Memorandum

To: ISO Board of Governors
From: Roger Collanton, Vice President, General Counsel, Chief Compliance Officer, and Corporate Secretary
Date: July 7, 2021
Re: Regulatory update since last report dated May 12, 2021

This memorandum does not require Board action.

Highlights

- FERC approved the ISO’s tariff amendment arising from the variable operations and maintenance initiative

- FERC approved the ISO’s three tariff amendments for summer readiness: market enhancements for summer 2021 readiness; resource adequacy enhancements—phase 1; and load, export, and wheeling priorities

- FERC approved the ISO’s tariff amendment to revise its import capability allocation process to allow load serving entities to reserve import capability at the interties on a multi-year basis

- FERC approved the ISO’s tariff amendment to reduce the number of participation agreements a non-generator resource must execute from two to one

- The ISO filed an answer to NV Energy’s complaint regarding the ISO’s changes to certain pricing parameters in the business practice manual affecting wheeling through transactions

Federal Energy Regulatory Commission

- Summer Readiness – Loads, Exports, and Wheeling (ER21-1790)
  On June 25, 2021, FERC issued an order accepting the ISO’s April 28, 2021, tariff amendment filing to revise load, export, and wheeling through priorities in the day-ahead and real-time market optimization processes and establish related market rules. FERC also directed the ISO to make a compliance filing to incorporate in its tariff the penalty pricing parameters associated with the revised scheduling priorities.

- Credit Reforms in ISO/RTO Markets (AD21-6/AD20-6)
  On June 7, 2021, the ISO joined the ISO/RTO Council (IRC) to submit comments in response to questions in FERC’s April 21, 2021, notice inviting post-technical conference
comments regarding ISO's/RTO's ability to manage and mitigate credit risk. The IRC comments stated that evaluating a market participant's financial condition would benefit from ISOs/RTOs sharing such information. The joint comments indicated that the primary impediment to sharing such information among ISOs/RTOs is the confidentiality provisions in ISO/RTO tariffs. The IRC supported FERC initiating a rulemaking to find such communications are in the public interest and to allow ISOs/RTOs to amend their tariffs to allow the sharing of such information.

- **NV Energy v. ISO (EL21-74)**

On June 4, 2021, the ISO answered NV Energy's complaint, which alleged the ISO should not be permitted to grant ISO load the same scheduling priority as wheeling through self-schedules through a change to its business practice manual. The ISO requested the Commission reject the complaint. The ISO argued that its business practice manual change was consistent with the ISO tariff, FERC policy, and the ISO's transmission paradigm—a single type of transmission service. The ISO agreed it should specify the scheduling priorities for wheeling through transactions in the tariff and noted it had proposed to do so in its tariff amendment filing in Docket No. ER21-1790.


On May 28, 2021, FERC issued an order accepting the ISO's March 29, 2021, tariff revisions to ensure resource adequacy (resources provide capacity needed to operate the grid reliably). These revisions included: (1) adopting a minimum state of charge requirement for storage resources that provide resource adequacy capacity; (2) requiring substitute capacity for all maintenance outages on resource adequacy resources; (3) clarifying that extending the scope or duration of an existing outage requires a new outage card; and (4) updating the local capacity technical study criteria and permitting the ISO to designate capacity under its capacity procurement mechanism if load serving entities do not procure sufficient resources to meet the revised criteria.

- **Maximum Import Capability (ER21-1469)**

On May 28, 2021, FERC issued an order accepting the ISO's March 18, 2021, tariff amendment to revise its available import capability allocation process to allow load serving entities to reserve import capability at the interties on a multi-year basis.

- **Market Enhancements for Summer 2021 Readiness (ER21-1536)**

On May 25, 2021, FERC issued an order accepting the ISO's March 26, 2021, tariff amendment to implement certain market enhancements to prepare it for summer 2021 in light of the performance of the ISO's market and supply shortages during last summer's heat wave events. The ISO proposed five categories of tariff revisions to help it maintain reliable grid operations this summer: (1) incentives for suppliers to submit import schedules in the hour ahead scheduling process during tight market conditions;
(2) reliability demand response resource dispatch and real-time pricing enhancements;
(3) energy imbalance market coordination and resource sufficiency test modifications;
(4) pricing enhancements during tight system conditions; and (5) targeted generation interconnection process improvements.

- **KES Kingsburg, LP – Reliability Must Run Agreement (ER21-1816)**

On June 29, 2021, FERC accepted and suspended Kingsburg’s April 30, 2021, filing of an unexecuted reliability must-run agreement and established hearing and settlement procedures. The ISO had filed a protest to the agreement on May 21, 2021, requesting that FERC accept the agreement, effective May 1, 2021, subject to refund, and to set the filing for hearing and settlement procedures.

