

Memorandum

To: ISO Board of Governors

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

Date: March 18, 2020

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *ISO filed amendments to the Transmission Control Agreement to add DesertLink, LLC and Horizon West Transmission, LLC as new participating transmission owners*
- *ISO filed western energy imbalance market readiness certification for Salt River Project and Seattle City Light*
- *ISO filed a tariff amendment to enhance the capacity procurement mechanism*
- *ISO filed a tariff amendment to enhance the deliverability assessment methodology*
- *FERC accepted the ISO's western energy imbalance market agreements with Bonneville Power Administration, Avista Corporation, and Tacoma Power*
- *ISO filed western energy imbalance market implementation agreements with Tucson Electric Power*
- *FERC accepted the ISO nodal pricing agreement with PacifiCorp*
- *FERC accepted the ISO's tariff amendment to align study criteria with NERC, WECC and CAISO transmission planning standards and clarifying coordination with the CPUC on the calculation and allocation of local capacity*
- *FERC accepted the ISO's tariff amendment for non-resource-specific system resources*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Order on distribution of penalty proceeds (ER20-179)**

On March 6, 2020, FERC granted the ISO's October 23, 2019, petition seeking approval to distribute penalty proceeds collected for violations of the ISO's rules of conduct, nonrefundable study deposits from interconnection projects and proceeds to correct non-refundable study deposit distribution and allocation errors, subject to the ISO's final interest calculation.

- **Order granting waiver - effective flexible capacity values for proxy demand resources (ER20-725)**

On February 28, 2020, FERC granted the ISO's December 31, 2019, limited waiver requesting extension of an existing FERC-granted waiver to August 1, 2020, permitting the ISO to continue calculating effective flexible capacity values for proxy demand resources based.

- **Capacity procurement mechanism soft offer cap (ER20-1075)**

On February 25, 2020, the ISO filed a tariff amendment to enhance the capacity procurement mechanism to revise compensation for capacity procurement mechanism resources with cost offers above the capacity procurement mechanism soft offer cap, and to make minor clarifications in capacity procurement mechanism tariff provisions. The ISO has requested an effective date of June 1, 2020.

- **Order on compliance – reform generator interconnection procedures and agreements (ER19-1950)**

On February 20, 2020, FERC accepted the ISO's May 22, 2019, proposed amendments to *pro forma* large generator interconnection agreement and *pro forma* large generator interconnection procedures in compliance with the requirements of FERC Order Nos. 845 and 845-A, effective February 20, 2020, subject to a further compliance filing within 60 days of this order.

- **Order on cyber exigency tariff amendment (ER20-449)**

On January 23, 2020, FERC accepted the ISO's November 22, 2019, tariff amendment to allow for sharing of confidential data with certain federal agencies in the event of a cyberattack on ISO systems, effective February 5, 2020.

- **Order on commitment cost/default energy bids enhancements tariff amendment (ER19-2727)**

On January 21, 2020, FERC partially accepted the ISO's August 30, 2019, tariff amendment, subject to condition and compliance filing. The tariff amendment included a number of changes to enable the ISO to update resource's fuel costs used in calculating reference levels. FERC accepted the use of the Monday-only volume-weighted average prices, previously temporary provisions related to the management of gas system issues due to limitations on the Aliso Canyon gas storage facility, and tariff clarifications regarding bid effectiveness thresholds, effective January 28, 2020. FERC rejected the commitment costs and default energy bid enhancements proposal without prejudice, finding that the ISO has not demonstrated that the 125 percent cost multiplier to supplier submitted costs is just and reasonable in the context of a reference level change request.

- **Implement deliverability assessment methodology enhancements tariff amendment (ER20-732)**

On January 2, 2020, the ISO filed a tariff amendment to implement three deliverability enhancements for interconnection customers: off-peak deliverability status, curtailment priority, and a one-time process to allocate available on-peak deliverability capacity depending on commercial viability and availability of interconnection customers, to be effective March 3, 2020. On February 28, 2020, FERC issued a deficiency letter requesting additional information to process the filing, to be provided within thirty days of the letter.

- **Order on use of maximum gas constraint (ER20-273)**

On December 30, 2019, FERC accepted the ISO's October 31, 2019, tariff amendment to make permanent three previously accepted provisions intended to address the effects of natural gas system limitations on the ISO's system and market operations related to the limited operation of the Aliso Canyon natural gas storage facility, effective December 31, 2019. The order grants the ISO authority to enforce a maximum gas constraint in its markets in the Southern part of the ISO grid to manage gas limitations.

