

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, Regional and Federal Affairs
Tom Doughty, Vice President, Customer and State Affairs

Date: January 30, 2019

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

This memorandum does not require Board action.

STATE AFFAIRS

Regulatory update

Joint Agency Steering Committee Update:

On January 9, the California Energy Commission (CEC) unanimously (5-0) voted to adopt the California Energy Demand Updated Forecast, 2018-2030. The forecast reflects important modeling improvements and for the first time in an “update” year, revised projections for electric vehicle and behind-the-meter photovoltaic (PV) system adoption. Lastly, the monthly peak demand forecast will also be used in the California Public Utilities Commission’s (CPUC’s) resource adequacy program. Development of the forecast reflects collaborative analyses and discussions led by the Joint Agency Steering Committee and included staff from the CEC, CPUC, California Air Resources Board (CARB) and ISO.

Integrated Resource Plan Update:

On January 7, the ISO presented its reliability-focused production cost modeling results in the CPUC’s Integrated Resource Planning (IRP) process proceeding for the 2017-2018 IRP cycle. This is the first time parties to the proceeding conducting their own modeling have been invited to present their findings. The ISO will also formally file these results. The ISO is actively engaged in the proceeding and in the IRP’s Modeling Advisory Group. The ISO has also been actively coordinating with CPUC staff to prepare for the transmittal of a portfolio to study under the ISO’s 2019-2020 Transmission Planning Process’s reliability and policy-driven base case.

Legislative update

Governor:

Governor Newsom was sworn into office on January 7, 2019.

Since taking office, the Governor has made several appointments related to energy and the environment. Severin Borenstein, a professor at the UC Berkeley Haas School of Business, and Mary Leslie, President of the Los Angeles Business Council, were appointed to the ISO Board of Governors, and current Chair David Olsen was reappointed. Governor Newsom also appointed Alice Reynolds as Senior Advisor to the Governor on Energy and Rachel Wagoner as Deputy Legislative Secretary on energy issues. Ms. Reynolds previously served as Senior Advisor for Climate, the Environment and Energy for Governor Brown. Ms. Wagoner recently served as Chief Consultant to the Senate Environmental Quality Committee.

Legislature:

The Legislature also reconvened on January 7, 2019 for the 2019-2020 Regular Session. Committee assignments in both houses have been announced:

Assemblymember Chris Holden (D-Pasadena) continues as Chair of the Assembly Utilities and Energy Committee, and Assemblymember Jim Patterson (R-Fresno) remains Vice-Chair. Other Assemblymembers on the Committee include Autumn Burke (D-Inglewood), Wendy Carrillo (D-Los Angeles), Phillip Chen (R-Diamond Bar), Jordan Cunningham (R-San Luis Obispo), Susan Eggman (D-Stockton), Cristina Garcia (D-Bell Gardens), Eduardo Garcia (D-Coachella), Chad Mayes (R-Yucca Valley), Al Muratsuchi (D-Torrance), Bill Quirk (D-Hayward), Eloise Reyes (D-Grand Terrace), Miguel Santiago (D-Los Angeles), and Phil Ting (D-San Francisco).

Senator Ben Hueso (D-San Diego) continues as Chair of the Senate Energy, Utilities and Communications Committee, and Senator John Moorlach (R-Costa Mesa) has been appointed Vice-Chair. Other Senators on the Committee include Steven Bradford (D-Gardena), Ling Ling Chang (R-Fullerton), Bill Dodd (D-Napa), Bob Hertzberg (D-Van Nuys), Jerry Hill (D-San Mateo), Mike McGuire (D-Healdsburg), Susan Rubio (D-Azusa), Nancy Skinner (D-Berkeley), Henry Stern (D-Canoga Park), Jeff Stone (R-La Quinta), and Scott Wiener (D-San Francisco).

STRATEGIC ALLIANCES AND REGIONAL AFFAIRS

Energy Imbalance Market (EIM):

Bonneville Power Administration continues their stakeholder process examining participation in the EIM. Their public process to explore EIM participation started July 2018 and is scheduled to produce a record of decision by September 2019, supporting

EIM implementation. Their first meeting of 2019 was held on January 16, and their next meeting is set for February 20, 2019.

SMUD/BANC is progressing well toward its April 1, 2019 EIM implementation date and will start parallel operations on February 1.

Energy Imbalance Market Governance:

The EIM Governing Body held a meeting January 24 in Folsom, CA. In general session, they heard updates from the Regional Issues Forum (RIF) and Body of State Regulators (BOSR). The Governing Body decided to submit comments to the ISO Board of Governors in support of the Intertie Deviation Settlements policy initiative, which falls within their advisory authority. They received a briefing from the ISO on the EIM Governance Review, after which they heard comments from a number of stakeholders regarding the review. The next EIM Governing Body meeting is March 12 in Albuquerque, NM.

