



# Memorandum

**To:** ISO Board of Governors  
**From:** Karen Edson, Vice President, Policy and Client Services  
**Date:** September 10, 2015  
**Re:** **State, regional and federal affairs update**

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*This memorandum does not require Board action.*

## STATE AFFAIRS

### Regulatory update

#### **California Energy Commission's (CEC's) workshop on Southern California Reliability Assessment:**

On August 17, the ISO participated in a CEC workshop on the status of efforts to strengthen Southern California reliability in the aftermath of the retirement of the San Onofre Nuclear Generating Station and in light of prospective repowerings or retirements of once-through cooled resources. The agencies continue to monitor the progress of numerous efforts to address reliability such as the deployment of the Carlsbad Energy Center, which is expected to be online in November 2017, and the development of preferred resources, other conventional generation projects and transmission enhancements in Southern California. At this time, the agencies do not recommend initiating any new contingency generation projects or once-through cooling compliance deferrals.

The ISO is conducting additional local capacity requirement studies for years 2021 and 2025 for informational purposes and to validate current procurement and selection assumptions.

#### **Coordination with California Public Utilities Commission (CPUC) on linkages between Transmission Plan and California Environmental Quality Act (CEQA):**

As part of our ongoing efforts to improve the linkages between the CPUC's environmental permitting process (also known as CEQA) and the ISO's transmission planning process (TPP), the ISO committed to two activities that will promote better information exchange. First, each fall, the ISO will share with CEQA staff the preliminary results of the TPP analysis. Second, the ISO has committed to provide succinct project descriptions in the

transmission plan to articulate project objectives and alternatives considered. The ISO will develop a template for the 2015-2016 plan to ensure consistency and clarity.

### **Renewable Energy Transmission Initiative (RETI) 2.0:**

On July 31, the ISO received a letter from CEC Chair Weisenmiller and CPUC President Picker recommending the launch of RETI 2.0. The ISO has assigned resources and will be working closely with the CEC and CPUC.

### **Legislative update**

#### **Legislation:**

The legislature has until September 11, 2015 to pass bills currently before them, before they adjourn the first year of the 2015-2016 session. The Governor will then have until October 11, 2015 to sign or veto bills. The legislature comes back into session on January 4, 2016.

The key measures we are tracking that are still pending before the legislature include:

SB 32 (Pavley): This bill would require the California Air Resources Board (CARB) to limit greenhouse gas emissions to 40 percent below 1990 levels by 2030, and 80 percent below 1990 levels by 2050.

SB 155 (Hertzberg): This bill would authorize the Independent System Operator to enter into a multistate entity or regional organization if that entry is approved by its governing board at a duly noticed public meeting.

SB 350 (De León): This “50-50-50” proposal increases the RPS to at least 50 percent by December 31, 2030, reduces petroleum use in motor vehicles and the transportation sector by 50 percent by January 1, 2030, and doubles energy efficiency in buildings by January 1, 2030.

AB 33 (Quirk): This measure would require the CPUC, as part of a new or existing proceeding, to determine what role large scale energy storage could play as part of the state's overall strategy for procuring a diverse portfolio of resources. .

AB 1330 (Bloom): This bill would require the PUC, in consultation with the Energy Commission, electrical corporations, local publicly owned electric utilities, and community choice aggregators, by June 30, 2018, to establish an annual procurement goal for demand response designed to lower peak demand, response, with a timetable for achieving that percentage

#### **Informational Hearing:**

On August 19, the Select Committee on California’s Clean Energy Economy, chaired by Assembly member Quirk (D-Hayward), held an informational hearing entitled, “Renewable Integration – Ensuring Grid Reliability.” Phil Pettingill, the ISO’s Director of Regional

Integration, testified before the committee and discussed operating the system with higher penetration of renewable resources and the solutions that will help achieve a 50 percent renewable portfolio standard by 2030 and greenhouse gas reductions of 40 percent below 1990 levels.

### **Board Member Appointment:**

On July 2, 2015 Governor Brown appointed Mark Ferron to the California ISO Board. He will serve out the term of Robert Foster, which expires December 31, 2015.

## **STRATEGIC ALLIANCES AND REGIONAL AFFAIRS**

### **EIM Transitional Committee:**

The committee posted its final governance proposal to the ISO website on August 19. The final proposal was the result of a robust stakeholder process, including the latest comments from 27 stakeholders on the draft final proposal. The proposal was presented and approved by the Transitional Committee at their meeting on August 25. At this meeting the committee received briefings on EIM operations and updates from NV Energy, Puget Sound Energy and Arizona Public Service Company, the three active entities going through EIM implementation. The committee also received an update on the ISO/PacifiCorp MOU to explore PacifiCorp's integration into the ISO. The committee will present their proposal for EIM governance to the ISO Board of Governors at their September 17 meeting.

### **EIM implementation:**

The ISO and NV Energy successfully started the EIM parallel operations on September 1, 2015 to practice EIM systems integration, operations, and associated processes and workflows. The initial results show a stable market with balanced schedules, good dispatch instructions, and flexible ramping sufficiency and capacity requirements met.

The latest version of the EIM readiness criteria status provides updates from the structured and unstructured testing post market simulation and fully confirms readiness requirements prior to start of parallel operations. The ISO will provide two more updates of the EIM readiness criteria during parallel operations - on September 15 and September 30, and prior to full EIM readiness certification on October 1. Parallel operations with NV Energy will continue until October 31 and is the final "testing" step to ensure grid systems are meeting the required readiness criteria in advance of the transactions becoming financially binding on November 1, 2015.

