

# Memorandum

**To:** ISO Board of Governors

**From:** Stacey Crowley, Vice President, Regional and Federal Affairs

Tom Doughty, Vice President, Customer and State Affairs

**Date:** October 25, 2017

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

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*This memorandum does not require Board action.*

## STATE AFFAIRS

### Regulatory update

#### **Joint Agency Workshop - Slow Response Local Capacity Resource Study:**

The California ISO (CAISO) and the California Public Utilities Commission (CPUC) hosted the third joint workshop on Slow Response Local Capacity Resources on October 4 at the CAISO, focusing on demand response resources in the CAISO's market. The workshop first focused on the results of transmission planning analyses outlining the reliability needs of the system and how demand response programs could meet those needs if all technical, regulatory, and market barriers were removed. Next, the workshop focused on potential options to remove market barriers to counting proxy demand response in the local area. This workshop furthers the discussion on changes that would be needed at the CAISO, or in demand response programs, in order to use demand response for reliability in the local capacity areas. The CAISO and the CPUC held an initial workshop on October 3, 2016 to explore availability requirements for slow response resources that are energy limited and cannot be dispatched within 20 minutes post-contingency, such as some demand response resources. The CAISO and CPUC expect to hold a fourth workshop to follow up on market and policy issues, how these resources may be dispatched in the market and how this may align with the transmission planning analysis. The joint agency workshops fulfill a requirement of the May 13, 2016 CAISO Executive Appeals Committee decision regarding a proposed change in the Reliability Requirements Business Practice Manual directing the CAISO to "seek to conduct a joint workshop with the CPUC to address how demand response resources can help the ISO effectively address NERC, WECC and ISO reliability standards applicable to local areas."

## **Legislative update**

The last day for the Legislature to pass bills was September 15, 2017 and the last day for the Governor to act on legislation passed by the Legislature was October 15, 2017. The Legislature reconvenes on January 3, 2018 for the second half of the two-year session.

### **Key legislation:**

AB 813 and AB 726 (Assemblyman Holden): Repeals existing law administering the transformation of the CAISO into a regional organization, as adopted in SB 350, and replaces it with provisions to facilitate the transformation of the CAISO into a regional organization if the newly created Commission on Regional Grid Transformation finds the CAISO Board of Governors' specified changes to its governance structure meets certain criteria by December 31, 2018. The bill also requires certain entities to procure a certain amount of tax-advantaged renewable resources. *Status: Stalled in Senate Rules Committee and Senate Floor, respectively—eligible to move forward in next year's legislative session.*

AB 79 (Assemblyman Levine and Senator Stern): Requires the California Air Resources Board (CARB), in consultation with California balancing authorities, to modify the methodology of calculating greenhouse gas emissions from unspecified sources of power by January 1, 2019, and to distinguish those emissions between sources in California and sources imported from other regions in the West. *Status: Vetoed by Governor, stating "This bill is unnecessary and interferes with the implementation of existing law passed just last year that requires the California Energy Commission, in consultation with the State Air Resources Board, to adopt methodology for the calculation of greenhouse gas emissions intensity for all electricity purchases."*

SB 100 (Senator De Leon): Establishes a 60 percent Renewable Portfolio Standard by 2030 and requires the CPUC, California Energy Commission (CEC), and CARB to incorporate a planning goal of achieving 100 percent reliance on zero-carbon electric generating facilities by December 31, 2045. *Status: Stalled in Assembly Utilities and Energy Committee—eligible to move forward in next year's legislative session.*

SB 338 (Senator Skinner and Assemblyman Mullin): Requires the CPUC and governing boards of local publicly owned electric utilities to consider the role of existing renewable generation, grid operational efficiencies, energy storage, and distributed energy resources to ensure load serving entities meet energy and reliability needs during the hours encompassing the hour of peak demand, while reducing the need for new generation and transmission in achieving the state's energy goals at the least cost to ratepayers. *Status: Signed by Governor.*