- **Order on local capacity technical study criteria (ER20-548)**

On January 17, 2020, FERC accepted the ISO's December 9, 2019, tariff amendment to update its local capacity technical study criteria to align with North American Electric Reliability Corporation, Western Energy Coordinating Council and ISO transmission planning standards. The amendment also clarified the ISO's coordination with the CPUC for calculating and allocating local capacity resource obligations to CPUC-jurisdictional load-servicing entities. The revisions were effective February 1, 2020.

- **Order on resource adequacy requirements for non-resource specific inertia resources (ER20-94)**

On December 6, 2019, FERC accepted the ISO's October 11, 2019, tariff amendment to modify the real-time market bid generation for non-resource-specific system resources providing resource adequacy capacity. The tariff revisions provide that the ISO will not submit a generated bid, beyond their day-ahead market award, for non-resource-specific system resources that fail to meet their bidding obligation in the real-time market. The revisions were accepted effective October 12, 2019, as requested.

Non-Conforming Regulatory Agreements

- **Western energy imbalance market readiness certification - Seattle City Light and Salt River Project (ER15-861)**

On February 28, 2020, the ISO filed informational readiness certification for Salt River Project and Seattle City Light, confirming the readiness of the entities to proceed with participation in the western energy imbalance market on April 1, 2020.

- **Orders accepting transferred frequency response agreements (ER20-705 and ER20-706)**

On February 11 and February 20, 2020, respectively, FERC accepted the ISO's transferred frequency response agreements submitted on December 20, 2019, with Bonneville Power Administration and Tucson Electric Power, both effective January 1, 2020. The agreements specify the terms and conditions under which each party will provide transferred frequency response service to the ISO, and under which the ISO will compensate each party for the service.

- **Western energy imbalance market Implementation agreements (ER20-536, ER20-567, ER20-581)**

On February 19, 2020, FERC accepted the ISO's western energy market implementation agreements with Bonneville Power Administration, Avista Corporation, and Tacoma Power. On December 13, 2019, the ISO filed a western energy market implementation agreement with Tucson Electric Power.

- **Nodal pricing agreement with PacifiCorp (ER20-664)**

On February 28, 2020, FERC accepted the ISO's nodal pricing agreement with PacifiCorp, effective March 1, 2020. The agreement sets forth terms under which the ISO will extend its existing day-ahead optimization systems to provide a nodal pricing

model solution for PacifiCorp. PacifiCorp will compensate the ISO for the annual cost to provide this service.

- **Amendments to Transmission Control Agreement (ER20-692/ER20-1137)**

On March 2, 2020, the ISO filed an amendment to the Transmission Control Agreement to add DesertLink, LLC as a new participating transmission owner. On February 27, 2020, FERC accepted its December 27, 2019, amendment to the Transmission Control Agreement to add Horizon West Transmission, LLC as a new participating transmission owner.

- **Order accepting congestion revenue rights exchange agreement with the Transmission Agency of North America (ER20-398)**

On January 31, 2020, FERC accepted the ISO's congestion revenue rights exchange agreement with the Transmission Agency of North America (TANC), effective February 1, 2020. The agreement gives TANC the opportunity to exchange transmission capacity on the California-Oregon Transmission Project (COTP) for "option" congestion revenue rights, which will provide compensation based on the difference between the prices at the sink and the source locations. In exchange, ISO market participants will have the opportunity to schedule transactions using the capability made available by TANC's election to convert its capacity to congestion revenue rights. This election will be voluntary, *i.e.*, TANC may choose to provide the ISO with COTP capacity in exchange for option congestion revenue rights on a month-to-month basis

Informational reports filed

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

On December 16, 2019, January 15, 2020, and February 18, 2020, the ISO submitted to FERC its monthly market disruption reports for the periods of October 16 - November 15, 2019, November 16 - December 15, 2019, and December 16, 2019 - January 15, 2020, respectively. 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 December 16, 2019, January 15, 2020, and February 18, 2020, the ISO submitted to FERC exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as ordered by FERC in its September 2, 2009, order; and (2) an analysis of the degree of mitigation as required by tariff section 34.11.4. These reports cover the months of October 2019, November 2019 and December 2019, respectively. 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.

