

# Memorandum

**To:** ISO Board of Governors

**From:** Roger Collanton, Vice President, General Counsel, Chief Compliance Officer,  
and Corporate Secretary

**Date:** December 9, 2020

**Re:** Regulatory update

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

## **Highlights**

- *The United States Senate voted to confirm new FERC Commissioners Mark Christie and Allison Clements*
- *FERC approved the ISO's slow demand response and hybrid resources – Phase 1 tariff amendments*
- *The ISO filed a tariff amendment to implement its pseudo-tie of shared resources proposal*
- *The ISO submitted comments in the CPUC rulemaking proceeding to establish policies, processes, and rules to ensure reliable electric service in California, and in the event of an extreme weather event in 2021*
- *Californians for Green Nuclear Power filed an amended complaint against the ISO, the North American Electric Reliability Corporation, the Western Electricity Coordinating Council, the CPUC, the California State Water Resources Control Board, and the California State Lands Commission*
- *The ISO provided a declaration in support of the State Water Board's opposition to the motion of Cities of Redondo Beach and Hermosa Beach for a preliminary injunction regarding once-through-cooling policy compliance (Los Angeles County Superior Court)*

## **Federal Energy Regulatory Commission**

- **Intertie Deviation Settlement (ER20-1890)**

On November 30, 2020, FERC issued an order granting the ISO's request for limited waiver to modify the effective date of tariff provisions regarding the treatment of energy transactions

scheduled at interties. The order delays the effective date of these approved tariff revisions until January 1, 2021.

- **Compliance with Order No. 841 – Electric Storage Participation (ER19-468)**

On November 24, 2020, FERC issued an order accepting further tariff revisions to comply with the requirements of Order No. 841, effective December 3, 2019, as requested.

- **Amendment 60 (ER04-835)**

On November 25, 2020 the ISO filed an answer to Shell Energy's October 15, 2020, comments regarding the ISO's response to a deficiency letter issued by FERC on August 25, 2020. The ISO asks FERC to reject Shell Energy's request for access to resettlement and interest data that was provided on a privileged basis to FERC in its August 25 deficiency letter response. The ISO has already provided Shell Energy with its resettlement information, and details about other market participants is confidential. The ISO also asks FERC to reject Shell Energy's arguments regarding the sufficiency of the ISO's explanations regarding underlying refund reports, previously submitted.

- **Notice of inquiry regarding equipment, services produced and provided by entities identified as risks to national security (RM20-19)**

On November 23, 2020, the ISO filed joint comments with the ISO/RTO Council (IRC) in reply to FERC's September 17, 2020 notice of inquiry seeking information on the potential risks to the bulk electric system posed by using equipment and services produced or provided by entities identified as posing risks to national security. The comments noted the supply chain is not transparent. ISOs/RTOs are subject to the North American Electric Reliability Corporation's (NERC) Critical Infrastructure Protection (CIP) mandatory standards and also perform myriad security event monitoring, detection and vulnerability assessments, and patch management. The comments stated members of the IRC will continue to work with NERC to identify supply chain risks and solutions. The IRC believed the federal government, through access to classified information, is best positioned to provide the industry with the most useful information on potential threats through processes established for communicating such information. The IRC indicated it would value FERC's assistance in accessing supply chain risks early in system development lifecycle.

- **Pseudo-ties of Shared Resources (ER21-447)**

On November 20, 2020, the ISO filed a tariff amendment to (1) permit a share of a resource to be pseudo-tied to the ISO balancing authority area and (2) remove the current tariff-based limitation that requires delivery of the entire output of a pseudo-tied resource to the ISO balancing authority area. The tariff amendment would provide a framework for a pseudo-tie of a shared resource to participate in the ISO markets. Allowing pseudo-ties of shared resources will provide an alternative to dynamic scheduling that currently is the only option for shared resources in other balancing authority areas to participate in ISO markets. Also, it will avoid the modeling and pricing issues associated with interactions between dynamic schedules and energy imbalance market (EIM) transfers. The ISO requests an effective date of January 30, 2021.

