

# Memorandum

**To:** ISO Board of Governors

**From:** Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Policy and Performance

**Date:** May 10, 2023

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

---

*This memorandum does not require ISO Board of Governors action.*

## STATE AFFAIRS

### Regulatory update

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

On March 23, 2023, the ISO submitted comments in the California Public Utility Commission (CPUC) resource adequacy proceeding regarding a Proposed Decision outlining details of the CPUC's slice of day resource adequacy reform. In these comments, the ISO identified a need to clarify the process for setting the planning reserve margin under the slice of day resource adequacy framework. The ISO urges the CPUC to further develop and test the process to set the PRM in the slice of day resource adequacy program, and ensure the planning reserve margin will produce a resource adequacy portfolio that meets at least a 1-in-10 loss of load expectation reliability target. The ISO also explained that more conservative resource counting approaches can better ensure the resource adequacy fleet will meet reliability targets in the event the CPUC faces challenges adjusting planning reserve margin levels.

On April 6, 2023, the CPUC adopted the Proposed Decision, specifying several details to implement the slice of day framework, starting with a test year in 2024 and full implementation in 2025. These implementation details include changes to resource counting rules for wind, solar, and demand response resources; tools for resource adequacy showings; and counting values the CPUC will pass to the ISO for use in the ISO's resource adequacy processes. The CPUC will further address the process to set the planning reserve margin in the resource adequacy program in a separate track of the CPUC resource adequacy proceeding that the ISO is also actively engaged in.

#### **CPUC Proceeding on Natural Gas Prices:**

On March 23, 2023, the ISO submitted comments in response to a new CPUC Order Instituting Investigation on Natural Gas Prices during winter 2022-2023. The CPUC

sought information on the drivers of high natural gas prices during winter 2022-2023, the impacts of natural gas prices on wholesale electricity markets, and actions the CPUC could take to mitigate the likelihood of future price spikes and impacts to ratepayers. The ISO submitted its *Gas Conditions and CAISO Markets* report issued on February 6, 2023 in the CPUC proceeding. The ISO continues to monitor natural gas prices and their impact on wholesale electricity costs, and will remain engaged with others in the regulatory community who have responsibility for ensuring rates remain just and reasonable.

### **California Energy Commission (CEC) Senate Bill (SB) 846 Load Shift Workshop:**

On April 19, 2023, the ISO participated in a CEC workshop to discuss the CEC's preliminary load shift goal and draft report. The preliminary load shift goal and forthcoming report was required by SB 846, Dodd, 2022. SB 846 directed the CEC, in consultation with the CPUC and the ISO, to develop a goal for load shifting to reduce net peak electrical demand and recommend policies to increase demand response and load shifting that do not increase greenhouse gas emissions or increase electric rates. The ISO participated in the CEC workshop with CEC and CPUC leadership and staff to discuss the proposed load shift targets, resulting in a series of policy recommendations to help achieve these targets. Policy recommendations include continuing to support CPUC efforts to develop dynamic retail rates, providing incentives and enhancing the ability for customers to respond to dynamic prices, compensating load curtailment during extreme conditions, and enhancements to the supply side demand response framework.

### **California Energy Commission (CEC) Workshop on Clean Energy Interconnection to the Bulk Grid:**

On May 4, 2023, the ISO participated in a CEC workshop to discuss clean energy interconnection to the bulk grid. Resource interconnection on the bulk and distribution systems will be key focus of the CEC's 2023 Integrated Energy Policy Report (IEPR). At the workshop, the ISO presented on the 2022-2023 Transmission Plan and the 20-year Transmission Outlook and highlighted the coordination between the ISO's transmission planning process, and resource planning and demand forecasting processes at the CPUC and CEC. The ISO also highlighted how enhancements to the ISO's transmission planning framework and interconnection processes will seek to align with the recent Memorandum of Understanding (MOU) between the CAISO, CPUC, and CEC. The strategic direction of the MOU will focus on tightening the linkage between resource and transmission planning, procurement direction, and the ISO interconnection process. The ISO highlighted that the accelerated pace of resource development

needed to meet the state's clean energy goals calls for transformative changes across resource and transmission planning and procurement processes.

### **Legislative update**

#### **Legislature:**

With the April 28 deadline for policy committees to hear and move bills passed, the Legislature is focused on the Governor's May Revise of the 2023 budget and moving bills through the Appropriations committees. Over the next month, legislators will be focused on ensuring their bills make it to the other house before the June 2 deadline. Many of the bills the ISO is tracking were amended during their respective policy hearings.

AB 538 (Holden) – Multistate Transmission Operator – was heard on Wednesday, April 26 and passed with committee amendments onto the Assembly Appropriations Committee. Committee amendments addressed issues around more specificity in the governance proposal that comes forward and recognition of the existing RPS rules in California around the ISO's current footprint.

### **REGIONAL AFFAIRS**

#### **WEIM Governing Body:**

On March 21, 2023, the Western Energy Imbalance Market (WEIM) Governing Body held a virtual general session meeting. In addition to standing items, ISO staff provided the WEIM Governing Body with briefings on the market parameter changes enhancement final proposal and the minimum state of charge extension final proposal. ISO staff then provided the WEIM Governing Body with a WEIM benefits and market update.

The WEIM Governing Body will hold its next general session meeting (virtually) on May 16, 2023. The WEIM Governing Body will then hold an in-person/virtual hybrid general session meeting on June 22, 2023, at the WECC offices in Salt Lake City, Utah.

#### **WEIM Body of State Regulators:**

The WEIM Body of State Regulators (BOSR) held a meeting on April 12, 2023, in Incline Village, NV. Discussion items included recent BOSR accomplishments and prioritization of ISO initiatives for future BOSR consideration. The BOSR has submitted comments, generally supporting the 2023-2025 Policy Initiatives Roadmap and Final 2023 Policy Initiatives Catalog, offering a few recommendations and noting its appreciation and support for the ISO's efforts to improve the overall policy roadmap and catalog processes.

The BOSR will continue to hold virtual monthly calls to discuss relevant issues regarding the market and plans to hold its next meeting, virtually, on May 12, 2023.

With the departure of the Western Interstate Energy Board's (WIEB's) former Executive Director at the end of March, the WIEB leadership team is working to quickly fill this position.

#### **WEIM Regional Issues Forum:**

The RIF will hold its next meeting on June 21, 2023, at the WECC offices in Salt Lake City, Utah. This will be a hybrid in-person/virtual meeting, held in conjunction with the June 22 WEIM Governing Body's general session meeting.

#### **FEDERAL AFFAIRS**

##### **Congress:**

On April 26, the House passed the Republican debt ceiling proposal by a party-line vote, 217-215. The bill would avoid a government default and sets a marker for the Republican leadership's priorities, including the repeal of tax incentives for clean energy resources and qualifying electric vehicles that were included in the Democrat-passed Inflation Reduction Act of 2022. The debt ceiling bill as passed has no chance to advance in the Democrat-controlled Senate. However, it includes provisions to streamline oil and gas pipeline and transmission line permitting that are supported by both Democrats and Republicans and may serve as a basis for further discussions.