- **Western energy imbalance market bid adder rules informational report (ER18-2341)**

On December 27, 2019 the ISO submitted to FERC an informational report in compliance with FERC's order accepting tariff revisions in the western energy imbalance market bid adder rules. This report covers the period November 2018-October 2019. Participating resource scheduling coordinators utilize the bid adder to submit an hourly quantity of MW to express how much of a participating resource's output may support a transfer to serve ISO demand or demand within an western energy imbalance market balancing authority areas are located in California.

- **Western energy imbalance market transition period informational reports for new participating entities (ER15-2565)**

FERC, in its October 29, 2015, order directed the ISO and its Department of Market Monitoring to file monthly informational reports on the transition period for new western energy imbalance market entities during its first six months of participation. During this six-month transition period, the ISO does not apply penalty factors, and instead calculates energy prices based on the last economic price signal. The ISO filed its informational report for the Balancing Authority of Northern California on November 12, 2019, for the month of September 2019.

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

On December 9, 2019, January 7, 2020, February 7, 2020 and March 9, 2020, the ISO submitted to FERC informational filings 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 months of November 2019, December 2019, January 2020, and February, 2020.

California Public Utilities Commission and other State Matters

- **R.19-11-009 (Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations)**

On March 11, 2020, the ISO and Southern California Edison jointly submitted a report of activity as co-chairs of the Track 2 Hydro Counting Working Group. The report provides a presentation and a proposal to address the resource adequacy qualifying capacity value of hydro resources.

On March 6, 2020, the ISO provided comments on Track 1 workshop report proposals. The ISO emphasized that any new rules adopted in this proceeding should require that

resource adequacy imports provide reliable capacity from physical resources that are not dedicated to other balancing authority areas. In addition, the CPUC should adopt updated resource adequacy import rules that require load-serving entities to provide source specific information at the time of resource adequacy showings.

On February 28, 2020, the ISO provided comments on resource adequacy Track 1 proposals regarding the treatment of resource adequacy imports pursuant to the scoping memo, to address existing and emerging resource adequacy import issues, including reliability, dependability, and affordability.

On February 21, 2020, the ISO provided comments on resource adequacy Track 2 proposals for refinements to be considered for the 2021 and 2022 resource adequacy compliance years. The ISO submitted three proposals: (1) slow proxy demand response to be dispatched pre-contingency as local capacity, (2) hybrid resource counting to align CPUC definitions of hybrid and co-located, and adopt an exceedance methodology for each hybrid and co-located resource with investment tax credit restrictions as one potential solution, and (3) apply an effective load carrying capability methodology to calculate qualifying capacity values for variable output energy-limited demand response resources.

- **R.17-09-020 (Resource Adequacy OIR - 2019 - 2020 Compliance Years)**

On March 11, 2020, the ISO responded to a petition for modification of the administrative law judge's ruling, noting that the CPUC should refine the definition of hybrid resources to include only those resources that participate in the ISO markets as a single resource with a single resource identification number. In addition, the CPUC should adopt the ISO's proposal to establish qualifying capacity values for co-located storage and generation resources with more than one resource identification number.

On December 20, 2019, the ISO submitted comments in support of the CPUC's proposed decision regarding qualifying capacity-hybrid resources. The ISO submitted reply comments on January 2, 2020.

- **19-SB-100 (California Energy Commission: SB 100 – Path to Clean Energy Future)**

On March 9, 2020, the ISO submitted reply comments on the Modeling Inputs and Assumptions Workshop held on February 24, 2020. The ISO served on a panel discussing reliability and resource adequacy considerations from the perspective of a balancing authority. The ISO recommends that more emphasis be put on setting policy direction to maintain reliability and resource adequacy and less emphasis on relying on modeling exercises to determine what that direction should be.

- **R.18-12-006 (Vehicle Electrification)**

On March 6, 2020, the ISO requested party status and submitted comments on the CPUC's draft Transportation Electrification Framework proposal. The ISO recommends the CPUC direct investor owned utilities and encourage other jurisdictional load serving entities to provide transportation electrification information at a level of granularity appropriate for transmission planning and engage directly with the California Energy Commission's integrated energy policy report process for demand forecast development.