- **Greenleaf Energy, LLC – Reliability Must Run Agreement (ER20-2787)**

On November 20, 2020, the ISO answered additional Pacific Gas & Electric Company (PG&E) comments regarding Greenleaf's response to FERC's deficiency letter seeking additional documentation on Greenleaf's request to terminate the reliability must run (RMR) agreement. The ISO further clarified the circumstances underlying the negotiations regarding the agreement.

On September 30, 2020, the ISO answered PG&E's comments and CPUC's protest arguing the termination provision in the Greenleaf RMR agreement is unjust and unreasonable because it departs from the pro forma RMR agreement approved by FERC. The ISO argued PG&E and the CPUC ignore the ISO's tariff authority to negotiate contracts other than the pro forma RMR agreement to assure the reliability of the ISO grid. Accepting the CPUC's and PG&E's arguments would undermine the ISO's authority to enter into agreements where the pro forma RMR agreement is not acceptable to a party like Greenleaf who is not otherwise subject to the ISO tariff.

- **Dynegy Oakland, LLC RMR (ER21-292)**

On November 20, 2020, the ISO filed a protest in response to Dynegy's October 30, 2020 RMR agreement filing, and asked FERC to accept the RMR agreement, effective January 1, 2021. Dynegy proposed amendments to the RMR agreement and rates to reflect anticipated end-of-service-life costs it would not otherwise recover under the terms of the RMR Agreement. The ISO and Dynegy have been engaged in discussions about the costs Dynegy proposes to include in its 2021 rates, but the parties have been unable to reach agreement on final terms. More time is needed to conclude those discussions, which the CAISO hopes will result in a settlement.

- **Guidance on Simultaneous Transmission Import Limit Studies (AD10-2)**

On November 17, 2020, the ISO submitted an informational filing regarding recent maximum import capability values (2019-2021), providing information potentially relevant to FERC's assessment of sellers' market based rate authority. These calculations reflect actual operating conditions and feasible import schedules into the ISO balancing authority during peak conditions, and help corroborate simultaneous import limitation studies sellers provide to FERC as part of their requests for review of, and initial requests for, market based rate authority.

- **Slow Demand Response (ER20-2922)**

On November 17, 2020, FERC issued an order accepting tariff amendment to augment settlement rules for exceptional dispatch energy, specifying that resources issued post day-ahead exceptional dispatch energy schedules will be settled based on their day-ahead bid (instead of their real-time bid). The amendment is effective November 18, 2020, as requested.

- **Carbon Pricing in Organized Wholesale Electricity Markets (AD20-14)**

On November 16, 2020, the ISO filed comments on FERC's proposed policy statement clarifying its jurisdiction over ISO/RTO market rules that incorporate a state-determined carbon price in wholesale electricity markets, and encouraging efforts to incorporate a state-determined carbon price in organized wholesale electricity markets. The ISO has incorporated a carbon price into the markets it operates, including the western EIM. The ISO agreed with the proposed policy statement, stating RTO/ISO markets should incorporate all costs associated with electricity production, including the costs established by state-determined carbon process. FERC should also consider the need for flexibility to design market rules to accommodate different state programs that seek to reduce carbon emissions while balancing market efficiency objectives.

- **Order No. 845 - Reform of Generator Interconnection Procedures and Agreements (ER19-1950)**

On November 13, 2020, the ISO submitted a filing to comply with FERC's July 16, 2020 order. The July order found the ISO generally complies with Order No. 845, but the ISO's tariff provisions did not address interconnection facilities that may also be contingent facilities as defined under the pro forma Large Generator Interconnection Procedure. The tariff revision clarifies the ISO's interconnection studies identify when interconnection facilities are shared with or otherwise dependent upon other interconnection customer's facilities, such that delays could affect the interconnection customer's costs or timing. The ISO requested an effective date of February 20, 2020.

