

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: March 13, 2024
Re: **State, Regional, and Federal Affairs Update**

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory Update

California Public Utilities Commission (CPUC) Integrated Resource Plan Proceeding:

On February 15, 2024, the CPUC adopted the 2023 Preferred System Plan in the integrated resource plan (IRP) proceeding. The CPUC will transmit the 2023 Preferred System Plan to the ISO to study as the base case in the 2024-2025 transmission planning process (TPP). The 2023 Preferred System Plan meets a 25 million metric ton greenhouse gas target for the electric sector by 2035. Notably, this portfolio calls for 56 gigawatts (GW) of new clean generation by 2035, including 19 GW solar, 19 GW of new storage capacity (including long-duration storage) and 4.5 GW of offshore wind. The CPUC will also transmit to the ISO a High Gas Retirement Sensitivity portfolio (with nearly 16 GW of gas retirements by 2039) for the ISO to study as a sensitivity case in the 2024-2025 TPP. In light of ordered procurement delays discussed in this proceeding, the ISO also continues to highlight the urgent need for the CPUC to develop a programmatic multi-year forward procurement framework that establishes procurement well ahead of the need.

CPUC High Distributed Energy Resource (DER) Future Grid Proceeding:

On February 8, 2024, the ISO presented at the first of three High DER Future Grid Study workshops. This CPUC proceeding and workshop series will examine the operational needs necessary to operate a high DER grid. The ISO's presentation focused on the need for coordination between utilities operating the distribution and the ISO operating the transmission system via enhanced communications and data sharing. In a High DER future, the ISO highlighted the need for enhanced data collection, access, and reporting of DER resources to improve planning and short-term demand forecasting processes as well as coordination between distribution system operators and the ISO to share information on DER activity in day-ahead and real-time timeframes.

California Energy Commission (CEC):

On February 14, 2024, the CEC approved the 2023 California Energy Demand Forecast. The CEC's 2023 forecast extends from 2023 to 2040 and will be used in ISO planning processes including the 2024-2025 TPP and annual local and flexible resource adequacy studies for 2025-2027. The ISO supported the adoption of the CEC's forecast. The CEC made significant updates to its hourly forecast model this cycle. Notably, the CEC updated its forecast with new historical load and behind-the-meter generation data, and included the impacts of California Air Resources Board (CARB) zero-emission appliance standards in the planning forecast used in the ISO TPP and CPUC IRP proceeding. These updates will help align CEC's forecasted load profiles with historic actual load profiles and ramps. However, the updated forecast also predicts a reduction in peak demands in nearer term years compared to last year's forecast vintage. In light of these reductions in peak demands in near term years, the ISO plans to work closely with the CEC and CPUC throughout 2024 to track demand and supply metrics to understand if the CEC's forecast approaching 2025 remains in line with expectations, and if mitigation measures are necessary if demand and supply conditions appear to tighten.

Legislative Update**California State Legislature:**

On February 5, 2024, Senator Mike McGuire (D-Healdsburg) became the 49th President Pro Tempore of the California State Senate and the new Chair of the Senate Rules Committee. In his first speech as Pro Tem, he cited strengthening and expanding the energy grid as one of his priorities.

On February 14, 2024, the [Senate Daily Journal](#) published a letter that Senators Scott Wiener (D-San Francisco) and Henry Stern (D-Los Angeles) authored to clarify that Senate Bills 253 and 261 were not intended to include participants from the Western Energy Imbalance Market (WEIM) and extended day-ahead market (EDAM).

State Affairs has reviewed over 2,000 newly introduced bills since the Legislature reconvened in January. February 16 was the deadline for new bill introductions. State Affairs will continue to track bills that may have an impact on ISO operations as they move through policy committees.

On February 20, 2024, the Assembly Utilities and Energy Committee held an informational hearing on coordination and collaboration amongst the energy entities. Neil Millar (Vice President of Transmission Planning & Infrastructure Development) represented the ISO and was joined by Siva Gunda (CEC Commissioner), and Leuwam Tesfai (Deputy Executive Director for Energy and Climate Policy at the CPUC). In addition to providing an overview on the TPP, the Memorandum of Understanding, and the interconnection process, the representatives of the energy entities answered questions on how each organization is working together to meet the state's climate goals.