The Body of State Regulators held their first teleconference of 2019 on January 11. During the call, the BOSR heard a “Welcome to the BOSR” presentation that covered what the BOSR does, its role in EIM governance, and staff support. They also heard an overview of the EIM Governing Body governance review stakeholder initiative from Western Interstate Energy Board staff and a stakeholder from a public interest group.

The Regional Issues Forum will have a meeting March 11 in Albuquerque, NM in conjunction with the next EIM Governing Body meeting.

FEDERAL AFFAIRS

Administration:

On December 6, 2018, the Senate approved confirmation of Bernard McNamee to be a Commissioner at the Federal Energy Regulatory Commission (FERC). Mr. McNamee was previously the Executive Director of the Office of Policy at the U.S. Department of Energy. Mr. McNamee’s term at FERC will extend through June of 2020.

On January 2, FERC Commissioner Kevin McIntyre passed away following a battle with cancer. Mr. McIntyre was confirmed by the Senate as FERC Chair in November, 2017 and was sworn in on December 7 of that year. He stepped down as Chair in October of 2018 and was succeeded by Commissioner Neil Chatterjee. McIntyre was previously the head of the global energy practice at the law firm Jones Day. No replacement has yet been nominated.

On January 9, President Trump officially nominated Andrew Wheeler to be Administrator of the Environmental Protection Agency. Wheeler has held the position on an acting basis since the resignation of Scott Pruitt on July 5, 2018. He was previously Deputy Administrator of the agency and, prior to that, was a lobbyist and

attorney in private practice. The nomination requires Senate approval. The Senate Committee on Environment and Public Works held a confirmation hearing for Wheeler on January 16 and a committee vote on the nomination is expected during the first week in February.

Congress:

The 116th Congress convened on January 3, 2019. In the House, the first order of business was establishing new Democratic leadership and approving members of key committees. Representative Frank Pallone (D-NJ) was named the incoming chair of the House Energy and Commerce Committee and has added “Climate Change” to the name of the Subcommittee on the Environment, representing a shift in priorities for the subcommittee. On January 14, Democrats announced that Representative Bobby Rush (D-IL) will chair the Subcommittee on Energy, Representative Paul Tonko (D-NY) will chair the Subcommittee on Environment and Climate Change, and Representative Dianne DeGette (D-CO) will chair the Subcommittee on Oversight and Investigations. All three were formerly ranking members on those panels. The committee will also add a new California member, Representative Nanette Barragan (D-44th District – South Los Angeles).

Incoming House Speaker Nancy Pelosi (D-12th District – San Francisco) has created a new Select Committee on the Climate Crisis, to be chaired by Representative Kathy Castor (D-FL). The committee will “investigate, study, make findings and develop recommendations on policies, strategies, and innovations to achieve substantial and permanent reductions of pollution” and evaluate other activities that contribute to the climate crisis.

In the Senate, the Energy and Natural Resources Committee will continue to be chaired by Lisa Murkowski (R-AK). Senator Joe Manchin (D-WV) has been named ranking member. Senator Maria Cantwell (D-WA), the previous ranking member, has moved to the Senate Commerce, Science and Transportation Committee.

Key Legislation:

H.R. 359, “Enhancing Grid Security through Public-Private Partnerships,” sponsored by Representative Jerry McNerney (D-9th District – Pleasanton/San Joaquin Delta). Provides for the Secretary of Energy, in consultation with State regulatory authorities, industry stakeholders, the Electric Reliability Organization and others, to establish a program providing for voluntary assessment of physical and cyber security of the electric grid, and to submit reports to Congress on grid security and the costs of electric service interruptions. Status: Introduced on 1/9/19 and referred to the House Energy and Commerce Committee. Eligible to be considered by the full House under suspension of the rules.

H.R. 360, “Cyber Sense Act of 2019,” sponsored by Representative Bob Latta (R-OH). Requires the Secretary of Energy to establish a voluntary Cyber Sense program to test

the cybersecurity of products and technologies to be used in the bulk power system. Status: Introduced on 1/9/19 and referred to the House Energy and Commerce Committee. Eligible to be considered by the full House under suspension of the rules.

H.R. 362, “Energy Emergency Leadership Act,” sponsored by Representative Bobby Rush (D-IL). Establishes the position of Assistant Secretary for Cybersecurity within the Department of Energy as a permanent position. Status: Introduced on 1/9/19 and referred to the House Energy and Commerce Committee. Eligible to be considered by the full House under suspension of the rules.

H.R. 370, “Pipeline and LNG Facility Cybersecurity Preparation Act,” sponsored by Representative Fred Upton (R-MI). Requires the Secretary of Energy to carry out a program to ensure cyber and physical security of natural gas transmission and distribution pipelines, hazardous liquid pipelines, and liquefied natural gas facilities. Status: Introduced on 1/9/19 and referred to the House Energy and Commerce Committee. Eligible to be considered by the full House under suspension of the rules.