

Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel & Chief Compliance Officer

Date: March 8, 2017

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *ISO filed a tariff amendment at FERC to enhance metering rules*
- *FERC accepted the amendment to the Valley Electric Association Transition Agreement*
- *ISO commented on complaint against Pacific Gas & Electric Company filed at FERC*
- *FERC accepted the amendment to the Dynamic Transfer Balancing Authority Operating Agreement between the ISO and the Balancing Authority of Northern California*
- *FERC accepted the amendment to the Transmission Control Agreement to include GridLiance West Transco*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **FERC order accepting and suspending filing, subject to refund and further FERC order (ER17-490)**

On March 2, 2017, FERC accepted and suspended, subject to refund until further FERC action, the ISO's December 5, 2016, proposed tariff amendment intended to modify the technical requirement associated with automatic voltage regulators in the tariff. This included a proposal to require newly interconnecting non-synchronous generators to be under the control of automatic voltage regulators. The ISO sought an effective date for the proposed tariff revisions of March 6, 2017, which under the order is suspended until FERC issues a subsequent order and addressing the protests and comments and resolving the matter.

- **FERC order accepting compliance filing with FERC Order No. 825 (ER17-777)**

On February 23, 2017, FERC accepted the ISO's compliance filing in response to FERC's *Order on Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators* (FERC Order No. 825).

FERC Order No. 825 required ISOs to: (1) settle energy transactions in its real-time markets at the same time-interval it dispatches energy; (2) settle operating reserve transactions in its real-time markets at the same time-interval it prices operating reserves; (3) settle intertie transactions at the same time it schedules intertie transactions, or demonstrates that its settlement and scheduling of intertie transactions is consistent with or superior to the Commission's intertie reforms; and (4) trigger shortage pricing for any interval in which a shortage of energy or operating reserves is indicated during the pricing of resources for that interval.

- **ISO comments on complaint of CPUC, et al., v. Pacific Gas & Electric Company (EL17-45)**

On February 22, 2017, the ISO filed comments with FERC in the matter of *California Public Utilities Commission, et al., v. Pacific Gas & Electric Company*, Docket No. EL17-45. On February 2, 2017, the California Public Utilities Commission, Northern California Power Agency, City and County of San Francisco, State Water Contractors, and Transmission Agency of Northern California (Complainants) filed a complaint with FERC against Pacific Gas & Electric Company. Complainants request FERC order PG&E to file an Attachment K to its transmission owner tariff to comply with FERC Order No. 890. In the interim, Complainants have requested that PG&E establish a stakeholder transmission planning group and to submit to that group information regarding all capital transmission projects not submitted through the ISO's transmission planning process. The ISO, in its comments, recommended to FERC that if further process is necessary, FERC set this matter for settlement procedures. The ISO also addressed statements asserting that the ISO, in its filings to comply with Order Nos. 890 and 1000, gave the impression it would review in its transmission planning process all transmission work that PG&E undertakes, advising that was not the case.

- **Response to deficiency letter on filing related to Order Nos. 827 and 828 – reactive power requirements for non-synchronous generation (ER17-114)**

On February 13, 2017, the ISO filed a response to FERC Office of Energy Market Regulation's request for additional information regarding the definition of "repowering projects," and for the ISO to more clearly define what constitutes a repowering of an existing generator capable of providing reactive power. The ISO responded that provisions of FERC Order No. 827 would only apply to replacement units and not the entirety of the generating facility as a newly interconnecting resource.

- **Tariff amendment to enhance metering rules (ER17-949)**

On February 8, 2017, the ISO filed a tariff amendment to enhance metering rules. The ISO amendment expands the scheduling coordinator metered entities option to more entities, including participating generators. This will enable market participants to forego certain costs associated with ISO metered entity status, and it provides that existing metered entities, regardless of type, will have the option to retain current metering requirements and maintain their *status quo*.