SB 520 (Senator Mitchell): Requires the CPUC to develop and administer a program to provide compensation for advocate's fees, expert witness fees, and other costs of participation in processes and proceedings of the CAISO regarding transmission planning, transmission access charge, energy markets and regionalization. The Intervenor Funding Program would be funded through a charge by the investor-owned utilities on the local distribution system. The program would sunset four years after it is implemented. *Status: Held in Assembly Appropriations.*

## **STRATEGIC ALLIANCES AND REGIONAL AFFAIRS**

### **Energy Imbalance Market (EIM):**

Portland General Electric (PGE) became operational in the EIM on Sunday morning, October 1, becoming the 5<sup>th</sup> operational EIM entity. The transition to full binding operation went smoothly, the result of intensive preparation work at both PGE and the ISO.

Preparations continue to be on track for successful implementation of Idaho Power Company and Powerex in April 2018.

The EIM benefits report released in August showed total EIM benefits of over \$213 million since it began in November 2014. The third quarter 2017 EIM benefits report will be released in late October-early November and is expected to reflect a similar level of benefits seen in the second quarter.

As part of its regional outreach, the CAISO is engaged with several western entities that are studying the EIM benefits and costs for their specific balancing areas. One of the entities studying EIM participation is the Mexican grid operator El Centro Nacional de Control de Energía (CENACE), specifically the Baja Norte area.

### **Energy Imbalance Market (EIM) Governance:**

The EIM Governing Body held an executive session teleconference on October 11. It opted to cancel its general session in-person meeting that was scheduled for October 10 as there were no decisional items and only a small number of informational items that could be deferred to the next meeting. The next in-person general session meeting will be held on November 29 in Boise, Idaho.

The Body of State Regulators (BOSR), led by Washington Utilities and Transportation Commission Commissioner Ann Rendahl as chair, held a conference call on September 25 and an in-person meeting on October 16 in Reno, Nevada. During both the call and meeting, the BOSR discussed administrative items, its stakeholder feedback survey, and nominations for chair and vice-chair. At their October 16 meeting, BOSR voted to

elect Jordan White of Utah as the new Chair and Ann Rendahl of Washington as Vice Chair of BOSR. In a separate vote, BOSR elected Ann Rendahl as the representative to the EIM Governing Body Nominating Committee, replacing Arizona Commissioner Doug Little, who left the commission. Additionally, the group agreed to make changes in BOSR and Staff Advisory Committee administration that include the Western Interstate Energy Board (WIEB) providing administrative and staff support. Also at the October 16 meeting, the CAISO provided an update on the Consolidated EIM initiative proposal as well as an overview of the changes in the Initiative Roadmap process. They are reviewing their schedule for meetings, including further discussions on whether to schedule quarterly meetings, and how best to coordinate with other EIM related meetings, including a preference to hold in-person meetings during the CREPC Spring and Fall meetings held throughout the West.

The Regional Issues Forum sector liaisons held a planning conference call on September 18 to begin planning for its next in-person meeting. The next in-person meeting will be held in Boise, Idaho on November 28 and the agenda is still under development.

## **FEDERAL AFFAIRS**

### **Administration**

As widely reported, on September 29 the Department of Energy issued a proposed rulemaking, under Sec. 403 of the Department of Energy Organization Act, directing the Federal Energy Regulatory Commission (FERC) to open a rulemaking proceeding to provide “full recovery of costs” for power plants in Independent System Operators (ISO) and Regional Transmission Organizations (RTO) with capacity markets for resources that have 90 days of on-site fuel supplies, consistent with the Administration’s position characterizing fuel availability as a national security issue. FERC responded on October 2 with a procedural notice setting initial comments for October 23 and reply comments on November 7. FERC has also issued an information request in the docket asking for comments on specific questions focused on the need for reform, eligibility requirements, implementation and rate issues, along with other matters. The CAISO’s legal and policy teams have reviewed potential impacts of the proposal and developed comments that the CAISO filed with the FERC. Our comments state that we do not support the proposed rule. We explain that the proposed rule would not apply to the CAISO because the CAISO does not have a capacity market. In our comments, we also argue that there is no basis for a universal finding that having a 90-day, on-site fuel supply is essential for every ISO and RTO to maintain grid reliability or resilience. Each ISO and RTO must consider specific circumstances in its respective region to ensure it can withstand threats to its system. Accordingly, any action taken by the Commission in this proceeding should allow each ISO and RTO the flexibility to determine which resources and capabilities are needed to maintain reliability and resilience based on the