- **NV Energy – Meter Data (ER21-395)**

On November 12, 2020, the ISO filed a petition for limited waiver to excuse the ISO from assessing penalties against NV Energy for late meter data revisions and to permit the ISO to distribute funds it collects from NV Energy that approximate the market impact of its error using the ISO's established penalty distribution methodology.

- **Amended Complaint - Californians for Green Nuclear Power (EL21-13)**

On November 25, 2020, Californians for Green Nuclear Power (CGNP) filed an amended complaint, arguing respondents violated federal reliability standards for the bulk power system through the CPUC's decision to close the Diablo Canyon Power Plant in 2025, without first properly analyzing the adverse bulk electric system and adverse bulk natural gas system consequences. CGNP further argue NERC and WECC failed to conduct proper oversight or enforce NERC's reliability standards that will be violated by removing the Diablo Canyon Power Plant's capacity from the California electric grid. CGNP asserts the premature closure of Diablo Canyon Power Plant will exacerbate current reliability issues and is inconsistent with federal law. CGNP requests FERC open an investigation to determine whether the closure of Diablo would adversely affect reliability or cause ISO market design flaws. The amended complaint also asks FERC to investigate whether the loading order is unduly discriminatory. The ISO's answer to the amended complaint is due by December 15, 2020.

- **Hybrid resources – Phase 1 (ER20-2890)**

On November 19, 2020, FERC issued an order approving proposed tariff revisions, with an effective date of December 1, 2020, as requested.

The ISO's tariff amendment addressed the treatment of hybrid resources, which consist of either separate storage and fuel resources co-located or single resources with multiple components using different fuel sources or technologies. The first set of changes will grant the ISO greater flexibility to model the aggregate capabilities of separate resources co-located at a single generating facility as part of its day-ahead and real-time markets using an "aggregate capability constraint" in its market model. This constraint will model the maximum and minimum capability of co-located generating units at a generating facility for purposes of issuing day-ahead market and real-time market awards and dispatches. The second set of changes will ensure the ISO can maintain visibility over intermittent resource production at hybrid resources that include a wind or solar generation component.

### **Non-Conforming Regulatory Agreements**

- **Transferred frequency response agreements (ER20-2850, ER20-2853, ER20-2838)**

On November 18, 2020 FERC issued orders accepting the ISO's transferred frequency response agreements with City of Seattle, Grant County Public Utilities District and Tucson Electric Power Company, effective December 1, 2020, as requested.

### **Informational reports filed**

- **Market disruption reports (ER06-615 and ER07-1257)**

On November 16, 2020, the ISO filed an informational market disruption report for the period September 16 – October 15, 2020. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

- **Exceptional dispatch reports (ER08-1178 and EL08-88)**

On November 16, 2020, the ISO filed an informational report for the month of September 2020, and on November 9, 2020, filed a 120-day informational report for the months of July 2020 - October 2020. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside the operation of the ISO market to address operational needs that the ISO market cannot address.

- **Negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs (ER06-615)**

On November 9, 2020, the ISO filed informational reports containing the rates or

formulas used to calculate negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs that the ISO implemented, modified, or terminated in the month of October 2020.

### **California Public Utilities Commission and other State Matters**

- **R.20-11-003 (Order instituting rulemaking to establish policies, processes, and rules to ensure reliable electric service in California, and in the event of an extreme weather event in 2021)**

On November 30, 2020, the ISO filed answers to questions posed by the CPUC in its November 19, 2020 order, suggesting changes to the CPUC's resource adequacy program to expedite the regulatory and procurement processes to procure additional resources by summer 2021.

The CPUC's November 19, 2020 order established a proceeding through which the CPUC can direct incremental procurement under its existing resource adequacy program, and address the resource planning recommendations from the joint CEC-CPUC-ISO Preliminary Root Cause Analysis for summer 2021.