- **Crisis Era Litigation (EL00-95)**

On May 20, 2021, FERC issued an order accepting the California Parties’ compliance filing, which reconciled refund calculations performed by the ISO and the California Power Exchange (CalPX) with amounts already paid and received under settlement agreements among the California Parties and market participants. The order also approved proposed steps to accomplish market clearing and the wind-down of CalPX.

- **Crisis Era Litigation (EL02-71)**

On May 20, 2021, FERC issued an order on the Presiding Judge’s July 28, 2017, initial decision concerning violations of quarterly reporting requirements of individual public utility sellers and any unjust and unreasonable rates in California during the 2000-2001 Western Energy Crisis. This order affirms the factual findings in the initial decision that reporting violations did not mask manipulation or the accumulation of market power, and that the California Parties have not established a basis for ordering refunds based on quarterly reporting violations.

- **Luna Valley Solar v. ISO and PG&E (EL21-70)**

On May 20, 2021, the ISO filed an answer to, and motion to dismiss, the complaint filed by Luna Valley Solar. The ISO noted that Luna Valley identified no unjust tariff requirement or any tariff requirement the ISO had violated.

- **Non-Generator Resource Participation Agreements (ER21-1487)**

On May 14, 2021, FERC issued an order accepting the ISO’s March 19, 2021, tariff amendment filing to reduce the number of participation agreements a Non-Generator Resource must execute from two to one.

- **Variable Operations and Maintenance Initiative (ER21-1266)**

On May 12, 2021, FERC issued an order approving the ISO’s March 3, 2021, tariff revisions arising from its variable operations and maintenance initiative. The tariff amendment
changes how the ISO market accounts for operations and maintenance costs to ensure market participants’ bids reflect these costs more accurately. The tariff revisions establish a new framework for operations and maintenance cost recovery based on new operations and maintenance adders for start-up, minimum load, and energy costs. These adders will replace the existing adders for major maintenance expenses and variable operations and maintenance costs.

Non-Conforming Regulatory Agreements

- Planning Coordinator Agreement with California Department of Water Resources (CDWR) (ER21-1779)

On June 14, 2021, FERC issued an order accepting the ISO’s April 27, 2021, Planning Coordinator Agreement with CDWR under which the ISO will serve as the planning coordinator for CDWR’s transmission facilities that are part of the bulk electric system in the ISO’s balancing authority area.

- Dynamic Scheduling Host Balancing Authority Operating Agreement – Griffith Energy, LLC (ER21-2019)

On May 27, 2021, the ISO filed a notice of termination of the non-conforming Dynamic Scheduling Host Balancing Authority Operating Agreement between the ISO and Griffith Energy, LLC.

California Public Utilities Commission and other State Matters

- R.19-11-009 (Resource Adequacy Program)

On June 10, 2021, the ISO filed opening comments on the proposed decision. The ISO argued that the proposed decision fails to ensure reliable and dependable resource adequacy imports, and the CPUC should adopt the ISO’s resource adequacy import proposal. The ISO also urged the CPUC to increase the planning reserve margin consistent with the ISO’s proposal. The ISO supported President Batjer’s ruling on applying an effective load carrying capability value to investor owned utility demand response programs for resource adequacy year 2022.

On June 15, 2021, the ISO filed reply comments on the proposed decision. The ISO supported a firm transmission requirement for resource adequacy imports for 2022. The ISO recommended the CPUC provide an expedited procedural venue to consider incremental resource adequacy import rule changes prior to summer 2022. Finally, the ISO requested the CPUC require all investor owned utility demand response programs use effective load carrying capability values for both year-ahead and month-ahead supply plan showings.
- **R.20-05-003 (Continue Integrated Resource Planning)**

On June 10, 2021, the ISO filed opening comments on the proposed decision and alternate proposed decision. The ISO generally supported the specific resource and resource-type procurement adopted in the decisions. The ISO supported greater coordination between the integrated resource planning and resource adequacy proceedings.

On June 15, 2021, the ISO filed reply comments on the proposed decision and alternate proposed decision. The ISO argued the CPUC should authorize all 11,500 MW of procurement because concerns about the ISO’s interconnection queue are misplaced. The CPUC should also ensure the resource adequacy program adopts the resource requirements from the mid-term reliability procurement order. The ISO also urged the CPUC to consider additional modeling to assess the operational impact of resources under an effective load carrying capability value.
Regulatory Filings Through June 30, 2021

Court Filings

Total Filings