

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Policy and Performance

Date: January 25, 2023

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

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory update

Integrated Resource Plan Proceeding:

On September 8, 2022, the California Public Utilities Commission (CPUC) issued a staff paper, the “Reliable and Clean Power Procurement Program,” for the design of a new structure for mid- to long-term procurement in the Integrated Resource Planning (IRP) proceeding to meet reliability needs and clean energy targets. The staff paper asks several questions about a durable approach to establishing long-term procurement requirements on an ongoing basis, including whether the program should procure both new and existing resources, even though existing resource procurement today falls under the resource adequacy (RA) program. On December 12, 2022, the ISO provided comments emphasizing that resource procurement must move beyond emergency-based “just in time” orders for new capacity to one that authorizes procurement well ahead of the need based on reliability planning. A holistic, consolidated approach to resource procurement will allow the IRP program to: (1) procure incremental (including large and/or long lead-time) resources well ahead of the need; (2) ensure existing resources are retained or replaced; (3) co-optimize transmission planning with procurement, including trade-offs between generation and transmission expansion, especially in local capacity areas; and (4) allow for better coordination with the ISO’s transmission planning process to align resource procurement volumes and locations with transmission capability and initiate needed long lead-time transmission expansion.

Distributed Energy Resource Customer Programs Proceeding:

On November 17, 2022, the CPUC issued an Order Instituting Rulemaking (OIR) to Consider Distributed Energy Resource Program Cost-Effectiveness Issues, Data Use and Access, and Equipment Performance Standards. The OIR seeks to expand efforts around cost effectiveness assessments of distributed energy resource (DER) customer

programs, improve DER data collection and use, and consider equipment performance standards for DER programs. The OIR considers a dedicated track to focus on improving collection, reporting, and access to DER data. On January 4, 2023, the ISO provided comments emphasizing the importance of enhanced DER data collection and access, including data to measure the underlying drivers of load response. Access to data on DER activity outside of the ISO market and load modifiers is critical for the ISO's short term forecasting activities. Visibility into load drivers and the activity of behind-the-meter resources will improve the ISO's operational forecasts, real-time assessments, situational awareness, contingency planning, and uncertainty assessments. This same data should be coordinated with the California Energy Commission for use in long-term demand forecasting.

Legislative update

Legislature:

On January 4, 2023, the State Legislature reconvened in Sacramento to begin the first year of the 2023-2024 legislative session. While Assemblymember Eduardo Garcia (D-Coachella) will remain Chair of the Assembly Utilities and Energy Committee, Senator Steven Bradford (D-Gardena) has been appointed Chair of the Senate Energy, Utilities and Communications Committee, replacing Senator Ben Hueso (D-San Diego) who termed out in 2022. Senator Bradford previously served as the Chair of the Assembly Utilities and Commerce Committee and worked for Southern California Edison prior to serving in state government. January 20 marked the deadline for legislators to submit bill requests and State Affairs is sifting through hundreds of bills for those that may have an impact on ISO operations.

REGIONAL AFFAIRS

WEIM Governing Body:

The Western Energy Imbalance Market (WEIM) Governing Body held a general session teleconference meeting on December 13, 2022. In addition to standing items (i.e., the CEO report, and BOSR and RIF updates), the Governing Body approved a motion designating Member Campbell as the Governing Body's representative to the WEIM Governing Body Nominating Committee. The 2023 Nominating Committee will consider options to fill the seat of current Governing Body Member Anita Decker, whose term expires on June 30, 2023. The ISO then briefed Governing Body members on the Q3 2022 WEIM benefits report, noting \$526.51 million in gross economic benefits in Q3 and \$3 billion in cumulative benefits through October 2022. The Governing Body Market Expert, Susan Pope, then provided a briefing on the ISO's Resource Sufficiency Evaluation Enhancements – Phase 2 initiative. The ISO also provided a briefing on the WEIM Governing Body planning calendar and an informational report on the ISO's policy initiative milestones.

WEIM Body of State Regulators:

The WEIM Body of state Regulators (BOSR) held its last monthly call on January 13, 2023, welcoming two new members, Commissioner Kevin Thompson (Arizona Corporation Commission (ACC), replacing now ACC Chair Jim O'Conner as Arizona's BOSR representative) and Commissioner Darcie Houck (CPUC, replacing former Commissioner Cliff Rechtschaffen as California's BOSR representative). The BOSR will continue to hold virtual monthly calls to discuss relevant issues regarding the market and plans to hold its next in-person meeting on April 12, 2023, in Incline Village, NV, in conjunction with the Spring 2023 Joint CREPC-WIRAB Meeting.

