

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External and Customer Affairs
Anna McKenna, Interim Head of Market Policy and Performance

Date: January 27, 2021

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

This memorandum does not require Board action.

STATE AFFAIRS

Regulatory update

Final Root Cause Analysis:

On January 13, the ISO, California Public Utilities Commission (CPUC) and California Energy Commission (CEC) published the Final Root Cause Analysis (Final Analysis) of the mid-August 2020 extreme heat wave that led to controlled outages in the ISO footprint on August 14 and 15. The Final Analysis incorporates additional data analyses that were not available when the preliminary version was published, but does not substantively change earlier findings and confirms that the three major causal factors contributing to the August outages were related to extreme weather conditions, resource adequacy and planning processes, and market practices. Both the CPUC and the ISO have initiated proceedings and stakeholder processes to address the recommendations of the Final Analysis.

The ISO submitted testimony in January in the CPUC's Order Instituting Rulemaking (R.20-11-003) to address summer 2021 reliability needs, proposing to increase the 15% planning reserve margin (PRM) to 17.5%. This is a slight decrease from the 20% PRM proposed in the ISO's November 2020 comments and reflects a more comprehensive assessment of generator outages. Aligned with the ISO's request, the CPUC aims to release a proposed decision by mid-March. The ISO continues to advocate for (1) securing imports; (2) accessing any additional capability from the existing gas fleet that may be available with upgrades to existing facilities; (3) securing resources that are at risk of retirement or mothballing, but are still needed to meet system or local reliability needs; and (4) ensuring storage resources are installed, charged and ready to perform during the net demand peak period.

CPUC Electric and Gas Rates and Costs En Banc:

The CPUC has announced an En Banc on February 24 to address California electric and gas cost and rate trends over the next decade. Specifically, the CPUC will focus on the balance between California's critical climate, electrification, and building decarbonization goals while maintaining affordable service for customers receiving electric and gas service in California's investor-owned utility territories. The CPUC will release a whitepaper in early February to inform the discussion.

Legislative update

Legislature:

Due to resurgence in COVID-19 cases, California lawmakers and their staff delayed their return to Sacramento by one week, formally reconvening the 2021-2022 Regular Session on January 11.

As we have noted in previous reports, the Assembly Utilities and Energy Committee held an oversight hearing on the August electricity outages on October 12, 2020. Following the hearing, Chair Chris Holden asked the CPUC, CEC and ISO to provide the Legislature with written monthly updates on the status of the corrective actions taken to prepare for next summer. The ISO worked collaboratively with the two state agencies to develop and submit our second monthly update on January 11.

2021-2022 State Budget:

On January 8, Governor Newsom submitted a \$227 billion spending plan to the Legislature, including a \$4.5 billion economic stimulus package entitled the "Governor's Equitable Recovery for California's Businesses and Jobs Plan" to accelerate economic recovery and job creation. As the largest item in the economic stimulus package, the governor proposed \$1.5 billion to help meet the state's 2035 zero-emission vehicle goals, including up to \$1 billion to fund the infrastructure needed to support zero-emission vehicles. Governor Newsom also proposed supporting job growth through a \$300 million distribution of one-time money to tackle deferred maintenance and greening projects, such as the installation of electric vehicle charging stations at state buildings.

REGIONAL AFFAIRS

EIM Governing Body:

The EIM Governing Body held a general session teleconference meeting on January 20. The members received verbal updates from the chairs of the EIM Governance Review Committee, the Body of State Regulators (BOSR) and the Regional Issues Forum (RIF). In addition, the Governing Body discussed the performance of the Western EIM during the summer 2020 heat wave events and received an ISO

presentation on the policy initiatives roadmap and annual plan. The EIM Governing Body will hold their next public teleconference meeting on March 10.

Body of State Regulators:

The BOSR held a public teleconference meeting on January 8. During the meeting, the members discussed the EIM Governance Review revised straw proposal, focusing on the delegation of authority and representation for Federal Power Marketing Agencies and Consumer-Owned Utilities to the BOSR. The next public teleconference meeting of the BOSR is scheduled for February 12.

