

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, Regional and Federal Affairs
Tom Doughty, Vice President, Customer and State Affairs

Date: December 5, 2018

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

This memorandum does not require Board action.

STATE AFFAIRS

Governor:

Governor-elect Gavin Newsom recently announced two senior staff appointments, Ann O'Leary and Ana Matosantos. O'Leary, an attorney in the Silicon Valley who previously worked in the White House for President Bill Clinton and as a senior policy advisor for Hillary Clinton's 2016 presidential campaign, will serve as chief of staff, and Matosantos, former director of the CA Department of Finance, will serve as Cabinet Secretary. The Gov.-elect has over 3,000 positions to fill when he is sworn in on January 6, 2019.

Legislature:

As a result of the November 6 elections, Democrats now have supermajorities in both houses of the State Legislature. The Democrats now hold 60 out of 80 seats in the Assembly and 29 out of 40 seats in the Senate.

November 30 marked the end of the 2017-2018 Regular Session. The Legislature convened on December 3 to begin the 2019-2020 Regular Session and new statutes take effect on January 1, 2019.

STRATEGIC ALLIANCES AND REGIONAL AFFAIRS

Energy Imbalance Market (EIM):

Northwestern Energy of Montana signed an EIM implementation agreement on November 8 and plans to enter EIM operation in April 2021. Public Service Company of New Mexico (PNM) filed with their commission in mid-August to open a new docket to gain commission approval to classify their EIM implementation costs as a regulatory

asset. A hearing on that docket will occur on December 12. PNM is also scheduled to begin EIM operation in 2021.

Bonneville Power Administration (BPA) initiated their public stakeholder process for EIM participation in July. They are hosting monthly stakeholder meetings on a variety of topics. The next meeting is on December 18 and will focus on settlements.

In addition to PNM and Northwestern Energy, project implementation work continues with four other entities: BANC/SMUD is scheduled for participation in April 2019, and Salt River Project, Los Angeles Department of Water and Power, and Seattle City Light in April 2020.

Energy Imbalance Market Governance:

The Regional Issues Forum (RIF) held a meeting on November 28 in Phoenix, AZ. During the general session meeting, the liaisons facilitated a panel discussion on the results of state elections and anticipated impacts on energy policy in California, Arizona, Nevada, Oregon and Washington. In addition, the liaisons included a panel discussion on resource sufficiency and recent modifications made by the ISO. The RIF also heard briefings from the EIM Governing Body on recent activities, including the upcoming governance review and the Department of Market Monitoring on its roles and responsibilities. During the final portion of the meeting, Avangrid gave a presentation on considerations for EIM participation for generation only balancing authority areas and an overview of its Balancing Authority Area structure. The next RIF meeting is scheduled for March 11, 2019 in Albuquerque, NM.

The Energy Imbalance Market Governing Body held a meeting November 29 in Phoenix, AZ. In general session, they heard a briefing from Bonneville Power Administration on their evaluation of future participation in the EIM, which included discussion on their expected timeline and other considerations. The Governing Body also heard updates from the Regional Issues Forum on their recent in-person meeting, and the Body of State Regulators who have scheduled their next teleconference for January 11, 2019. The ISO gave briefings on the draft final 2019 policy initiatives roadmap and annual plan, as well as the process for the upcoming EIM governance review.

FEDERAL AFFAIRS

Congress:

The 2018 midterm elections resulted in Republicans winning several Senate seats previously held by Democrats, consolidating their majority at 53 seats in the new Congress, which begins on January 3, 2019. California Senator Dianne Feinstein (D) easily won re-election to a sixth 6-year term.

In the House, Democrats picked up at least 40 seats, gaining control by a margin of 235 to 200. All of the 38 incumbent Democrats in the 53-member California congressional delegation won re-election and seven new Democrats won their races. Eight incumbent Republicans were re-elected. New California Delegation members in the 116th Congress, which convenes on January 3, 2019, will be the following:

- CA10th District (Central Valley, Stanislaus) -- Josh Harder (D);
- CA21st District (Central Valley, Fresno suburbs) -- TJ Cox (D);
- CA25th District (North LA County) – Katie Hill (D);
- CA39th District (North Orange County) – Gil Cisneros (D);
- CA45th District (Inland Orange County) – Katie Porter (D);
- CA48th District (Coastal Orange County) – Harley Rouda (D); and
- CA49th District (Northern San Diego) – Mike Levin (D).

