

# Memorandum

**To:** ISO Board of Governors

**From:** Mark Rothleder, Senior Vice President and Chief Operating Officer  
Stacey Crowley, Vice President, External and Customer Affairs

**Date:** November 11, 2020

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

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***This memorandum does not require Board action.***

## STATE AFFAIRS

### Regulatory update

#### **Preliminary Root Cause Analysis:**

On October 6, the ISO, California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) published the *Preliminary Root Cause Analysis* of the mid-August 2020 heat storm that led to controlled outages in the ISO footprint on August 14 and 15. The report found that there was no single root cause of the outages, but rather a series of factors that in combination contributed to the emergency. First, a climate change-induced extreme heat storm across the western United States resulted in the demand for electricity exceeding the existing electricity resource planning targets. The existing resource planning processes were not designed to fully address an extreme heat storm like the one experienced in mid-August. Second, in transitioning to a reliable, clean and affordable resource mix, resource planning targets have not kept pace to provide sufficient resources to meet demand in the early evening hours. This makes balancing demand and supply more challenging. These challenges were amplified by the extreme heat storm. Third, some practices in the day-ahead energy market exacerbated the supply challenges under highly stressed conditions. The report includes recommendations for immediate, near and longer-term improvements to resource planning, procurement, and market practices. Implementation of these recommendations will involve processes within State agencies and the ISO, partnership with the Legislature, and collaboration and input from stakeholders within California and across the Western United States. The ISO, CPUC, and CEC will continue the review of the root causes of the August events as more data becomes available and provide a final analysis by the end of the year.

#### **Integrated Resource Plan Proceeding:**

On October 23, the ISO submitted a production cost modeling analysis into the integrated resource plan (IRP) proceeding advocating for expedited procurement to address the

retirement of the Diablo Canyon Power Plant and to compensate for CPUC portfolios that likely understate the total resource need. The CPUC required jurisdictional load serving entities to file individual plans that conform with two different greenhouse gas (GHG) targets in 2030: 46 million metric ton (MMT) and 38 MMT. Since the CPUC did not conduct a reliability analysis on the 38 MMT portfolio, the ISO provided this analysis via comments which found that the loss of load expectation (LOLE) for 2026 was 0.89, well above the 0.1 LOLE standard. This translates into a need of 3,493 MW of effective capacity. Since the 38 MMT portfolio has more resources than the 46 MMT portfolio but was found to be less reliable, the ISO's results bring into question the reliability of the 46 MMT portfolio in 2026, which was selected as the Reference System Plan. Moreover, the ISO modeling results found that reliability failures were clustered around the period during and after sunset and adding more storage resources, all else being equal, results in greater GHG emissions. The ISO strongly advocated for increased and more diversified procurement with a focus on energy needs during sunset, as well as a greater focus on modeling improvements.

### **Legislative update**

#### **Legislature:**

On October 12, the Assembly Utilities and Energy Committee held an oversight hearing on the August electricity outages. Elliot Mainzer and Steve Berberich participated on behalf of the ISO, and were joined by CPUC President Marybel Batjer and CEC Chair David Hochschild to discuss the conclusions of the *Preliminary Root Cause Analysis* and the corrective actions initiated by the three organizations. Following the hearing, the organizations were asked to respond to 20 outstanding questions regarding the electricity outages and to provide monthly written updates to the Legislature on the status of corrective actions heading into next summer. The ISO worked collaboratively with the CPUC and CEC to respond to the questions and developed a model for the monthly updates, which will start at the end of November. Committee chair Assemblymember Chris Holden indicated that the Committee will hold another hearing on the subject of summer readiness before summer, 2021.

On October 19, the Assembly Utilities and Energy Committee announced the retirement of Chief Consultant Mary McDonald, effective November 3. Ms. McDonald had been with the committee for approximately two years. Laura Shybut, the current Chief of Staff to Senator Jerry Hill, will assume the role on December 1. Ms. Shybut has significant experience with energy issues in the Legislature, including staffing a bill this year that served as the PG&E takeover contingency plan if the company's bankruptcy resolution did not meet the Governor's terms. The ISO team is looking forward to working with Ms. Shybut to help decarbonize the electric grid and meet California's climate goals in a reliable and efficient manner.

## **REGIONAL AFFAIRS**

### **Western Energy Imbalance Market (EIM):**

The third quarter 2020 EIM benefits report was published in October and documented a record benefit of \$119.32 million to participants. The Western EIM benefits have now reached \$1.11 billion since start-up in 2014.

