

Memorandum

To: ISO Board of Governors

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

Tom Doughty, Vice President, Customer and State Affairs

Date: August 29, 2018

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

This memorandum does not require Board action.

STATE AFFAIRS

Legislative update

The Legislature reconvened on August 6 and has until August 31 for each house to pass bills. The Governor will have until September 30 to sign or veto them. November 30 marks the last day of the 2017-2018 Regular Session.

Key Legislation:

AB 813 (Holden): Builds upon previous work by state agencies in the development of a multistate regional transmission system organization (MRTO) governance proposal. The proposal must comply with certain criteria defined in the bill and provides for the establishment of a Western States Committee, which includes three appointees by the California Governor. The proposal shall be reviewed by the California Energy Commission (CEC), in consultation with the California Public Utilities Commission (CPUC) and the California Air Resources Board (CARB), including at least one public workshop or hearing where public comments can be provided. If certain requirements are met, the CEC shall submit the proposal to the California Governor and Legislature and, not before 270 days after receipt of notice, the California ISO (ISO) may begin to implement the proposed governance structure. The new governance structure is prohibited from going into effect until January 1, 2021. The bill allows California load-serving entities (LSEs) and transmission owners to participate in an MRTO if certain principles are outlined in its bylaws or other organizational documents. *Location: Senate Rules Committee*

AB 893 (Garcia): Requires each retail seller of electricity and each local publicly owned electric utility to procure a proportionate share of electricity products from a statewide total of 4,250 megawatts of qualified renewable energy resources, defined by the bill as a subset of eligible renewable energy resources that consists of certain geothermal

energy resources, and certain solar and wind energy resources that are eligible for specified federal tax credits. The bill also requires the CPUC and the CEC provide to the Legislature, by March 31, 2019, a joint assessment of options for establishing a central statewide entity to procure electricity for all end-use retail customers in the state.

Location: Senate Rules

AB 2787 (Quirk): Requires the ISO, on or before December 31, 2019, to complete a process for the procurement of long duration energy storage projects with at least 1,000, but not more than 2,000, megawatts of capacity, and develop a methodology for allocating the cost of that procurement to all LSEs within the ISO. The bill contains an urgency clause that requires it take effect immediately. *Location: Senate Appropriations Committee*

SB 64 (Wieckowski): Requires CARB to work with the U.S. Environmental Protection Agency to obtain emissions data from certain fossil fuel generating units. If the data is unable to be obtained, those units would be required to provide the data to CARB, on a quarterly basis, to be posted on their website. The bill also directs each air district to complete a report regarding 2018 operations for all their facilities, which must include certain criteria. The CPUC and CEC shall consider the report to conduct a study on how to reduce or eliminate emissions from electrical generation. *Location: Assembly Floor*

SB 100 (De Leon): Establishes a 60 percent Renewable Portfolio Standard (RPS) by 2030 and a goal for all electricity sold at retail to be from zero-carbon resources by December 31, 2045. The bill also establishes RPS timelines of 44 percent by December 31, 2024 and 52 percent by December 31, 2027. *Location: Senate Floor*

Regulatory update

On August 2, the ISO hosted a stakeholder call to explain the ISO's intent to designate capacity procurement mechanism (CPM) capacity pursuant to a "significant event." Among other things, a significant event is a substantial event, or a combination of events, that is determined by the ISO to result in a material difference from what was assumed in the resource adequacy program.

On July 10, CEC staff presented a monthly coincident peak forecast derived from a later forecast vintage than what was currently used by the ISO and CPUC. Working with the CEC and CPUC, the ISO can designate CPM capacity for September 2018 for up to 1,434 MW, the difference between the original and subsequent forecast, plus a 15 percent planning reserve margin. Actual resource adequacy showings for September exceeded the minimum requirement so the ISO only needed to designate 624 MW. The ISO will likely designate CPM capacity for October 2018 as well.

STRATEGIC ALLIANCES AND REGIONAL AFFAIRS

Western Energy Imbalance Market:

The western Energy Imbalance Market (EIM) posted its highest quarterly benefits to participants during the second quarter of 2018, showing total savings of over \$401 million since the market's launch in November, 2014. The quarterly report showed the largest single-quarter numbers since the EIM's launch, with \$71 million in benefits to the eight market participants. This quarter included the newest members, Idaho Power and Powerex, both of which entered into the EIM in April 2018.

On August 22, Public Service Company of New Mexico filed to open a new docket to gain commission approval to classify their EIM implementation costs as a regulatory asset. This move follows their July 31 commission filing announcing their intent to join EIM.

Bonneville Power Administration (BPA) initiated their public stakeholder process for EIM participation with a meeting/webinar on July 24. In the meeting, BPA presented the cost benefit analysis with a strong emphasis on EIM's benefit to their grid modernization initiative. Their next meeting is tentatively set for October.

The next EIM entities scheduled to join include BANC/SMUD in April, 2019, followed by Salt River Project, Los Angeles Department of Water and Power, and Seattle City Light in April, 2020.

Energy Imbalance Market Governance:

The EIM Governing Body held a meeting on August 22 in Denver, CO. In general session, they heard updates from the Regional Issues Forum (RIF) and Body of State Regulators (BOSR). The Governing Body voted to support the energy storage and distributed energy resources Phase 3 policy initiative, which falls within their advisory authority. They received briefings from the ISO on a number of EIM-related items including the Q2 EIM benefits report, the policy outlook and upcoming ISO rate adjustments. The next in-person general session meeting will be held October 31 in Folsom, CA.

The Body of State Regulators (BOSR) hosted a teleconference on August 3 to discuss the potential extension of the day ahead market to EIM entities. Sarah Edmonds of Portland General Electric gave a high level overview of key issues important to EIM participants and regulators. They also received a brief update from the ISO on the status and timeline for the day ahead market enhancement initiative. The BOSR plans to meet on October 24 in Mesa, AZ.

The next in-person meeting of the Regional Issues Forum (RIF) is scheduled for November 28 in Phoenix, AZ.

FEDERAL AFFAIRS

Administration

On July 31, the Department of Homeland Security announced the creation of a National Risk Management Center that will work cooperatively with the National Cybersecurity and Communications Integration Center to evaluate and help mitigate cyber risks to the electric grid and other critical infrastructure. The new center will act as a focal point for discussions about cross-sector risk issues and will help to develop joint action plans for key sectors to collaborate on risk management and response. The first project of the center will focus on a “tri-sector model” that includes electric utilities, banking and financial services, and communications infrastructure.

Congress

The House has recessed until September 4, but the Senate is scheduled to continue working through most of August. After Labor Day, Congress will have only 11 legislative days to act on federal funding bills before the September 30 end of the Fiscal Year. Action on federal energy and environment program funding remains unresolved and will likely be taken up for immediate action in early September. Bills funding these programs have passed both House and Senate, but have stalled in conference due to unrelated items.