Regulatory Agreements

- **FERC order accepting amendment to Transmission Control Agreement between the ISO and Participating Transmission Owners (ER17-694)**

On February 24, 2017, FERC accepted the ISO's transmission control agreement with GridLiance West Transco LLC, to be effective March 1, 2017. However, the agreement will not be in effect until the transaction between Valley Electric Association, Inc., and GridLiance West Transco LLC closes, at which time the ISO is directed to submit a compliance filing to reflect the actual effective date.

- **FERC order accepting amendment to the Dynamic Transfer Balancing Authority Operating Agreement between the ISO and Balancing Authority of Northern California (ER17-726)**

On February 23, 2017, FERC accepted the ISO's revisions to the Dynamic Transfer Balancing Authority Operating Agreement between the ISO and the Balancing Authority of Northern California, effective March 1, 2017. The amendment incorporated SMUD in Schedule 1 of the agreement, and amendments to Section 7.8 were proposed (to allow revisions to Schedule 1).

- **FERC order accepting amendment to Transition Agreement with Valley Electric Association (ER17-695)**

On February 15, 2017, FERC accepted the ISO's third amendment to the Valley Electric Association, Inc. Transition Agreement. The agreement obligation to construct a 230kV interconnection from Valley Electric to GridLiance West Transco LLC, while retaining Valley Electric's entitlement to pre-resource adequacy import capacity at the Mead substation. This amendment is effective March 1, 2017.

Reports filed

- **Informational report on transition period for first six months of new energy imbalance market participants (ER15-2565)**

When a transmission or power balance constraint is binding, the ISO calculates energy prices based on penalty factors pegged to the bid caps. During the first six month transition period of the start of a new energy imbalance market, the ISO will not apply the penalty factors when a transmission or power-balance constraint is binding and will instead calculate energy price based on the last economic price signal. FERC required that the ISO and the DMM file monthly reports on the performance of these measures during the transition period. The ISO and DMM have filed these reports: (1) on February 23, 2017, DMM filed an informational report for Puget Sound Energy, for November 2016; and (2) on February 10, 2017, the ISO filed an informational report for Puget Sound Energy, for November 2016.

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

On February 15, 2017, the ISO submitted to FERC its monthly market disruption report for the period of December 16, 2016 to January 15, 2017. 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 February 15, 2017, the ISO submitted exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as required by FERC in its September 2, 2009 order in this proceeding; and (2) an analysis of the degree of mitigation as required by tariff section 34.9.4. The data reports covered December 2016. 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 cannot be addressed by the ISO market.

- **Negotiated default energy bids, major maintenance adders, and customer operations and maintenance (ER06-615)**

On February 27, 2017 the ISO submitted to FERC informational filings containing the rates or formulas used to calculate negotiated default energy bids, custom operations and maintenance adders, and major maintenance adders, that were implemented, modified or terminated for January 2017.

California Public Utilities Commission matters

- **Commissioner Randolph's Scoping Ruling – NextEra Energy Transmission West Certificate of Public Convenience – Suncrest Dynamic Reactive Power Support Project (R.15-08-027)**

On February 24, 2017, Commissioner Randolph issued a Scoping Ruling providing a schedule for a resolution on the Application filed by NextEra Energy.

- **Commissioner Peterman's Proposed Decision on Track 2 Energy Storage Issues (R.15-03-011)**

On February 24, 2017, Commissioner Peterman issued a Proposed Decision on the Track 2 Energy Storage Issues that sets forth a process for implementing Assembly Bill 2868 which requires utility procurement of an additional 500 megawatts of distributed energy resources. The decision adopts rules regarding treatment of station power used to charge energy storage devices, but defers the adoption of station power rules for behind-the-meter systems until the necessary processes and metering configurations have been further developed.

- **Comments on draft staff working paper – Order Instituting Rulemaking regarding resource adequacy (2016-2017) (R.14-10-010)**

On February 16, 2017, the ISO filed comments regarding the Energy Division draft staff working paper on the assessment of contracted forward capacity. The ISO believes that Energy Division's reporting on contracted forward capacity should become a regular part of the resource adequacy proceeding and should be conducted annually and requested a more detailed report regarding forward procurement of local capacity based on local capacity areas.

