

Memorandum

To: ISO Board of Governors

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

Tom Doughty, Vice President, Customer and State Affairs

Date: February 9, 2017

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

This memorandum does not require Board action.

STATE AFFAIRS

Regulatory Update

Once-Through Cooling – Deferral of Compliance Date for the Encina Power Station:

Background

The State Water Resources Control Board's (SWRCB) Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (OTC Policy), effective October 1, 2010, requires that NRG Energy (NRG), the owner of the Encina Power Station (Encina) in Carlsbad, make Encina compliant with the OTC Policy by December 31, 2017. NRG submitted an implementation plan to replace the OTC units at Encina with the Carlsbad Energy Center Project (Carlsbad), a 500 MW gas-fired generating facility consisting of five natural gas fired combustion turbines, before the start of summer of 2018. However, litigation of the CPUC's approval of the Carlsbad Power Purchase Tolling Agreement (PPTA) in 2016 has delayed the construction completion date beyond the start of summer 2018.

Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS)

The OTC Policy created SACCWIS to advise the SWRCB on whether the compliance schedule for retiring the state's power plants with OTC technology would adversely impact the reliability of California's electricity supply, including local area reliability and statewide grid reliability. SACCWIS must also consider permitting constraints. SACCWIS includes representatives from the California Energy Commission, California Public Utilities Commission, California Coastal Commission,

California State Lands Commission, California Air Resources Board, the ISO, and the SWRCB. SACCWIS is supported by staff from its member organizations.

The ISO has conducted studies indicating that reliability in the combined LA Basin and San Diego areas cannot be maintained if Encina is retired prior to the completion of Carlsbad. ISO staff is working with staff of the SACCWIS member agencies to draft a report recommending to the SWRCB an extension of the OTC compliance date for Encina.

SACCWIS is scheduled to meet in late February to consider adoption of the Encina compliance date deferral report. The report will be presented to the SWRCB in March followed by a public hearing in June and, if approved by the SWRCB, an OTC Policy amendment on Encina by the Office of Administrative Law by December, 2017.

Legislative Update

Legislature:

Senate President *pro tempore* Kevin de León (D-Los Angeles) has announced Senate committee memberships.

Senate Energy, Utilities, and Communications Committee

Senator Ben Hueso (D-San Diego), Chair
Senator Mike Morrell (R-Inland Empire), Vice Chair
Senator Steve Bradford (D-Gardena)
Senator Anthony Cannella (R-Ceres)
Senator Ted Gaines (R-El Dorado)
Senator Bob Hertzberg (D-Los Angeles)
Senator Jerry Hill (D-San Mateo)
Senator Mike McGuire (D-Healdsburg)
Senator Nancy Skinner (D-Berkeley)
Senator Henry Stern (D-Canoga Park)
Senator Scott Wiener (D-San Francisco)

Senate Rules Committee

Senator Kevin de León (D-Los Angeles), Chair
Senator Anthony Cannella (R-Ceres), Vice Chair
Senator Toni Atkins (D-San Diego)
Senator Tom Berryhill (R-Stanislaus)
Senator Connie Leyva (D-Chino)

Assembly Speaker Anthony Rendon (D-Lakewood) has also announced new committee memberships after changing the name of the Utilities and Commerce Committee to the Utilities and Energy Committee

Assembly Utilities and Energy Committee

Assemblymember Chris Holden (D-Pasadena), Chair
Assemblymember Jim Patterson (R-Fresno), Vice Chair
Assemblymember Autumn Burke (D-Inglewood)
Assemblymember Rocky Chávez (R-Oceanside)
Assemblymember Phillip Chen (R-Diamond Bar)
Assemblymember Brian Dahle (R-Bieber)
Assemblymember Susan Eggman (D-Stockton)
Assemblymember Vince Fong (R-Bakersfield)
Assemblymember Cristina Garcia (D-Bell Gardens)
Assemblymember Eduardo Garcia (D-Coachella)
Assemblymember Al Muratsuchi (D-Manhattan Beach)
Assemblymember Bill Quirk (D-Hayward)
Assemblymember Eloise Reyes (D-San Bernardino)
Assemblymember Miguel Santiago (D-Los Angeles)
Assemblymember Phil Ting (D-San Francisco)

Assembly Natural Resources Committee

Assemblymember Cristina Garcia (D-Bell Gardens), Chair
Assemblymember Dante Acosta (R-Santa Clarita), Vice Chair
Assemblymember Travis Allen (R-Huntington Beach)
Assemblymember Ed Chau (D-Arcadia)
Assemblymember Susan Eggman (D-Stockton)
Assemblymember Heath Flora (R-Modesto)
Assemblymember Monique Limón (D-Santa Barbara)
Assemblymember Kevin McCarty (D-Sacramento)
Assemblymember Al Muratsuchi (D-Manhattan Beach)
Assemblymember Mark Stone (D-Scotts Valley)

In addition, the Legislature reconvened on January 4 for the 2017-2018 Regular Session and had until January 20 to send bills to the Office of Legislative Counsel. February 17 marks the last day for bills to be introduced.

Governor:

Governor Edmond G. Brown delivered the 2017 State of the State Address on January 24. His remarks placed emphasis in California's leadership on renewable energy goals and the opportunity to join with others to combat climate change.

