

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: January 31, 2024
Re: **State, Regional, and Federal Affairs Update**

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory Update

California Public Utilities Commission (CPUC):

On December 14, the CPUC held its last business meeting of 2023. At this meeting, the CPUC approved to extend Diablo Canyon Power Plant (DCPP) operations by five years, subject to: 1) The US Nuclear Regulatory Commission continues to authorize operations, 2) the \$1.4 billion loan authorized by Senate Bill 846 is not terminated, and 3) the CPUC does not determine that extended operations are imprudent or unreasonable. The CPUC's decision also retains DCPP as a resource adequacy resource.

In this meeting, the CPUC also approved amendments to General Order (GO) 131-D to meet requirements of Senate Bill (SB) 529. This general order governs the siting, construction, or modification of new or existing electric transmission and generation related facilities. The ISO supported specific amendments pursuant to SB 529 as a first step to reforms to GO 131-D, which had not been updated since 1995. The ISO is strongly supportive of reforms to help expedite transmission development while maintaining opportunities for appropriate environmental review.

Legislative Update

On January 3, 2024, the California State Legislature reconvened to begin the second year of the 2023-2024 Legislative Session. Speaker of the Assembly Robert Rivas (D-Hollister) has appointed Assemblymember Cottie Petrie-Norris (D-Irvine) as the new Chair of the Assembly Utilities and Energy Committee, replacing Assemblymember Eduardo Garcia (D-Coachella). Assemblymember Petrie-Norris previously served as Chair of the Assembly

Accountability and Administrative Review Committee, but does not have a background in energy.

On February 5, 2024, Senator Mike McGuire (D-Healdsburg) will succeed Senator Toni Atkins (D-San Diego) as the new President pro tempore of the California State Senate.

State Affairs continues to review new bills for those that may have an impact on ISO operations. February 16 will be the last day that new bills can be introduced.

Budget Update

On January 10, 2024, Governor Newsom presented his January Budget Proposal to the public. Most notably, the Administration estimates the budget shortfall to be \$37.9 billion dollars, which is substantially lower than the \$68 billion budget deficit that was predicted by the Legislative Analyst Office. Pursuant to the California Constitution, the Governor will issue an updated and more concrete version in May, known as the May Revise. The Governor and Legislature will then have until early July to come to an agreement and pass a budget.

REGIONAL AFFAIRS

Western Energy Imbalance Market (WEIM) Governing Body:

The WEIM Governing Body met in general session on December 12, 2023. In addition to standing items, Becky Robinson (Director, Market Policy Development) provided updates on several day ahead and real time market initiatives as well as on-going working group efforts. The WEIM Governing Body will hold its next hybrid general session meeting on March 19, 2024, at the ISO in Folsom, CA.

WEIM Body of State Regulators (BOSR):

The WEIM Body of State Regulators (BOSR) met virtually on December 8, 2023. At this meeting, Ryan Kurlinski (Sr. Manager, Department of Market Monitoring) and Mark Rothleder (Sr. Vice President and Chief Operating Officer, ISO) provided an informational session on the July 2023 emergency events and the ISO's treatment of export and wheeling transactions.

The BOSR held its most recent virtual monthly meeting on January 12, 2024. During this meeting, the ISO provide updates on FERC's decision regarding the extended day-ahead market tariff, and on the ISO's price formation enhancements and greenhouse gas coordination working group efforts.

The BOSR will hold its next virtual meeting on February 9, 2024.

WEIM Regional Issues Forum (RIF):

On March 18, 2024, the WEIM Regional Issues Forum (RIF) will host its first annual RIF Roundtable at the ISO in Folsom, CA. The RIF Roundtable stems from a recommendation set forth in the Governance Review Committee's (GRC) WEIM Governance Review – phase three (EDAM) final proposal (approved by the ISO Board of Governors and WEIM Governing Body in February 2023), and will provide a forum for stakeholders to discuss the prioritization of discretionary ISO policy initiatives to be included in the ISO's draft annual Policy Initiative Catalog. The roundtable discussion will be led by RIF Sector Liaisons and is open to all interested stakeholders, including members of the WEIM Body of State Regulators, the ISO Board of Governors, and WEIM Governing Body.

FEDERAL AFFAIRS

Congress:

On November 15, 2023, Congress passed a Continuing Resolution (CR) to fund the federal government through early 2024, avoiding a government shutdown when the previous CR expired at midnight on Friday, November 17, 2023. The CR extends funding until January 19, 2024, for energy, transportation, housing and urban development, veterans' affairs, and agriculture. The remaining agencies are funded until February 2, 2024. On January 7, 2024, Speaker Mike Johnson and Senate Majority Leader Chuck Schumer reached an agreement on overall budget totals. This agreement is intended to allow for appropriators to begin negotiations on the details of the FY 2024 budget.

Congress is back in session and both the Senate Energy and Natural Resources Committee and the House Energy and Commerce Committee have started holding hearings, but neither committee is expected to address ISO/RTOs in a hearing in the immediate future. The House Energy and Commerce Committee provided the ISO with Questions for the Record in late December, which stem from a hearing in September 2023. The ISO responded to the Questions for the Record in early January 2024 and has not received any additional feedback.

Administration:

There are a number of ongoing initiatives at the United States Department of Energy (DOE) and the Environmental Protection Agency (EPA) that relate to electricity generation and transmission, including:

- DOE Solar Energy Technologies Office (SETO) and Wind Energy Technologies Office (WETO) issued a request for information to gather input on a draft transmission system interconnection roadmap. The ISO submitted comments on November 22, 2023.
- DOE Grid Deployment Office (GDO) issued a Funding Opportunity Announcement (FOA) focused on wholesale electricity market studies and engagement. The ISO submitted a concept paper on November 17, 2023. Full applications were due on January 19, 2024.



California ISO

- DOE GDO announced round 2 of the Grid Resilience and Innovation Partnership (GRIP) funding opportunity announcement. Concept papers were due on January 12, 2024.
- EPA issued a supplement to the proposed rulemaking on greenhouse gas emissions from fossil fuel generation on November 17, 2023. The ISO previously submitted comments on the original proposed rule on August 8, 2023.