specific circumstances in its respective region. Notwithstanding the foregoing, if the Commission adopts a final rule in this proceeding, we ask that it reflect a number of considerations including recognizing regional differences and limiting its applicability to existing resources needed for reliability pursuant to a regional needs assessment process. If the Commission considers any changes that constitute a significant departure from the regulatory requirements in the proposed rule, e.g., proposing uniform changes to the day-ahead and real-time markets, we argue the Commission should issue a revised Notice of Proposed Rule (NOPR), or an entirely new NOPR, and provide an opportunity for public comment on any new proposal.

On October 10, U.S. Environmental Protection Agency Administrator Scott Pruitt signed a proposal to repeal the Clean Power Plan, a rule issued in 2015 aimed at reduction of carbon emissions from existing power plants. The Clean Power Plan rule has been subject to a freeze by the Supreme Court pending the results of legal challenges and has never been implemented. The Pruitt proposal challenges the legality of the original Plan and states that the agency will work with industry to potentially craft a replacement rule. Further litigation is expected.

### **Congress**

On October 4, the Senate Committee on Energy and Natural Resources cleared the nomination of Bruce Walker to be Assistant Secretary for Electricity Delivery and Energy Reliability at the Department of Energy. The full Senate approved the nomination by voice vote on October 5. Mr. Walker is the founder of Modern Energy Insights, Inc., a company that evaluates risk to critical utility infrastructure. He has also served on the Department's Electricity Advisory Committee.

The Senate recessed for a week-long District Work Period on October 5 without taking up the nominations of Kevin McIntyre and Rich Glick to be Commissioners at FERC. The nominations cleared the Senate Energy and Natural Resources Committee on September 19, but press reports indicate that a Senator has placed a hold on the nominations.

### **Legislation:**

Since the 115<sup>th</sup> Congress convened in January, House and Senate Members have introduced dozens of bills in support of grid modernization, cybersecurity protections, distributed resources, renewable energy and advanced energy technologies, demand response, energy storage and other topics relevant to CAISO operations. However, to date only a few have advanced beyond the introductory stage. They include the following:

H.R. 1873: Electricity Reliability and Forest Protection Act (Congressman LaMalfa – R-CA 1<sup>st</sup> District). Enables utility companies to more efficiently remove hazardous trees and other vegetation near transmission lines to reduce risks of wildfires. *Status: Passed House on June 21. Referred to Senate Committee on Energy and Natural Resources on September 19.*

H.R. 2883: Promoting Cross-Border Energy Infrastructure Act (Congressman Mullin – R-OK). Provides that the Department of Energy must issue a certificate of crossing for any border-crossing electric transmission facilities and that such facilities be constructed, connected, operated, or maintained consistent with specified policies and standards. Removes the requirement that a presidential permit must be issued for such facilities. *Status: Passed House on July 17. Referred to Senate Committee on Energy and Natural Resources July 20.*

H.R. 1967: Bureau of Reclamation Pumped Storage Hydropower Development Act (Congressman Lamborn – R-CO). Clarifies that the Bureau of Reclamation is the lead agency overseeing pumped storage development on federal lands. *Status: Passed the House on June 27. Referred to Senate Committee on Energy and Natural Resources on June 28.*

H.R. 338: To Promote a 21<sup>st</sup> Century Energy and Manufacturing Workforce (Congressman Rush – D-IL). Directs the Department of Energy to prioritize education and training for energy and manufacturing jobs in awarding grants. Prioritizes education and training workers from underrepresented groups such as minorities, women and veterans and gives special consideration to dislocated energy and manufacturing workers. *Status: Passed House on June 12. Referred to Senate Committee on Energy and Natural Resources on June 13.*