. Hearing held on June 29.

H.R. 4153, “To advance clean power technology development and use through innovation and clean energy standards.” Introduced on June 24, 2021. Sponsors: David McKinley (R-WV) and Kurt Schrader (D-OR); 3 cosponsors. Establishes a technology-neutral clean energy standard aimed at reducing CO<sup>2</sup> emissions by 80% by 2050, using a range of strategies including carbon sequestration, nuclear energy, renewables, efficiency and storage. Status: Referred to House committees on Energy and Commerce; Ways and Means; Science, Space and Technology; Transportation and Infrastructure; Oversight and Reform; and Financial Services.