- **A.15-04-013 (Riverside Transmission Reliability Project)**

On March 12, 2020, the CPUC granted Southern California Edison Company a certificate of public convenience and necessity for the Riverside transmission project. The project will increase transmission capacity and provide a second point of interconnection for bulk power transmission to Riverside Public Utilities and its customers. The new construct will include new 230 kilovolt substation and associated facilities, approximately 10 miles of 230 kilovolt transmission line connecting the new substation to an existing substation, and new telecommunications facilities between the substations. On February 6, 2020, the ISO submitted comments supporting the proposed decision granting a certificate of public convenience and necessity for the project.

- **I.17-02-002 (Order Instituting Investigation: Aliso Canyon)**

On January 31, 2020, the ISO submitted comments regarding the scope and preliminary schedule for phase three of this proceeding, which will develop scenarios to examine resources and infrastructure that could be implemented to entirely replace Aliso Canyon within either the 2027 or 2045 planning horizon. The ISO supports the CPUC's efforts, but cautions that it should input assumptions that maintain electric reliability and that a process be in place to ensure that the necessary resources and infrastructure are actually in place prior to retiring Aliso Canyon.

- **R.19-09-009 (Order Instituting Rulemaking – Microgrids)**

On January 30, 2020, the ISO submitted comments on utility and CPUC staff microgrid and resiliency proposals. The ISO fully supports the CPUC's efforts to enable microgrids, enhance grid resiliency, and mitigate the impact of public safety power shutoffs.

- **19-OIR-01 (California Energy Commission: Load Management Rulemaking)**

On January 24, 2020, the ISO submitted comments supporting the California Energy Commission's decision to open the proceeding to increase peak efficiency and demand flexibility. The scoping memo properly recognizes the current and emerging grid needs

as California relies on increasing supplies of renewable resources to meet the state's goals.

- **A.18-05-007 (Application of Southern California Edison Company (U338E) for a Certificate of Public Convenience and Necessity: Eldorado-Lugo-Mohave Series Capacitor Project)**

On January 16, 2020, the ISO submitted its opening brief recommending approval of certificate of public convenience and necessity to construct the project. The ISO provided a reply brief on January 31, 2020.

- **A.16-10-012 (DCR Transmission (Ten West Link Project))**

On December 20, 2019, the ISO submitted testimony analyzing the benefits of the proposed project. The ISO provided an overview of its transmission planning process that identified the economically-driven need for the Ten 26 West Link Project, which consists of a proposed 114-mile 500 kV 27 series-compensated transmission line extending between the Delaney Substation in Tonopah, Arizona, and the existing Colorado River Substation located west of Blythe, California. The ISO represented that the ISO approved the proposed project in its 2013-30 2014 transmission plan based on its economic planning studies. The ISO also provided an overview of the reasons why the Commission should find the project to be needed in this proceeding, recognizing the passage of time and other circumstances that have evolved since the project was approved in the ISO's transmission planning process.

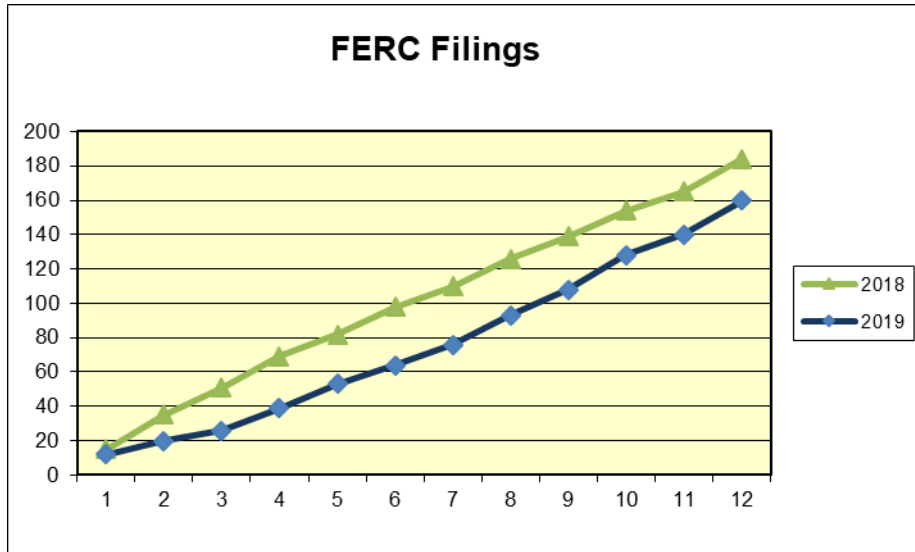
- **R.16-02-007 (Integrated Resource Planning Framework)**

On December 17, 2019, the ISO submitted comments on the proposed reference system portfolio, offering myriad modeling suggestions and a suggestion to reassess the current integrated resource planning process and timelines to ensure adequate time for party feedback and CPUC action. The ISO provided reply comments on January 6, 2020.