WEIM Regional Issues Forum:

The WEIM Regional Issues Forum (RIF) held a special public teleconference meeting on January 18, 2023, providing stakeholders with an opportunity to present their perspectives on the decisional items for the February 1, 2023, joint WEIM Governing Body and ISO Board of Governors general session meeting. Discussion items included the extended day-ahead market (EDAM), EDAM governance, and day ahead market enhancements proposals. The RIF will conduct its next public teleconference meeting on February 8, 2023, at which time the RIF sector liaisons will announce their selection of liaisons to serve as the next RIF Chair and Vice-Chair.

WEIM Governance Review Committee:

The WEIM Governance Review Committee (GRC) posted a clean copy of its revised draft final proposal on January 6 (with a dedication page, honoring former GRC Chair Therese Hampton), and held a general session meeting on January 9, 2023, to discuss the proposal, take final stakeholder comments, and vote on whether to approve and submit a final proposal to the WEIM Governing Body and ISO Board of Governors for decision at their February 1, 2023, joint general session meeting. Voting members of the GRC approved the draft final proposal [10-0], with a note of support also provided by one voting GRC member who was unable to attend.

FEDERAL AFFAIRS**Administration:**

On January 2, 2023, President Biden renominated David Crane to be Undersecretary of Energy for Infrastructure at the Department of Energy (DOE), a position that requires Senate confirmation. Crane is currently serving as Director of DOE's Office of Clean Energy. His original nomination was reported out of the Senate Committee on Energy and Natural Resources on December 1, 2022, but was not considered on the Senate floor prior to the recess of the 117th Congress on January 3, 2023.

On January 4, 2023, President Biden announced the appointment of Willie L. Phillips, Jr. to be acting chair of the Federal Energy Regulatory Commission (FERC). The

designation will be in effect until a permanent Chair is nominated by the President and confirmed by the Senate. Phillips has served as a Commissioner at FERC since January, 2021. His term expires on June 30, 2026.

Congress:

On December 20, 2022, the Senate confirmed Gene Rodrigues to be DOE's Assistant Secretary of Electricity Delivery and Energy Reliability. Mr. Rodrigues has been a vice-president of ICF International and was previously a senior director at Southern California Edison.

On December 22, 2022, the Senate confirmed Dr. Evelyn Wang to be the Director of DOE's Advanced Research Projects Agency – Energy, which supports early-stage, high-risk research. She was sworn in to the position on January 9, 2023. Dr. Wang has been the Director of MIT's Mechanical Engineering Department.

On December 23, the House passed the Fiscal Year 2023 omnibus funding bill supporting federal government activities until September 30, 2023, and sent it to the President for signature. The Senate passed the bill on December 22. The measure provides \$1.7 trillion for government programs, with \$46.5 billion for the Department of Energy. Specific items would include:

- \$890M for the Office of Fossil Energy, a \$65M increase over current levels;
- \$3.5B for the Office of Energy Efficiency and Renewable Energy (a \$260M increase);
- \$350M for the Office of Electricity (a \$73M increase), including \$95M for energy storage projects;
- \$59M for the new Grid Deployment Office;
- \$470M for ARPA-E (a \$20M increase);

FERC, an independent agency, would receive \$508.4M, an increase of \$42M over Fiscal Year 2022 levels.

On January 3, 2023, the 118th Congress convened in Washington. The Senate has recessed until January 23, 2023, but the House has remained in session. On January 7, 2023, House members voted for Kevin McCarthy (R-District 20 – Bakersfield) to be the new Speaker. Representative Hakeem Jeffries (D-NY) was elected as the House Minority Leader. House Members, including the 52 members of the California delegation, were sworn into office later that day.

Naming of a Speaker is a Constitutional requirement that enables the House to swear in members, adopt House rules, organize committees, perform constituent services and take up legislation. The House has now adopted a rules package that includes a variety of provisions governing how it will conduct business under the new Republican leadership. Organization of committees is ongoing.

The California delegation includes four new members: Kevin Kiley (R-District 3 – Sierra Nevada and northeast Sacramento); John Duarte (R-District 13 – Central Valley, including Merced and parts of Modesto and Turlock); Sydney Kamlager (D-District 37 – Los Angeles); and Robert Garcia (D-District 42 – Long Beach). Congressman Garcia has been elected president of the congressional freshman class, a title that is intended to give new members a voice in congressional decisions.