

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Policy and Performance

Date: March 15, 2023

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

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory update

CPUC Integrated Resource Plan Proceeding:

On February 23, 2023, the California Public Utilities Commission (CPUC) issued a decision ordering 4,000 MW of new resource procurement in effective capacity to come online between 2026 and 2027. This decision also approved resource portfolios for use in the ISO's 2023-2024 Transmission Planning Process. This new resource portfolio uses the California Energy Commission's (CEC) 2021 additional transportation electrification demand forecast and meets a 30 million metric ton greenhouse gas (GHG) target. The approved resource portfolio includes more than 85 gigawatts (GW) of new resources by 2035, including 54 GW of renewable resources, of which 4.7 GW is offshore wind. The recommended portfolio also includes more than 28 GW of batteries and 2 GW of long-duration storage.

CPUC Resource Adequacy Proceeding:

On February 23, 2023, the ISO submitted comments into the CPUC Resource Adequacy Proceeding. In these comments, the ISO expressed appreciation for the extensive work the CPUC has undertaken in recent years to advance new resource procurement in California. Through the Integrated Resource Planning (IRP) proceeding, the CPUC has ordered procurement of 18,800 MW of new net qualifying capacity to come online between 2021 and 2028 to help ensure system reliability and meet state GHG reduction targets. The ISO recognizes the CPUC's efforts to ensure reliability are not limited to the resource adequacy proceeding. The ISO urges the CPUC to continue its efforts to advance new resource development in the IRP proceeding by taking the additional step of coordinating its efforts to plan for system needs in the IRP to meet at least a 1 in 10 loss of load expectation with procurement requirements established in the resource adequacy program.

CEC:

On February 28, 2023, the CEC adopted a staff analysis recommending that the state pursue an extension of the Diablo Canyon Power Plan (DCPP) through 2030 to ensure electric reliability. The CEC determination is based on analysis showing a need for capacity to address risks of supply shortfalls during extreme weather events driven by climate change. The CEC will release additional analysis later this year comparing the cost of alternative options to the cost of extending the DCPP.

Legislative update**Legislature:**

With the passing of the February 17 deadline for bills to be introduced, the ISO is currently tracking approximately 82 different legislative proposals relating to energy. While this is a two-year session, there are already several legislative proposals that would shape California's energy policy in the near and long term.

- AB 538 (Holden) – Multistate Transmission Operator –would require a California transmission owner, retail seller, or local publicly owned electric utility, before joining a multistate regional transmission system organization, to submit the bylaws and other organizational documents that govern the multistate regional transmission system organization to the CEC for review, among other provisions.
- SB 420 (Becker) – would require the Governor to identify a lead agency to monitor clean energy and electrical transmission facility planning and deployment, and require that agency to identify those electrical transmission facility projects necessary to maintain system reliability and to meet specified targets.

Over the next month, the Assembly and Senate policy committees will be hearing the bills above and many more.

REGIONAL AFFAIRS**WEIM Governing Body:**

On January 31, 2023, the Western Energy Imbalance Market (WEIM) Governing Body (GB) held a hybrid in-person/virtual general session meeting. In addition to standing items, Governing Body market expert Susan Pope provided the Governing Body with briefings on the ISO's transmission service and market scheduling priorities – phase 2 and extended day-ahead market initiatives. Stacey Crowley then briefed the Governing Body on the implementation of Assembly Concurrent Resolution (ACR) 188, providing an overview of the ACR 188 process, draft summary report findings, and next steps.

Governing Body Vice Chair Jennifer Gardner has provided notice that she will resign from her position on the Governing Body (term set to expire in 2024), effective June 30,

2023. Governing Body Member Anita Decker, whose term is set to expire on June 30, has indicated her interest in being reappointed to the Governing Body. With these factors in mind, the WEIM Nominating Committee will work to recommend a slate of candidates to fill two seats on the Governing Body.

The Governing Body will hold its next general session meeting (virtually) on March 21, 2023.

WEIM Body of State Regulators:

The WEIM Body of State Regulators (BOSR) held its last monthly call on February 10, 2023. At this meeting, ISO staff provided the BOSR with an overview of the ISO's preliminary draft policy initiative roadmap 2023 - 2025. The BOSR will continue to hold virtual monthly calls to discuss relevant issues regarding the market and plans to hold its next in-person meeting on April 12, 2023, in Incline Village, NV, in conjunction with the Spring 2023 Joint CREPC-WIRAB meeting.