Work with both Arizona Public Service Company and Puget Sound Energy is well underway in preparation for their participation in EIM beginning October 1, 2016. The ISO is providing EIM briefings and legal support in their stakeholder processes to modify their open access transmission tariff (OATT) to comply with the energy imbalance market.

## **Regional outreach:**

The ISO continues its outreach around the region as part of the ongoing effort to provide information and seek stakeholder feedback on the EIM and other regional activities. Discussions continue with other interested balancing authority areas and state regulators, as appropriate.

In August, ISO staff held the first in a series of training sessions for state utility commissioners and staff from states in which PacifiCorp operates, providing an introduction to the ISO organization and major functions, including reliability and markets. A second training session scheduled later this fall will include more detail on certain ISO processes and policies relevant to PacifiCorp's potential full participation in the ISO.

## **FEDERAL AFFAIRS**

### **Administration**

#### **Clean Power Plan Final Rule issued; legal actions begin:**

On August 3, the Environmental Protection Agency released its final Clean Power Plan, aimed at regulating carbon emissions from new and existing utility power plants. The 1560-page document was supplemented with a 343-page regulatory impact analysis and technical support documents. The final plan sets state-specific carbon dioxide emissions rates -- or, alternatively, mass-based targets -- for the power sector. State regulators will be required to develop plans to meet the targets, which will be phased in through 2030. States that do not file their own State Implementation Plan will be required to meet a federally-imposed plan. A total of 15 state Attorneys General have made an emergency petition to the U.S. Court of Appeals for the District of Columbia, asking the court to prevent EPA from implementing its Clean Power Plan pending final court decisions on its legality.

#### **President Obama announces \$1 billion in “clean energy economy” incentives:**

On August 24, President Obama announced initiatives to support clean energy technologies at Senate Minority Leader Harry Reid's (D-NV) annual Clean Energy Summit in Las Vegas, NV. The initiatives will include up to \$1 billion in loan guarantees to help in overcoming market barriers and accelerate technology deployment for distributed energy systems such as rooftop solar, energy storage and smart grid technologies. In addition, the Advanced Research Projects Agency for Energy (ARPA-E) announced on August 24 that it will award \$24 million to teams that seek to develop new solar technologies for more efficient photovoltaic panels.

### **Congress**

#### **Senate Energy Committee passes bipartisan energy package:**

On July 30, the Senate Committee on Energy and Natural Resources voted to approve a bipartisan energy package proposed by Committee Chair Lisa Murkowski (R-AK) and

Ranking Member Maria Cantwell (D-WA) by a vote of 18-4 following a three-day markup session. The bill contains titles on modernizing and protecting infrastructure, providing energy and manufacturing workforce assistance, supporting energy security and diplomacy, and establishing energy efficiency and accountability programs. Specific provisions of interest include language to provide critical infrastructure security, establish a strategic transformer reserve, enable resolution of environmental and grid reliability conflicts in emergencies, and establish an Office of Compliance Assistance and Public Participation at FERC. It also includes a section requiring the Government Accountability Office to study whether the market rules, practices, and structures of RTOs produce just and reasonable rates. The committee vote clears the way for consideration by the full Senate. If enacted, the legislation will be the first major energy law since 2007.

### **Anti-Clean Power Plan bill clears Senate committee:**

On August 5, Senate Republicans on the Environment and Public Works Committee voted to approve legislation that would raise barriers to implementation of the EPA Clean Power Plan. The bill, S. 1324, sponsored by Senator Shelley Moore Capito (R-WV), would allow states to delay submitting implementation plans for the EPA rule pending completion of all judicial reviews. It would also enable a state's Governor to refuse to comply with the rule upon determination that it would jeopardize grid reliability or lead to increased rates for consumers. A companion bill has already passed the House of Representatives, but the legislation will almost certainly be vetoed by the President if it gains congressional approval.

### **Senate postpones cybersecurity bill:**

The Senate postponed action on cybersecurity information sharing legislation until after recess, following a failed procedural attempt by Majority Leader Mitch McConnell (R-KY) to move the bill forward on August 5. The bill, S. 754, sponsored by senators Richard Burr (R-NC) and Dianne Feinstein (D-CA) would enable companies to share information on cybersecurity threats and vulnerabilities with government and industry partners and would shield them from lawsuits stemming from disclosure of cybersecurity incidents.

### **Legislation Introduced:**

H.R. 3263, introduced by Congressman Mark Takano (D-41st District – Riverside) on July 28: Makes innovative technology loan guarantee support available for battery storage technologies. The bill has been referred to the committees on Energy and Commerce and Science, Space and Technology.

H.R. 3386, introduced by Congressman Donald Norcross (D-NJ) on July 29: Requires the Secretary of Energy to establish a pilot competitive grant program for the development of a skilled energy workforce. The bill has been referred to the Committee on Education and the Workforce.

H.R. 3426, introduced by Congressman Peter Welch (D-VT) on July 29: Amends Title VI of the Public Utility Regulatory Policy Act to establish a federal renewable electricity standard

for retail electricity suppliers and a federal energy efficiency resources standard for electricity and natural gas. The bill has been referred to the Committee on Energy and Commerce.

## **Judiciary**

### **Supreme Court sets date for demand response oral arguments:**

The Supreme Court will hear oral arguments on *FERC v. Electric Power Supply Association*, *U.S. No. 14-840*, on October 14, 2015. The case deals with the validity of a demand response compensation program in wholesale markets under FERC jurisdiction.