

# Memorandum

**To:** ISO Board of Governors

**From:** Mark Rothleder, Senior Vice President and Chief Operating Officer  
Stacey Crowley, Vice President, External and Customer Affairs

**Date:** December 9, 2020

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

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*This memorandum does not require Board action.*

## STATE AFFAIRS

### Regulatory update

#### **Capacity Valuation for Behind-the-Meter Hybrid Resources Joint Workshop:**

On November 24, Chair Galiteva and SVP and COO Rothleder joined leadership from the California Public Utilities Commission and the California Energy Commission in a joint public workshop to consider the potential to provide resource adequacy credit to hybrid storage/solar behind-the-meter (BTM) resources. The workshop met a commitment in the CPUC resource adequacy Decision 20-06-031. The ISO provided a detailed overview of the different pathways for BTM resources to participate in the ISO's markets as well as an update on Federal Energy Regulatory Commission Order No. 2222, which was largely modeled on the ISO's 2016 distributed energy resource provider filing.

#### **Summer 2021 Emergency Reliability Order Instituting Rulemaking:**

On October 6, the ISO, CPUC and CEC published the *Preliminary Root Cause Analysis* of the mid-August 2020 heat storm that led to controlled outages in the ISO footprint on August 14 and 15. In the report there were several recommendations to revise the resource planning requirements with a focus on reliability for Summer 2021. To that end, the CPUC released an Order Instituting Rulemaking to set the scope for discussing emergency reliability actions for Summer 2021. To expedite the discussion and ensure load serving entities are afforded as much time as possible to conduct procurement, the ISO submitted a resource "stack analysis" based on a proposed increased 20% planning reserve margin (PRM) applied to the most critical hour of need after the peak, when the load is still high but solar generation is very low or has ceased. The analysis found that for June and October, there may be sufficient resources available for contracting to meet the increased PRM. However, for July through September, new capacity will be needed. The ISO recognizes that a complete transition to the proposed higher planning target that considers the net demand after peak may not be feasible to achieve by next summer, but recommends that

immediate actions should be taken towards that goal. Specifically, the ISO advocates for (1) securing imports backed by firm transmission rights and not recallable by the host balancing authority when system conditions are tight throughout the West; (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. The ISO urges the CPUC to adopt a final decision no later than its April 15, 2021 business meeting.

### **Final Root Cause Analysis:**

The ISO, CPUC, and CEC continue to review the root causes of the August events, including lessons learned during the early September heat wave, incorporating settlement data that became available after the preliminary report, and intend to provide a final analysis by the end of the year.

### **Legislative update**

#### **Legislature:**

November 30 marked the end of the 2019-2020 Regular Session. On December 7, the Legislature convened the 2021-2022 Regular Session for an Organizational Session, which includes swearing in new members. New statutes will take effect on January 1, 2021. Legislators and their staff will formally return to their traditional duties of policy making and budget negotiations on January 4, 2021. Due to surges in COVID-19 cases, it is unknown how restrictive the Legislature will be regarding in-person hearings.

As we noted in the November 11 Legislative update, the Assembly Utilities and Energy Committee held an oversight hearing on the August electricity outages. Following the hearing, Chair Chris Holden asked the CPUC, CEC and ISO to provide the Legislature with monthly written 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 the first monthly report on December 1.

## **REGIONAL AFFAIRS**

### **EIM Governing Body:**

The EIM Governing Body held a general session teleconference meeting on December 2. In addition to regular updates from the chairs of the EIM Governance Review Committee, the Body of State Regulators (BOSR) and the Regional Issues Forum (RIF), the members received ISO presentations on three initiatives for consideration within their decisional capacity. The ISO presented energy storage and distributed energy resources phase 4, EIM base schedule submission deadline, and real time settlements review. The EIM Governing Body voted to support, in their advisory capacity on the

energy storage and distributed energy phase 4 initiative. They voted, with their primary authority, to support the EIM base schedule submission deadline initiative. Finally, the Governing Body voted to support the real time settlements review initiative, and as a hybrid initiative where the primary driver was EIM-specific. It will then go to the ISO Board, which will consider the entirety of the proposal on a non-consent basis.

### **Body of State Regulators:**

The Body of State Regulators held a public teleconference meeting on November 13. During the meeting, the regulators discussed a proposed funding arrangement for the BOSR support function of the Western Interstate Energy Board. The next meeting is December 11, 2020.

### **Regional Issues Forum:**

The Regional Issues Forum held their last meeting of 2020 on December 4, featuring two panels on transmission participation in the EIM and demand response products and offerings for EIM participants. In addition, RIF Chair Pam Sporborg announced tentative meeting dates for 2021, with their next meeting planned for March 9, 2021. These meetings are expected to be held via webinar, and will be coordinated with other regional meetings such as those of the EIM Governing Body.

### **EIM Governance Review Committee:**

On December 14, the EIM Governance Review Committee plans to publish its Western EIM Governance Review revised straw proposal and will review the proposal during a stakeholder call scheduled for December 17. Stakeholder comments are due on the proposal by January 22, 2021.

### **EIM Nominating Committee:**

The Public Interest Group and Consumer Advocates sector selected Nicole Hughes, the Executive Director at Renewable Northwest, to serve as their liaison on the EIM Nominating Committee, effective November 23. She will serve in a non-voting, advisory capacity on the EIM Nominating Committee, which is in the process of considering candidates for the EIM Governing Body.

## **FEDERAL AFFAIRS**

### **Administration:**

On November 5, President Trump named Commissioner James Danly to be Chair of FERC. Mr. Danly has served on the Commission since March 31, 2020 and was previously the FERC general counsel. Under the Federal Power Act, the President has the power to name the FERC Chair. The decision does not require Senate confirmation.

**Congress:**

The House and Senate returned to Washington, D.C. in mid-November for their post-election “lame duck” session, which will largely be focused on funding government operations before the current Continuing Resolution expires on December 11 in order to avoid a government shutdown. The House has passed all 12 appropriations bills. Just prior to the weeklong Thanksgiving recess, the Senate released draft bills to serve as a basis for negotiations with the House.

On November 30, the full Senate by voice vote approved the nominations of Allison Clements, a Democrat, and Mark Christie, a Republican, to be Commissioners at FERC, following a long-standing precedent of “pairing” nominees to maintain political balance. Senate action brings the agency to its full complement of five Commissioners.

As of November 30, the winners of all of California’s 53 congressional races have been unofficially determined. Results will be certified by the California Secretary of State on December 11 and the new 117<sup>th</sup> Congress will convene in Washington, D.C. to be sworn in on January 5. House and Senate leaders are currently considering congressional voting procedures and other logistical matters to ensure appropriate social distancing in response to the COVID-19 pandemic.

House and Senate members are scheduled to hold a joint session of Congress on January 6 to count presidential electoral votes as certified by the states and submitted to the Vice-President, who serves as the President of the Senate. The inauguration of President-elect Biden and Vice-President-elect Harris is scheduled for Wednesday, January 20, 2021. Under California state law, Governor Gavin Newsom has the responsibility to name a new Senator to serve in the seat that Kamala Harris is vacating.