- **R.20-01-007 (Order instituting rulemaking to establish policies, processes, and rules to ensure safe and reliable gas systems in California and perform long-term gas system planning)**

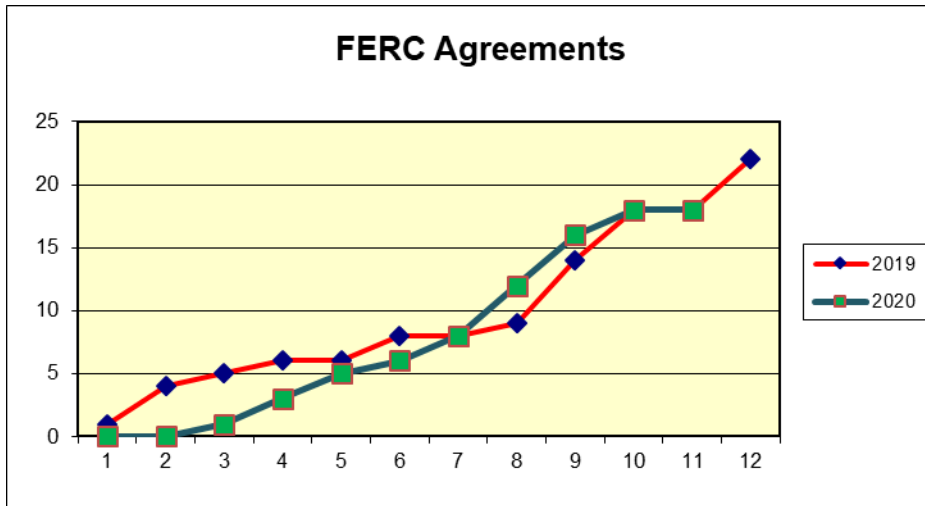
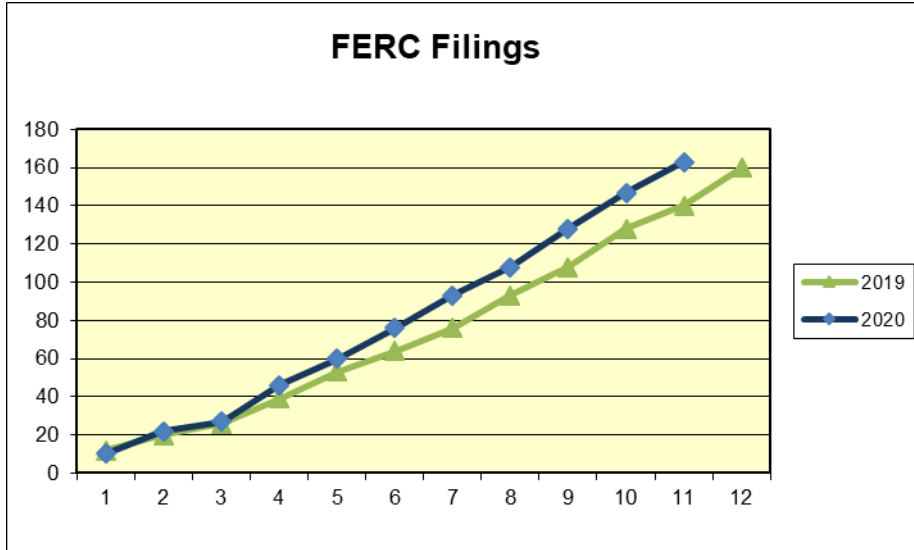
On November 17, 2020, the ISO submitted reply comments supporting the CPUC staff's recommendation to extend SoCalGas' winter operational flow order (OFO) structure after the rules expire on October 31, 2021, and SCE's request that the CPUC not extend the OFO summer penalty structure.

On November 2, 2020, the ISO submitted comments in response to the CPUC's rulemaking issuing workshop report and staff recommendations. In response to the ruling's request that the ISO indicate how it would allocate gas to electric generators bidding in the ISO's electric markets, the ISO noted it already provides expected gas supply needs to the gas company in the operational (*i.e.*, day-ahead and real-time) timeframe. The ISO indicated that at this time, it cannot provide a planning level mechanism for determining expected or minimum gas supply requirements, especially given the significant unanswered questions regarding long-term gas needs for electric generation.