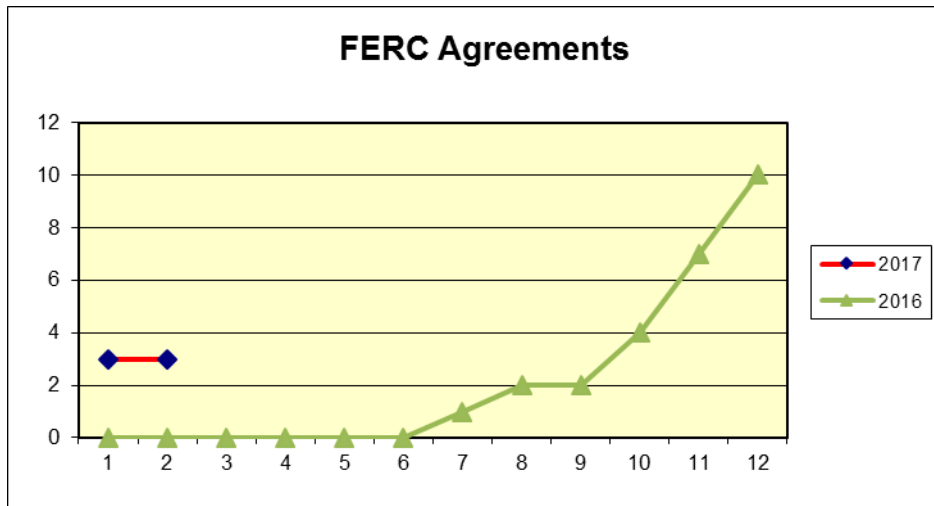
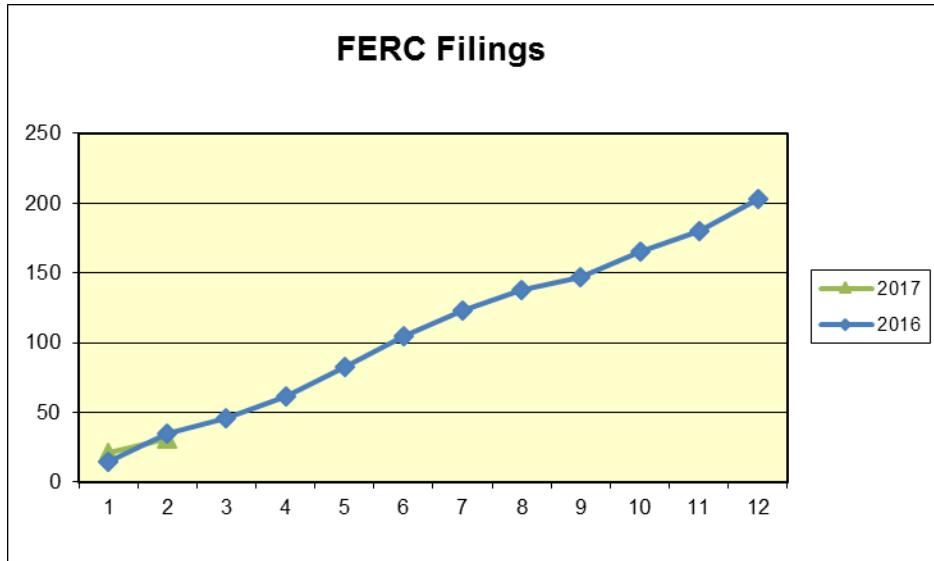
- **Reply comments on 2015 potential study draft report on phase two results – Demand Response Rulemaking (R.13-09-011)**

On February 10, 2017, the ISO filed reply comments that oppose the 2015 Demand Response Potential Study Draft Report on Phase Two Results. The ISO addressed comments that opposed the Demand Response Potential Study's recommended shift from conventional load shedding demand response to more advanced demand response designed to better integrate renewables.