EIM Governance Review Committee:

The California ISO has extended the deadline to submit written comments on the Western EIM Governance Review revised straw proposal from January 22 to January 29. This extension was in response to stakeholders that requested more time before submitting their comments on the revised straw proposal.

FEDERAL AFFAIRS

Administration:

Trump Administration

On January 14, President Trump issued an Executive Order establishing a Wildfire Subcabinet led by the secretaries of Agriculture and Interior, with participation by the departments of Defense, Energy, Homeland Security, the EPA, the Council on Environmental Quality and others. The subcabinet will meet quarterly to explore improved government agency responses to wildfire threats and vulnerabilities. The Order specifically addresses threats to the electric grid, calling for strengthening government and industry collaboration with critical infrastructure to improve vegetation management. The Biden Administration is expected to maintain the Wildfire Subcabinet going forward.

Biden Administration

President Joe Biden and Vice-President Kamala Harris were inaugurated on January 20. President Biden has made action on climate change one of the four central pillars of his Administration and has pledged to cut U.S. carbon emissions to net zero by 2050. Following his inauguration, President Biden acted to rejoin the Paris Climate Accord, the multinational agreement formed to address greenhouse gas emissions worldwide. The U.S. formally announced withdrawal from the Accord on June 2017, which was effective under U.N. regulations on November 4, 2020.

President Biden has named the following members of his energy, environment and climate team:

- Secretary of Energy: Former Michigan Governor Jennifer Granholm;
- EPA Administrator: Michael Regan, Secretary of the North Carolina Department of Environmental Quality;
- Secretary of the Interior: Representative Deborah Haaland (D-NM);
- Special Envoy for Climate: Former Secretary of State and Senator (D-MA) John Kerry;
- Chair, White House Council on Environmental Quality: Brenda Mallory, an environmental attorney;
- Chair, Domestic Policy Council: Susan Rice, former National Security Advisor in the Obama Administration; and
- Science Advisor and Chair, Office of Science and Technology Policy: Eric Lander, President of the Broad Institute at Harvard University and the Massachusetts Institute of Technology. President Biden also announced that he will elevate the position to the Cabinet level.

Congress:

On December 27, 2020, Congress passed H.R. 133, the year-end package that included a massive \$2.3 trillion Fiscal Year 2021 agency spending bill, COVID relief funds, and the long-awaited Energy Act of 2020, which combined the Senate's American Energy Innovation Act (S. 2657) and the House's Clean Economy and Jobs Act (H.R. 4447) with some modifications. President Trump signed the bill into law that day. The Energy Act represented more than 5 years of bipartisan work by House and Senate energy committee leaders and contains major titles on renewable energy, storage and grid modernization, among others.

Members of the 117th Congress were sworn in at the U.S. Capitol on January 3. They included the following new California House Members:

- Jay Obernolte (R) – District 8 (Eastern desert regions);
- David Valadao (R) – District 21 (San Joaquin Valley), who is returning to Congress after being defeated in 2020;
- Young Kim (R) – District 39 (Fullerton);
- Michelle Steele (R) – District 48 (Newport Beach/coastal Orange County);
- Darrell Issa (R) – District 50 (El Cajon/Temecula), who is returning to Congress after retiring in 2018. He formerly represented California's 49th District; and
- Sara Jacobs (D) – District 53 (San Diego).

On January 18, Senator Kamala Harris resigned her U.S. Senate seat in advance of being sworn in as Vice-President. California Secretary of State Alex Padilla also resigned his position on January 18 and was sworn in to replace Vice President Harris as California's newest U.S. Senator on January 20. Democratic victories in the

January 5 Senate runoff elections in Georgia leave the Senate tied at 50-50 and give Democrats a narrow majority with Vice President Harris able to cast a tie-breaking vote. The new balance of power in the Senate helps to ensure that climate change will be a legislative priority in the 117th Congress.