

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Policy and Performance

Date: March 9, 2022

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

This memorandum does not require Board action.

STATE AFFAIRS

Regulatory update

Integrated Resource Plan Proceeding:

On February 10, the California Public Utilities Commission (CPUC) voted 4-0 to adopt the Preferred System Plan (PSP) portfolio that meets a 38 million metric ton (MMT) greenhouse gas (GHG) target by 2030 (Decision (D.)22-02-004). The PSP portfolio is based on the California Energy Commission's 2020 Integrated Energy Policy Report demand forecast plus an adjustment for high electric vehicle penetration. The portfolio cumulative buildout by 2032 includes: 17,500 MW of utility-scale solar; 13,600 MW of battery storage; 3,500 MW of wind; 1,700 MW of off-shore wind; 1,500 MW of wind on new out-of-state transmission; and 1,000 MW each of geothermal and long-duration storage. This portfolio also includes the 11,500 MW of incremental capacity authorized by the CPUC on June 24, 2021 via the Mid-Term Reliability decision (D.21-06-035) to address critical mid-term reliability needs from 2023 through 2026, including the retirement of Diablo Canyon Power Plant and 3,700 MW of once-through cooling thermal resources. The ISO supports both decisions. In particular, in D.22-02-004, the ISO supports the transmittal of a portfolio for the transmission planning process to study and orders the procurement of two storage resources identified by the ISO as alternatives to transmission upgrades in the previous transmission planning cycle (Kern-Lamont and Mesa substation projects). The ISO also supports the Decision's direction to staff to start additional analysis in 2022 around thermal plan retirement and developing a more programmatic approach to provide a more predictable way to determine procurement obligations. The ISO continues to work closely with the CPUC and stakeholders to track online dates of needed capacity that aligns with portfolio expectations.

Legislative update

Legislature:

The Legislature remains in a state of flux due to ongoing Covid-19 concerns and an unusually high number of influential legislators that are resigning from the Legislature to pursue other offices, terming out of office, or retiring. In fact, almost two dozen California lawmakers have indicated that they are leaving this year, or will not be seeking re-election in November.

February 18 marked the last day for California lawmakers to introduce legislation for consideration this year. At this time, State Affairs is reviewing and evaluating more than 60 bills that were introduced or amended before the deadline that may be related to the ISO or energy industry, generally. A few of those recently introduced are similar to pieces of legislation from last year, with legislators seeking to resolve issues related to the base interruptible program and green hydrogen. State Affairs also expects that a number of bills related to transmission planning may receive considerable attention this year, such as Assembly Bill 2696 authored by the new Chair of the Assembly Utilities and Energy Committee, Assemblymember Eduardo Garcia, which sets out to study alternative financing mechanisms for new transmission facilities. Chair Garcia replaces Assemblymember Chris Holden, who has been appointed Chair of the Assembly Appropriations Committee.

REGIONAL AFFAIRS

WEIM Governing Body:

On February 8, the Western Energy Imbalance Market (WEIM) Governing Body met virtually in general session. During the general session, the WEIM Governing Body received a CEO report, updates from the Body of State Regulators and Regional Issues Forum, and updates on WEIM benefits, WEIM implementation, the extended day-ahead market initiative, and the annual policy initiatives roadmap process timeline.

Body of State Regulators:

On February 11, the Body of State Regulators (BOSR) held its monthly meeting. Agenda items included: 1) an update from the WEIM Governance Review Committee; 2) a discussion of GHG accounting in the day-ahead market timeframe; and 3) an overview of the Regional Issues Forum and discussion of opportunities for the Regional Issues Forum and the Body of State Regulators to work together in support one another's efforts. The BOSR's next monthly call will be held virtually on March 11.

Regional Issues Forum:

On January 25, the Regional Issues Forum hosted its first event of the year. Topics included GHG accounting across the west, ISO market run, and a presentation from

WAPA – a new WEIM entrant. The next RIF event is tentatively set for May 9. The WEIM entities sector and the Public Interest Groups and Consumer Advocates sector have kicked off the process to identify and select sector liaisons to replace resigning RIF members Pam Sporborg and William Gehrke. The ISO will assist these sectors and hold public stakeholder calls to discuss nominees for the open positions and review next steps.