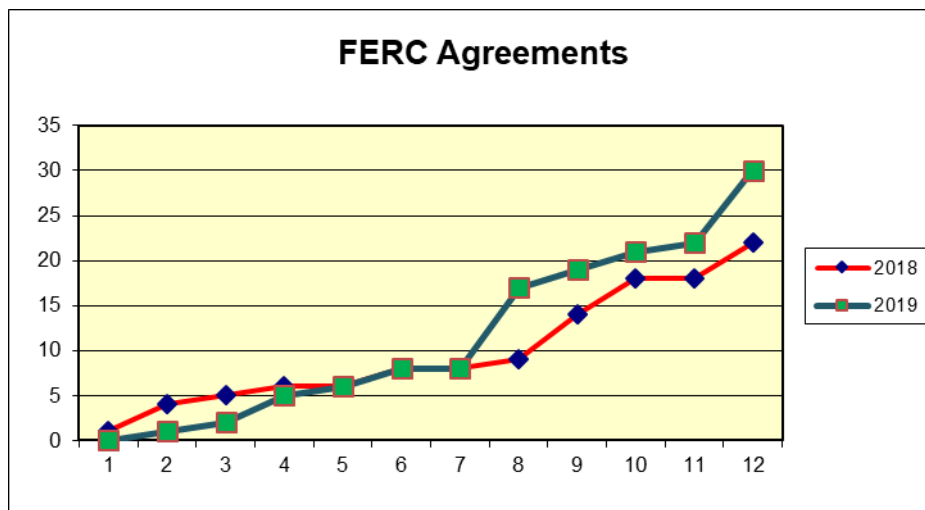
On December 9, 2019, the ISO provided comments on the CPUC's baseline list of resources. The ISO suggests the CPUC use or conform the baseline spreadsheet to the most recently available 2020 net qualifying capacity list, as it reflects the most up-to-date listing of resources available to be procured for resource adequacy purposes. The CPUC also should ensure that the baseline spreadsheet explicitly reflects imports.

- **19-IEPR-03 (California Energy Commission: Electricity and Natural Gas Demand Forecast Post 2020 Grid Operational Outlook)**

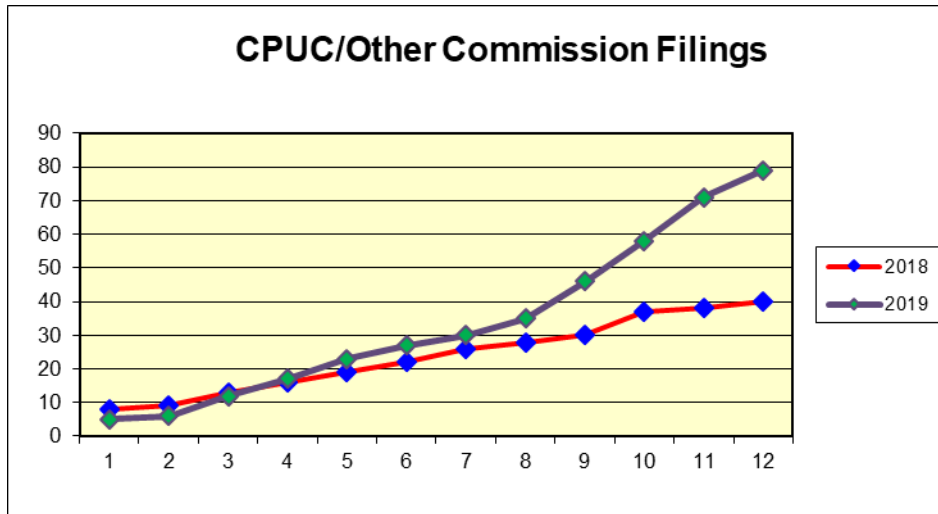
On December 13, 2019, the ISO submitted a weather normalized 2019 peak demands and peak demands forecast for 2020 report, in response to the December 2, 2019, Integrated Energy Policy Workshop on the 2019 Revised Electricity and Natural Demand Forecast.