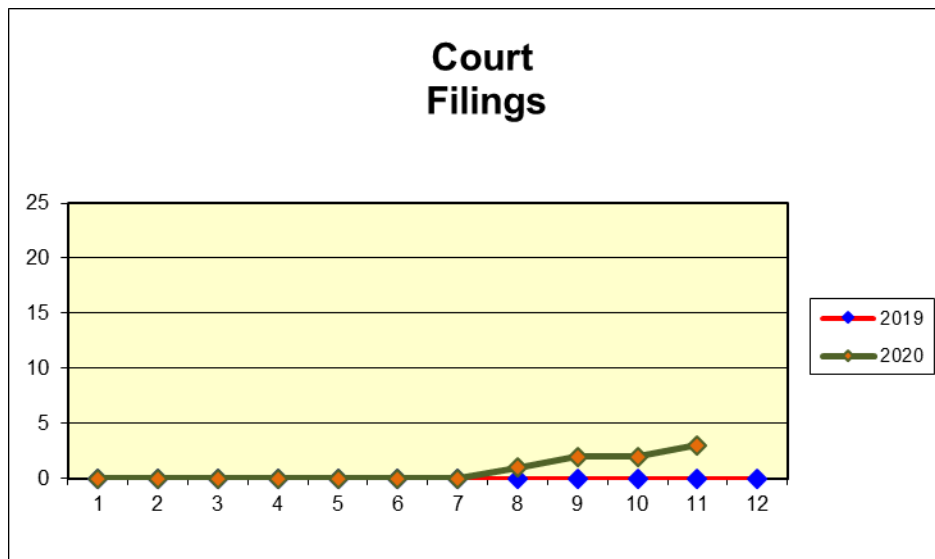
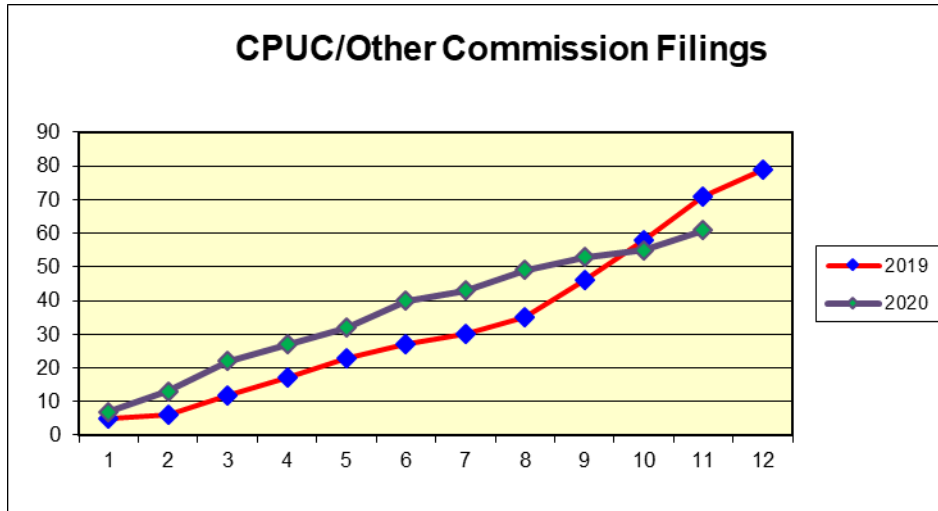
- **A.20-04-013 (Oakland Clean Energy Initiative)**

On November 12, 2020, the ISO filed its opening brief, recommending approval of PG&E's agreements to provide battery storage resources as part of the Oakland Clean Energy Initiative (OCEI), and to facilitate the retirement of an existing RMR resource. The ISO approved the new resource in its 2017-2018 transmission planning process to meet Oakland local area reliability requirements.

# Regulatory Filings Through December 1, 2020



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