WEIM Governance Review Committee:

The WEIM Governance Review Committee (GRC) has a full complement of 14 members, with three new members appointed at a public joint session of the WEIM Governing Body and ISO Board of Governors on January 20, a new member representing the WEIM Governing Body and a new member representing the WEIM Body of State Regulators. On February 17, the GRC held a public session to brief stakeholders on their previous efforts, provide overview of proposed process, and requested stakeholder comments on what elements are implicated by EDAM market design issues. Stakeholder comments on these questions are due March 9. The GRC also held an executive session meeting on February 18 and plan to have their next executive session meeting on March 18. They are looking to schedule public meetings in March and April, and will lay out their next steps as soon as they are developed.

FEDERAL AFFAIRS

Administration:

On February 9, President Biden hosted utility CEOs at the White House to urge passage of the Build Back Better reconciliation bill, which has stalled in the Senate. The utilities have endorsed the passage of the approximately \$300 billion in tax incentives included in the original version of the bill. The Administration has committed to work with Congress to separate the bill into “chunks” that can be passed on a piecemeal basis

Also on February 9, the Department of Energy (DOE) announced a reorganization plan that aligns with the new Infrastructure Investment and Jobs Act of 2021 passed by Congress in November, creating a new Undersecretary for Infrastructure that will oversee the agency’s Loan Programs; the Office of Clean Energy Demonstrations; the Office of Cybersecurity, Energy Security and Emergency Response; and others. The position will require Senate confirmation. The new organization will include a Grid Infrastructure Office to manage the Department’s new transmission authorities, which expand the criteria for designation of National Interest Transmission Corridors to include cost savings for consumers and enhancement of national energy security as well as congestion.

On February 10, Energy Secretary Granholm and Transportation Secretary Buttigieg announced the agencies’ funding plan for development of a national electric vehicle infrastructure through the Infrastructure Development and Jobs Act. The Act provides

\$5 billion in Fiscal Years 2023-27 to install electric vehicle chargers, mostly along interstate highways, and \$2.5 billion in competitive grants to rural and underserved communities for electric vehicle infrastructure development. The plan will be overseen by the new Joint Office of Energy and Transportation. States will be required to submit plans for their use of the funds.

On February 16, the White House published a screening tool for environmental justice eligibility determinations, outlining criteria that prioritize communities for environmental services benefits. Disadvantaged communities are defined as low-income, plus over the 90th percentile for at least one of the following: Loss of agriculture, population, or building stock; poor environmental quality due to proximity to particulate, vehicle, or hazardous waste emissions; environmental-related health issues; or high energy costs. Approximately 28 million Americans are estimated to live in communities that meet relevant criteria. President Biden has committed to direct at least 40% of federal infrastructure benefits to these communities.

Congress:

On February 8, the Senate Committee on Energy and Natural Resources held a hearing to consider the nomination of Massachusetts State Representative Maria Robinson to be Assistant Secretary of the Office of Electricity at DOE's Office of Electricity. Rep. Robinson testified that her focus as Assistant Secretary would be on reliability, including grid upgrades to be implemented through the Infrastructure Investment and Jobs Act. The committee also heard testimony from Dr. Joseph F. DeCarolis to be Administrator of the Energy Information Administration and Laura Daniel-Davis to be Assistant Secretary of the Interior for Lands and Mineral Management. At this writing, the committee has not scheduled a vote to advance these nominations to the full Senate.

The On February 15, the House Select Committee on the Climate Crisis held a hearing on grid reliability. Witnesses included Nancy Sutley, the former chair of the White House Council on Environmental Quality under President Obama and now the Chief Sustainability Officer at LADWP; Karen Wayland, CEO of the Gridwise Alliance; Katherine Hamilton, Chair of the Global Future Council on Clean Electrification; and Mark Mills, former science advisor to the Reagan Administration. Ms. Sutley testified that Los Angeles faces significant challenges from wildfires, extreme heat events and drought, each of which has impacts on reliability. She noted that the Infrastructure Investment and Jobs Act authorizes programs that can help to mitigate these challenges, increasing grid reliability and resilience while also helping to address climate goals.

On February 17, the Senate passed a short-term spending bill through March 11, averting the government shutdown that would have taken place on February 18, and providing time for negotiation of twelve separate appropriations agreements. The bill, termed a Continuing Resolution, has been signed by President Biden.