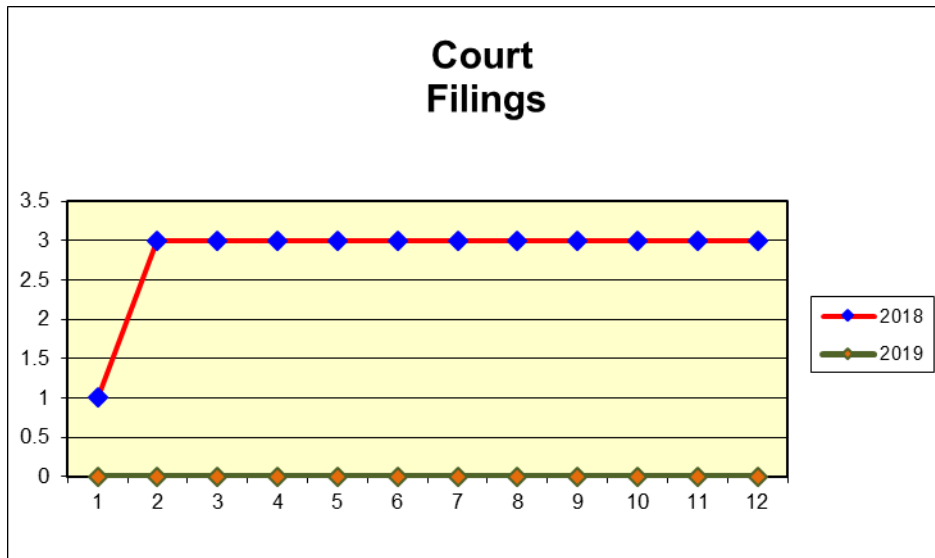
Total FERC Filings for December 2019 - 20