ISO Board of Governors Appointments:

On February 15, 2024, California Governor Gavin Newsom announced that he has re-appointed ISO Governor Mary Leslie to another term on the ISO Board of Governors.

On March 6, 2024, ISO Governor Joseph Eto appeared before the Senate Rules Committee for his confirmation hearing, and the Committee voted 5-0 in favor of confirming his appointment to the ISO Board of Governors.

REGIONAL AFFAIRS**WEIM Governing Body:**

The WEIM Governing Body met in general session on February 6, 2024. In addition to standing items, Guillermo Bautista Alderete (Director, Market Performance and Advanced Analytics) provided a WEIM benefits and market update. Becky Robinson (Director, Market Policy Development) then provided updates on several day-ahead and real-time market initiatives as well as on-going working group efforts. The WEIM Governing Body will hold its next hybrid general session meeting on March 19, 2024, at the ISO in Folsom, CA.

WEIM Body of State Regulators (BOSR):

The WEIM Body of State Regulators (BOSR) met virtually on February 9, 2024. At this meeting, ISO staff provided an overview of the ISO policy catalog and roadmap process. The WEIM Regional Issues Forum (RIF) leadership team, Josh Walter (RIF Chair) and Meg McNaul (RIF Vice Chair), then provided BOSR members with an overview of the upcoming March 18, 2024, RIF roundtable discussion (described below) and an invitation to participate.

The BOSR held a virtual meeting on March 8, 2024, and will hold a hybrid meeting on April 24, 2024, in Denver, CO.

WEIM Regional Issues Forum (RIF):

On March 18, 2024, the WEIM Regional Issues Forum (RIF) will host its first annual RIF roundtable at the ISO in Folsom, CA. The RIF roundtable stems from a recommendation set forth in the Governance Review Committee's (GRC) WEIM Governance Review – phase three (EDAM) final proposal (approved by the ISO Board of Governors and WEIM Governing Body in February 2023), and will provide a forum for stakeholders to discuss the prioritization of discretionary ISO policy initiatives to be included in the ISO's draft annual policy initiative catalog. The roundtable discussion will be led by RIF sector liaisons and is open to all interested stakeholders, including members of the WEIM Body of State Regulators, the ISO Board of Governors, and WEIM Governing Body.

FEDERAL AFFAIRS

Congress:

On March 9, 2024, President Biden signed Fiscal Year 24 (FY) appropriations bills for energy, transportation, housing and urban development, veterans' affairs, and agriculture, which is about twenty percent of the federal government budget. (Congress is negotiating the remaining FY24 appropriations bills, which are set to expire on March 22, 2024. On March 11, 2024, President Biden announced his proposed budget for FY25. Given that Congress has not completed negotiations for portions of FY24 and it is an election year, it is unlikely that the proposal will be adopted, in whole or in part, by Congress before the FY24 fiscal year expires on September 30. Instead, a series of continuing resolutions to extend federal funding at FY24 levels is expected when FY24 appropriations expire.

House Energy and Commerce Committee (ENC) Chair Cathy McMorris Rodgers (R-Washington) announced she will not seek another term, which creates an opening for Republican leadership in the next Congress. On February 14, 2024, the ENC Committee held a hearing "Powered Up: State Utility Regulators on Challenges to Reliable, Affordable Electricity" and invited state representatives from Indiana, Arizona, Georgia, and Colorado to testify. Energy markets, including ISO markets, were discussed among broader discussions of reliability.

In early January 2024, the ISO submitted responses to Questions for the Record to the House ENC Committee and has not received any follow up questions.

Senate Energy and Natural Resources (SENR) Chair Joe Manchin (D-West Virginia) announced that he will not seek another term. His departure from the Senate creates an opening for Democratic leadership of the SENR in the next Congress.

Administration:

President Biden provided his speech on the State of the Union on March 7, 2024. He highlighted energy three times, referencing that his policies have attracted \$650 billion of private sector investments in clean energy and advanced manufacturing, that his policies are creating tens of thousands of clean-energy jobs, and that he launched a Climate Corps to employ 20,000 young people to work at the forefront of the clean energy future. He also focused on his broader climate agenda and target to cut emissions in half by 2030. Neil Millar was invited and appeared at a White House Strategic Roundtable on Innovative Grid Deployment on February 12, 2024.