“Third, our state is known the world over for the actions we have taken to encourage renewable energy and combat climate change”... “We can do much on our own and we can join with others – other states and provinces and even countries, to stop the dangerous rise in climate pollution. And we will.”

Prior to the Governor's address, former Congressman Xavier Becerra was officially sworn in as the first Latino Attorney General.

STRATEGIC ALLIANCES AND REGIONAL AFFAIRS**Energy Imbalance Market:**

Seattle City Light signed an EIM implementation agreement in December to participate in the western energy imbalance market beginning in April, 2019. Seattle is the first public power entity to join EIM.

The EIM Governing Body held a general session meeting at the ISO facility in Folsom on February 1. The body received briefings from the Department of Market Monitoring, the Regional Issues Forum, and the Body of State Regulators as well as updates from the ISO on the western energy imbalance market, reliability impacts of the EIM, and the 2017 draft final policy initiative roadmap.

The Body of State Regulators, led by Washington Commissioner Ann Rendahl as chair and Arizona Commissioner Doug Little as vice-chair, held a conference call on January 23. On the call, Commissioner Rendahl gave an overview of the EIM Governing Body meeting on February 1 and a preview of the upcoming joint EIM Governing Body/Regional Issues Forum/Body of State Regulators meeting scheduled for February 28-March 1 in Las Vegas, NV. Brian Thomas, Policy Director of the Washington Commission, provided the body with an update on the newly formed Staff Advisory Committee and the ISO's Greg Cook, Director of Market and Infrastructure Policy, provided an update on policy initiatives. The next in-person meeting is scheduled to take place in Nevada along with the EIM Governing Body meeting on March 1.

The Regional Issues Forum liaisons held a planning call on January 11 to begin discussions on the review of the efficacy and role of the forum that is required in the Charter for the Energy Imbalance Market governance. The liaisons plan to engage with

stakeholders in an open format at the upcoming in-person meeting scheduled for February 28 in Las Vegas, NV.

As part of its regional outreach, the ISO is engaged with several western entities that are studying the EIM benefits and costs for their specific balancing areas. Entities that have publicly announced their study efforts, include the Balancing Authority of Northern California (BANC) and its member Sacramento Municipal Utility District (SMUD), as well as Mexican grid operator El Centro Nacional de Control de Energía (CENACE) Baja Norte.

Regional Affairs:

The ISO continues to provide information and outreach to utility regulators and interested stakeholders on various activities throughout the western states. On February 13, the ISO provided a briefing to western state utility commissioners at the NARUC Winter Committee Meetings in Washington DC. In addition to these types of briefings on the western energy imbalance market, updates on discussion regarding Senate Bill 350 and areas for continued regional collaboration have provided valuable feedback and continue to foster open dialogue on complex issues.

FEDERAL AFFAIRS

Administration:

On January 10, the Department of Energy released QER 1.2, a document providing “a roadmap for Federal energy policy objectives, legislative proposals to Congress, Executive actions, and potential R & D, financing and incentive programs.” The ISO provided input to the report. The review outlines the major trends shaping the nation’s electricity system and includes a number of recommendations for federal actions to enhance electric sector operations, including a request of \$110 million to implement regional partnerships for clean energy innovation.

Congress:

Legislation

On January 11, the House of Representatives passed a package of bills aimed at dialing back federal regulations, including language that would end the doctrine of judicial deference to agencies’ legal interpretations of statutes, known as the Chevron doctrine. The language was contained in the “Regulatory Accountability Act of 2017,” which passed by a vote of 238 to 183. Other bills that have passed in this effort include the “Regulations from the Executive in Need of Scrutiny Act of 2017,” which would allow Congress to kill any major rule or ruling from an agency that impacts more than \$100

million in commerce, and a bill that would mandate that agencies use the lowest-cost rulemaking alternatives. These bills passed last year in the House but were not taken up by the Senate.

Senators Angus King (I-ME) and Jim Risch (R-ID) have introduced the “Securing Energy Infrastructure Act of 2017.” The bill, which is not yet numbered, would establish a pilot program to identify security vulnerabilities in the energy sector and examine whether analog solutions could replace some computer-connected operating systems to make cyberattacks on the grid more difficult. The bill would also authorize \$1.5 million for program activities.

Committee assignments

California Senator Kamala Harris (D), who was sworn in by Vice-President Biden on January 3, will fill the seat of retiring Democrat Barbara Boxer on the Environment and Public Works Committee, which oversees climate change and other environmental policies. Senator Harris has also been assigned to the committees on Homeland Security and Government Affairs, Intelligence, and Budget. Subcommittee assignments will be made in the coming weeks.

In the House of Representatives, Congressman Fred Upton has been named chair of the Energy and Commerce Committee’s Subcommittee on Energy (formerly named the Energy and Power Subcommittee). Representative Upton was formerly the chair of the full committee but was termed out under House Republican rules. Congressman Greg Walden (R-OR) will replace Upton as chair of the full committee.

Newly-elected California House members have announced some of their committee assignments:

- Ro Khanna (D-17th District – San Jose): Budget, Armed Services
- Jimmy Panetta (D – 20th District – Carmel): Agriculture, Natural Resources
- Salud Carbajal (D – 24th District – Santa Barbara): Budget, Armed Services
- Nanette Diaz Barragan (D-44th District – San Pedro): Homeland Security, Natural Resources
- J. Louis Correa (D- 46th District – Anaheim): Homeland Security