### **EIM Governing Body:**

The EIM Governing Body held a general session teleconference meeting on November 4. During the meeting, the Members received updates from the chairs of the Governance Review Committee, the Body of State Regulators and the Regional Issues Forum. The ISO presented two advisory initiatives, hybrid resources and variable operations and maintenance cost review, and one hybrid initiative where the primary driver was EIM-specific, pseudo-ties of shared resources, to the EIM Governing Body for their consideration. The EIM Governing Body voted to support and submit verbal comments to the ISO Board in their advisory capacity on the hybrid resources and variable operations and maintenance cost review initiatives. In addition, the EIM Governing Body voted to support the pseudo-ties of Shared Resources under their primary capacity. The initiative will then go to the ISO Board, who will consider the entirety of the proposal on a non-consent basis. The Members were then briefed on the third quarter Western EIM benefits, which reached \$119.32 million due in part to the August and September heat events.

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

The Body of State Regulators held a public teleconference meeting on October 26. The agenda included a forward-looking discussion with ISO President and CEO Elliot Mainzer, Washington Utilities and Transportation Commissioner Ann Rendahl, and Tony Braun on the top issues facing ISO, including the direction of the EIM and the enhanced day-ahead Market. In addition, the regulators received a briefing by Jim Bushnell, member of the Market Surveillance Committee, on price formation in the Western EIM and heard from a panel on convergence bidding in the ISO market. The Body of State Regulators will hold their next public teleconference meeting on November 13.

### **Regional Issues Forum:**

The Regional Issues Forum held their last meeting on September 22, featuring a roundtable discussion between Elliot Mainzer and Steve Berberich moderated by the EIM Governing Body chair, John Prescott. Their next meeting is currently planned for December 4.

### **EIM Governance Review Committee:**

The EIM Governance Review Committee held a general session teleconference meeting on October 28 to update stakeholders on the issues still under deliberation in the EIM Governance Review, and to increase transparency of the process. The Governance Review Committee also reviewed their suggested timeline for the next iteration of the Straw Proposal, which is projected to be published in mid-December. The next general session meeting is planned for December 1.

### **FEDERAL AFFAIRS**

#### **Administration:**

Bruce Walker, Assistant Secretary of DOE's Office of Electricity, announced on October 8 that he is leaving the agency for a position with the Financial Systemic Analysis and Resilience Center, a not-for-profit banking security organization, at the end of October. Principal Deputy Assistant Secretary Patricia Hoffman will serve as Assistant Secretary on an interim basis, according to press reports.

#### **Congress:**

On October 5, Senate Energy and Natural Resources Committee chair Lisa Murkowski (R-AK) said that she and the committee's ranking member Joe Manchin (D-WV) are working with Majority Leader Mitch McConnell (R-KY) to secure floor time for S. 2657, their omnibus energy bill. They hope to conference it with the House-passed omnibus bill, H.R. 4447, during the post-election lame-duck session. Senator Murkowski also announced that she expects the nominations of Mark Christie and Allison Clements to be Commissioners at FERC to slip to December.

#### **Legislation:**

- S. 4795, the "Cyber Sense Act," introduced on October 2. Sponsors: Senators Jacky Rosen (D-NV); 1 cosponsor. Directs DOE to establish a voluntary cyber security testing and assistance program for bulk power system equipment. NOTE: This is a companion bill to H.R. 360, which passed the House by voice vote on September 29. Status: Referred to the Senate Committee on Energy and Natural Resources.
- S. 4823 "Zero Emission Vehicles Act," introduced on October 21. Sponsor: Senator Jeff Merkley (D-OR), 4 cosponsors. Amends the Clean Air Act to establish a nationwide standard for zero emission vehicles (ZEVs) requiring that 50% of all new passenger vehicles are ZEV by 2025, increasing by 5% annually to 100% by 2035. Status: Referred to Senate Committee on Energy and Natural Resources. NOTE: This is the companion bill to H.R. 2764, introduced on May 15, 2019 by Congressman Mike Levin (D-49th District – Dana Point/Oceanside);

16 cosponsors. Status: Referred to House Committee on Energy and Commerce, Subcommittee on Environment and Climate Change.

- H.R. 8582: “Tradeable Performance Standard Act,” introduced on October 14. Sponsor: Sean Casten (D-IL), 2 cosponsors. Amends the Clean Air Act to establish a greenhouse gas pollution reduction program that would result in a 60% reduction in targeted emissions over 2019 levels by 2030 and a 100% reduction by 2040. Creates a tradeable performance standard for power generators and industrial facilities in which high-carbon generators would purchase emissions credits directly from clean facilities. Status: Referred to the House committees on Science, Space and Technology and Ways and Means.
- H.R. 8626, “Energy Resilient Communities Act,” introduced on October 21. Sponsors: Yvette Clarke (D-NY) and Nanette Diaz Barragan (D-44th District – San Pedro/Carson); 1 cosponsor. Directs the Secretary of Energy to provide support for communities to create clean microgrids in the event of extreme energy conditions or power shutdowns. Authorizes \$50 million annually for technical assistance and \$1.5 billion annually for construction of microgrids needed to support critical infrastructure in the aftermath of an extreme weather event. Grants would support 60-90% of project costs and would be prioritized based on pollution reduction, community ownership, environmental justice and other criteria. Status: Referred to House Committee on Energy and Commerce.