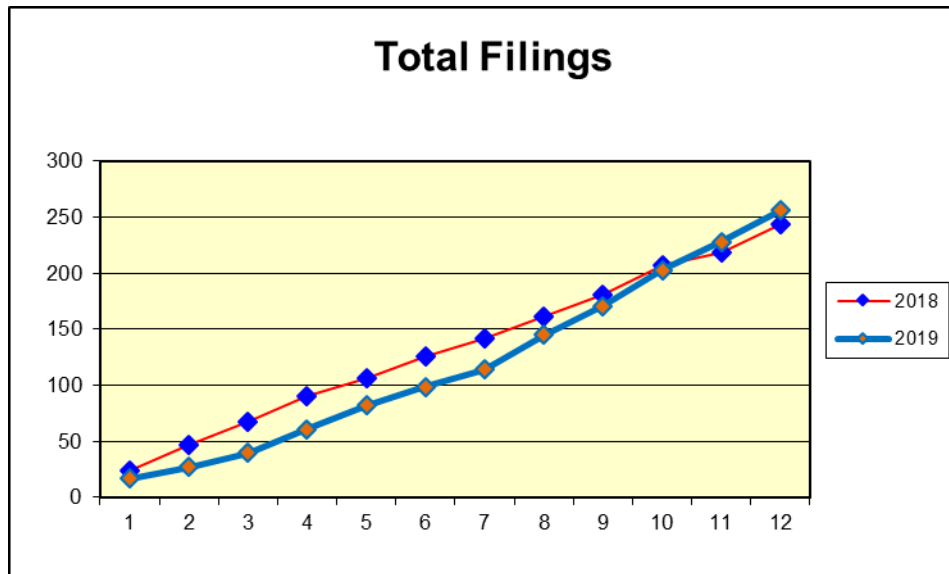


Total FERC Agreement Filings for December 2019 - 8



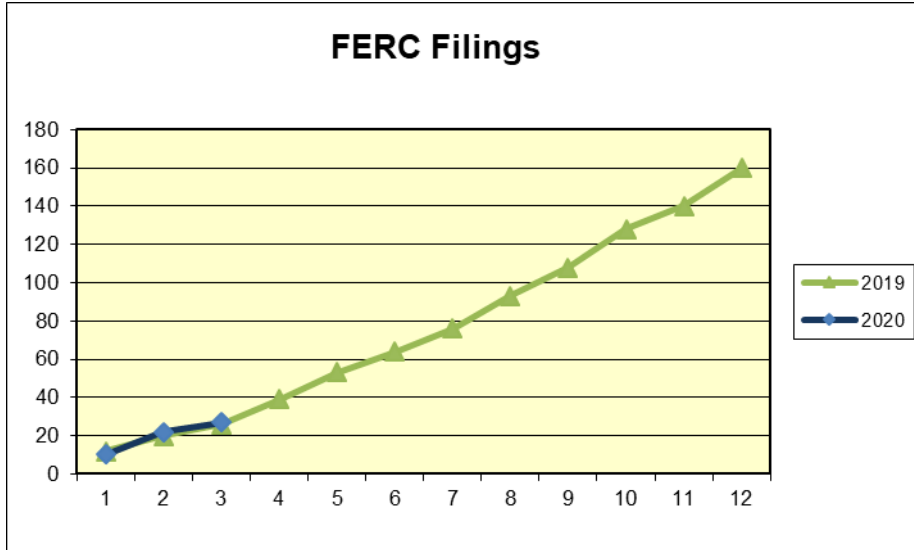
Total CPUC Filings for December 2019 - 8





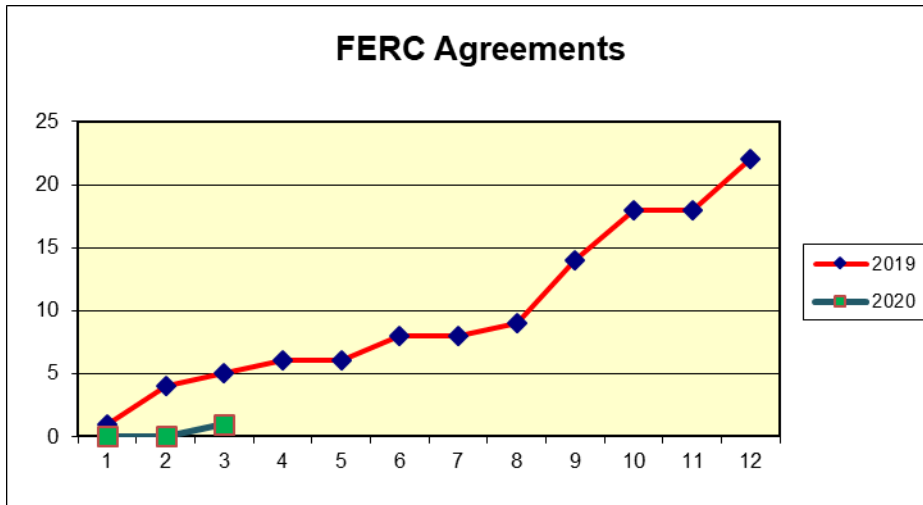
Total of all filings for December 2019 – 28

Regulatory Filings Through March 11, 2020



Total FERC Filings from January 2020 through March 2020 – 27

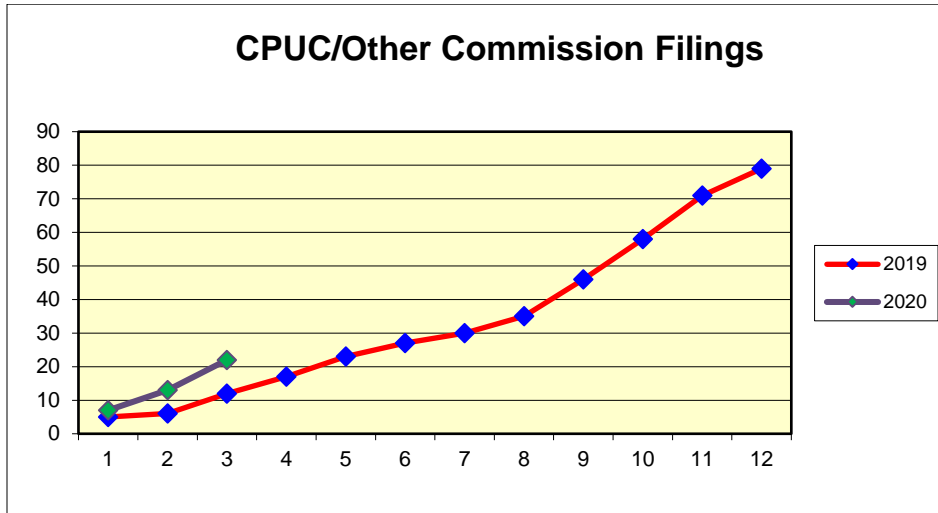
Total FERC Filings December 2019 through March 2020 - 47