The Western Interstate Energy Board (WIEB) provides staff support to the BOSR. WIEB's Executive Director, Maury Galbraith, has accepted another position and will leave his position with WIEB in late-March/early-April. WIEB leadership is actively working to fill that position quickly.

WEIM Regional Issues Forum:

On February 8, 2023, the WEIM Regional Issues Forum (RIF) held a public teleconference meeting. At this meeting, ISO CEO Elliot Mainzer, WEIM Governing Body Chair Rob Kondziolka, and Governing Body Member Anita Decker (the Governing Body's RIF liaison) provided remarks. Former-RIF Chair Vijay Satyal, also provided a look back at the RIF's activities and efforts over the last year and announced that the RIF sector liaisons had selected Josh Walter (Seattle City Light) to serve as the next RIF Chair and Meg McNaul (Thompson Coburn) to serve as the next RIF Vice Chair. During this meeting, the ISO staff provided the RIF with an overview of the ISO's preliminary draft policy initiative roadmap 2023 – 2025, followed by an open discussion. The RIF then hosted a discussion on the WEIM resource sufficiency evaluation – failure consequences – principles and proposals. Presenters for this discussion included: Lauren Tenney Denison (Public Power Council), Bonnie Blaire (Thompson Coburn LLP, Counsel for Six Cities), Lindsey Schlekeway (NV Energy), and Cathleen Colbert (Vistra Corp).

The RIF will hold its next meeting on June 21 at the WECC offices in Salt Lake City, Utah. This will be a hybrid in-person/virtual meeting, held in conjunction with the June 22 Governing Body general session meeting, which will also be held at the WECC offices.

FEDERAL AFFAIRS

Administration:

On February 24, 2023, the Department of Energy's (DOE's) Grid Deployment Office released a draft of the National Transmission Needs Study for public comment and feedback. The study meets DOE's statutory requirement to issue a triennial State of the Grid report and provides information on current and future transmission capacity constraints and congestion that could impact consumers. The study finds that almost every region of the U.S. would gain reliability and resilience benefits from transmission investments. California and other regions with high electricity costs would benefit additionally from transmission that delivers cost-effective generation. DOE is seeking input on the analysis, conclusions and possible improvements to the study and expects to release the final document during the summer of 2023.

On March 2, 2023, DOE's Office of Grid Deployment issued expanded eligibility guidance for the second award cycle of the Civil Nuclear Credits Program, funded through the bipartisan Infrastructure Investment and Jobs Act. In November of 2022, DOE confirmed PG&E's eligibility to receive federal funding in the first phase of the program. PG&E has received a conditional award of approximately \$1.1 billion in federal funds that could be used to pay back a California Department of Water Resources award to support extended operations of Units 1 and 2 at the facility. Final federal funding will be determined based on actual project costs.

On March 2, 2023, the Nuclear Regulatory Commission issued approval for PG&E to seek renewal of plant licenses for the Diablo Canyon facility, finding that the license extensions would be in the public interest. PG&E is expected to file its renewal applications during 2023.

Also on March 2, 2023, the White House announced an economy-wide National Cybersecurity Strategy that augments previous actions to enhance national cyber protections. Defense of critical infrastructure is a major pillar of the strategy, with initiatives to expand the use of minimum cyber requirements in critical sectors, facilitate public-private collaboration to defend critical infrastructure and essential services, and modernize federal networks and incident response. Expanded research and technology development, international partnerships and strategic investments are included in the initiative.

Congress:

Republican members of the House Energy and Commerce Committee have introduced 17 energy-related bills that are generally intended to establish party goals to reduce impediments to domestic oil, gas and nuclear energy production and are not considered likely to advance out of the House in this session of Congress. One exception is a bipartisan bill, H.R. 1160, sponsored by Representatives Tim Walberg (R-MI) and Kim Schrier (D-WA). The measure would establish reporting requirements for utilities affected by cybersecurity incidents. The sponsors have committed to work with industry

stakeholders to incorporate their input into the bill language before final House consideration.