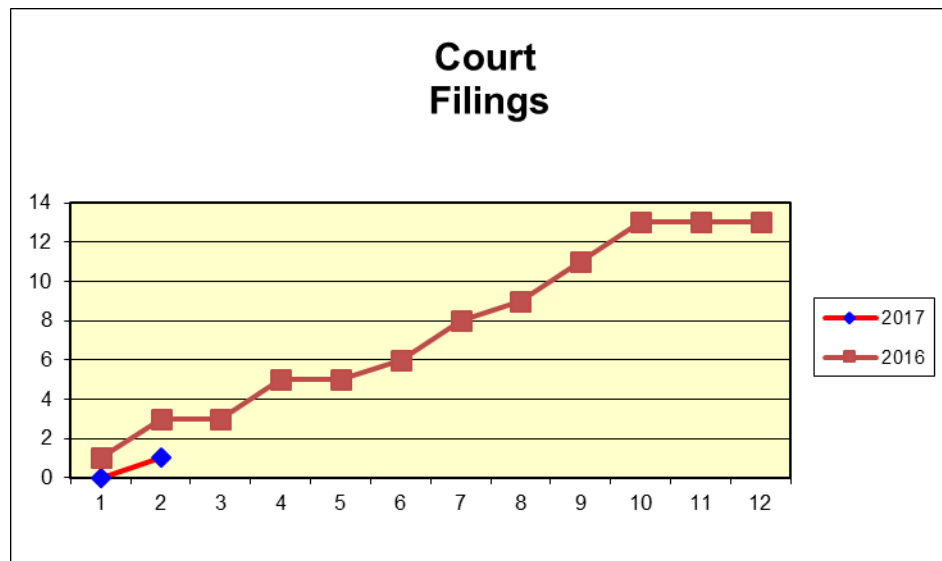
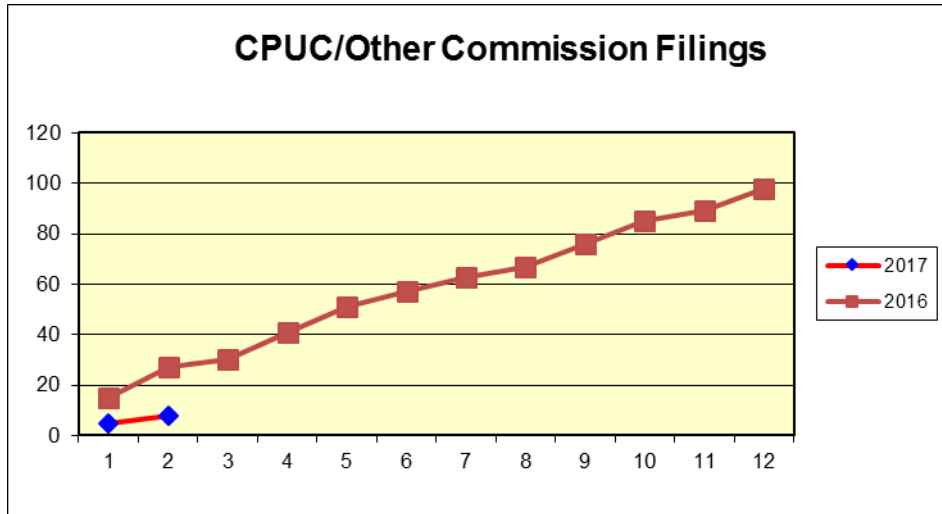
- **CPUC Order Instituting Investigation – feasibility of minimizing or eliminating the Aliso Canyon natural gas storage facility (I.17-02-002)**

On February 9, 2017, the California Public Utilities Commission opened an investigation to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon Natural Gas Storage Facility while still maintaining energy and electric reliability for the Los Angeles region and just and reasonable rates in California. Southern California Gas Company, the operator of Aliso Canyon, is named as a respondent to this order instituting investigation. The Commission expects and welcomes involvement and input from a wide range of interested entities to inform its decision-making process.

Regulatory Filings Through February 2017



Regulatory Filings Through February 2017



*Regulatory Filings Through
February 2017*

