

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Policy and Performance

Date: December 7, 2022

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

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory update

Once-through Cooling:

On September 30, the Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) convened and voted to adopt a revised draft of the original March 2022 report of the SACCWIS. The draft report includes the recommendation to request that the State Water Resources Control Board (SWRCB) extend the once-through cooling (OTC) compliance date for Alamitos Generating Station Units 3, 4, and 5; Huntington Beach Generating Station Unit 2; and Ormond Beach Generating Station Units 1 and 2 for three years, from December 31, 2023, through December 31, 2026, to support system reliability. The draft report also includes a request from the Los Angeles Department of Water and Power to extend the OTC compliance date of Scattergood Generating Station Units 1 and 2 for five years, from December 31, 2024, to December 31, 2029, to support local system reliability.

Since the spring, additional analyses were conducted by the California Energy Commission, the California Public Utilities Commission, and the ISO identifying a need for resource capacity beyond existing required planning criteria used to support the conclusions in the March 2022 SACCWIS report. In recognizing these issues, the State Legislature subsequently adopted and Governor Gavin Newsom signed Assembly Bill (AB) 205, which created a state-wide Electricity Supply Strategic Reliability Reserve Program (Strategic Reserve) to bolster system reliability while California procures clean energy resources, including extending the operations of power plants currently scheduled for retirement. In response to projected shortfalls, the Strategic Reserve acknowledges that existing generation assets will be required to maintain reliability during extreme events as California transitions to a clean energy future. The revised SACCWIS report contemplates extending the OTC compliance deadlines in order for

the resources to serve as emergency resources within the state's newly mandated Strategic Reserve.

The report was adopted by the SACCWIS at the September 30 meeting and will be heard as an informational item at the SWRCB's December 7 board workshop meeting.

Legislative update

Legislature:

November 30 marked the end of the 2021-2022 Regular Session.

On December 5, the Legislature convened the 2023-2024 Regular Session for an Organizational Session, which included swearing in over 30 new members recently elected to the State Legislature. As a result of the November election, Democrats retained their two-thirds supermajorities in both houses by a wide margin; occupying 62 out of 80 seats in the Assembly and 31 out of 40 seats in the Senate. Legislators and their staff will formally return to their traditional duties of policy making on January 4, 2023. Similar to this year, energy is expected to remain a priority for both the Governor and Legislature in the upcoming legislative year.

REGIONAL AFFAIRS

WEIM Governing Body:

The Western Energy Imbalance Market (WEIM) Governing Body held a general session teleconference meeting on October 25, 2022. The Body of State Regulators (BOSR) Chair, Thad Levar, and Regional Issues Forum (RIF) Chair, Vijay Satyal, provided updates on BOSR and RIF activities. Eric Hildebrandt (Executive Director, ISO Department of Market Monitoring) then provided Governing Body members with a market monitoring update on resource sufficiency tests in the WEIM. The ISO then briefed Governing Body members on a number of WEIM policy initiatives, including the WEIM resource sufficiency evaluation, energy storage enhancements, extended day-ahead market (EDAM), day-ahead market enhancements, and transmission service and market scheduling priorities initiatives.

WEIM Body of State Regulators:

The BOSR has submitted consensus comments to the ISO—representing a joint perspective from western state commissions that regulate entities participating in the WEIM—on the EDAM draft final proposal and the WEIM Governance Review Committee's revised EDAM governance proposal. They continue to hold monthly calls to discuss relevant issues regarding the market.

WEIM Regional Issues Forum:

On November 8, the WEIM Regional Issues Forum (RIF) held an in-person/virtual hybrid meeting in Sacramento, CA. The meeting opened with a leadership panel featuring WEIM Governing Body Chair, Rob Kondziolka, and ISO President and CEO, Elliot Mainzer. Additional agenda items included discussions of WEIM performance under stressed conditions, Western Resource Adequacy Program/California Resource Adequacy Program seams, and transitioning from existing transmission contracts to the wholesale market. The meeting closed with a discussion between RIF sector liaisons, RIF members, and members of the Governing Body on an enhanced role for the RIF. Following the RIF meeting, on November 18, the RIF submitted its first set of comments, developed in response to the WEIM Governance Review Committee's (GRC) revised EDAM governance proposal and focusing on proposed GRC recommendations pertaining to RIF roles and responsibilities.

WEIM Governance Review Committee:

On November 7, the WEIM GRC held a general session meeting to discuss its revised EDAM governance proposal, published October 31. Informed by stakeholder comments on the revised proposal, the GRC has been working to develop a draft final proposal, expected to publish December 7.

FEDERAL AFFAIRS

Administration:

On November 1, Pacific Gas and Electric formally filed with the Nuclear Regulatory Commission to reactivate the agency's review of a 2009 application for license renewal of the Diablo Canyon nuclear power plant in San Luis Obispo County. The two generating units at the site have operated since 1985 and are currently licensed through 2024 and 2025. State legislation allows for the units to operate for an additional 5 years, but Pacific Gas and Electric will need additional regulatory approvals from the Department of Energy and several California agencies to continue operations.

Congress:

Most results of the November 8 federal midterm elections are now official. In the House, Republicans have gained a thin majority estimated to be at least 221 members, exceeding the 218 needed to control the Speakership and the legislative agenda. On November 18, Representative Kevin McCarthy (R-District 20 – Bakersfield) won the support of his caucus to be the new Speaker of the House by a vote of 188 to 31, but he will have to achieve 218 votes in an official floor vote in January to finalize the position. Current House Speaker Nancy Pelosi (D-District 11 – San Francisco) has announced that she will not assume the position of Minority Leader in the new Congress.

California lost a congressional seat in this election based on census data, with 52 seats now vs. the previous 53. This has resulted in redrawn district boundaries, with many California House Members representing altered districts. All current California House Members who ran for reelection won their races. New House members include Kevin Kiley (R-District 3 – Sierra Nevada and north Sacramento), Kevin Mullin (D-District 15 – Hayward/Livermore), Sydney Kamlager (D-District 37 – Los Angeles), and Robert Garcia (D-District 42 – Long Beach). On December 3, Adam Gray (D) conceded to John Duarte (R) in the race for California’s 13th Congressional District (Merced County and parts of Stanislaus County).