Total FERC Agreement Filings from January 2020 through March 2020 – 1

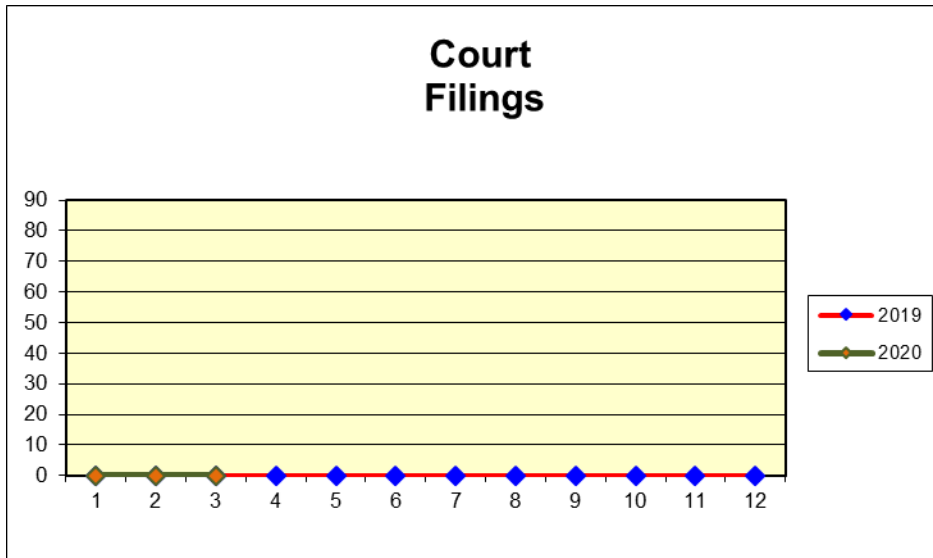
Total FERC Filings December 2019 through March 2020 - 9

Regulatory Filings Through March 11, 2020

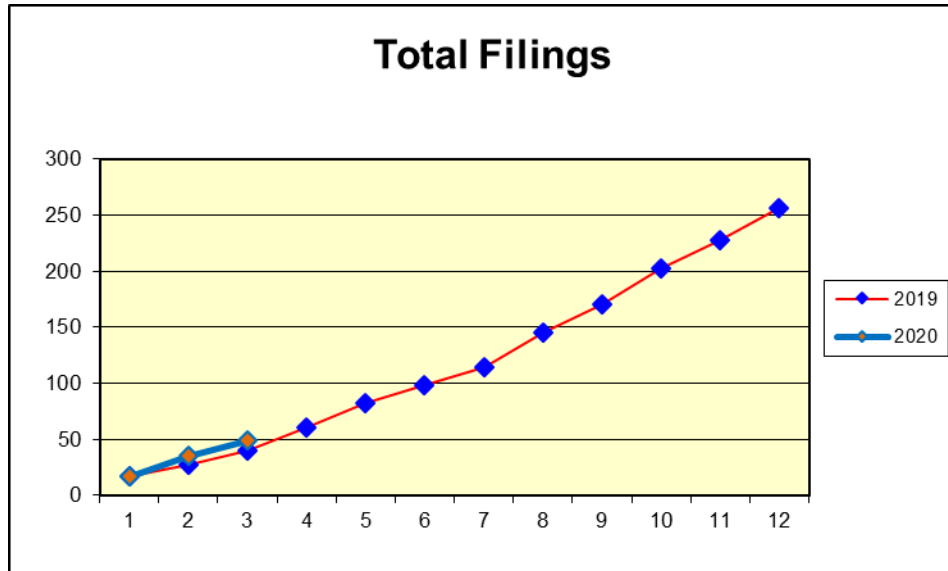


Total CPUC/Commission Filings from January 2020 through March 2020 – 22

Total CPUC/Commission Filings December 2019 through March 2020 - 30



Regulatory Filings Through March 11, 2020



Total Filings from January 2020 through March 2020 – 49

Total CPUC/Commission Filings December 2019 through March 2020 - 77