California House members Nancy Pelosi (D-12th District – San Francisco) and Kevin McCarthy (R-23rd District – Bakersfield) have each been nominated to lead their respective caucuses. A formal vote by the full House will be held in January. If approved as Speaker of the House, a position she previously held from 2007 to 2011, Representative Pelosi will be second in line of succession for the presidency, after the Vice-President.

House Democrats will vote to name the chairs of congressional committees in the new Congress. Some changes in committee leadership are also expected in the Senate.

On November 27, the Senate Energy and Natural Resources Committee cleared the nomination of Bernard McNamee to be Commissioner at the Federal Energy Regulatory Commission (FERC) for the term ending on June 30, 2020 resulting from the resignation of Commissioner Robert Powelson. Mr. McNamee is currently the Executive Director of Policy at the Department of Energy. The nomination now goes to the full Senate.

Legislation:

NOTE: These bills are expected to be reintroduced in the 116th Congress.

H.R. 7173, “Energy Innovation and Carbon Dividend Act of 2018,” sponsored by Representatives Ted Deutch (D-FL) and Brian Fitzpatrick (R-PA). Applies a federal tax of \$15 per metric ton of carbon emitted by the oil, gas and coal sectors, with revenues returned to taxpayers to help defray added costs of fossil fuels. Taxes applied would gradually increase until 90% reduction of carbon emissions over 2015 levels is achieved. Status: Introduced on November 22, 2018 and referred to the House Ways and Means, Energy and Commerce, and Foreign Affairs committees.

S. 8, “Timely review of Infrastructure Act,” sponsored by Senators Bill Cassidy (R-LA) and Lisa Murkowski (R-AK). Enables FERC’s Chair to hire additional specialists and

provide compensation as needed under Title V, United States Code 3109, “*Employment of Experts and Consultants*,” in order to assess project permit applications. Status: Introduced on November 26, 2018 and referred to Senate Energy and Natural Resources Committee. House companion bill, H.R. 6552, introduced by Representative Pete Olson (R-TX) on July 26, 2018 and referred to House Energy and Commerce Committee’s Subcommittee on Energy.

S. 2257, “IMPACT for Energy Act,” sponsored by Senators Chris Coons (D-DE) and Lindsey Graham (R-SC). Directs the Department of Energy to establish an independent, nonprofit foundation to support innovative energy research through private donations. Status: Introduced on December 20, 2017 and referred to the Senate Energy and Natural Resources Committee’s Energy Subcommittee. Hearing held on November 29, 2018. House companion bill, H.R. 4700, introduced by Representatives Ben Ray Lujan (D-NM) and Joe Wilson (R-SC) on May 22, 2018 and referred to the House Science, Space and Technology and Ways and Means committees.

S. 3376, “Advancing Grid Storage Act,” sponsored by Senator Tina Smith (D-MN). Requires the Secretary of Energy to establish a research, development and demonstration program and provide grant funding to promote energy storage technology, including engineering design, assessment of technical and economic issues, utility interconnection, permitting and siting, and financial analysis. Status: Introduced on August 24, 2018, and referred to Senate Energy and Natural Resources Committee. Hearing held on November 29, 2018.

S. (not yet numbered), “Zero Emission Vehicles Act,” sponsored by Senators Jeff Merkley (D-OR) and Sheldon Whitehouse (D-RI). Builds on legislation passed in California and other states to establish a federal zero emission vehicle standard requiring that at least 50% of new vehicle sales be emission-free by 2030 and 100% be emission-free by 2040. The program would provide auto manufacturers with credits that could be sold or banked, with revenues supporting public infrastructure through the Highway Trust Fund. Status: Introduced on November 27, 2018 and referred to the Senate Energy and Natural Resources Committee.