

# Memorandum

**To:** ISO Board of Governors

**From:** Nancy Saracino, Vice President, General Counsel & Chief Administrative Officer

**Date:** August 19, 2011

**Re:** Regulatory Update

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*This memorandum does not require Board action.*

## Regulatory Highlights

- **Order on ISO filing addressing adverse market behavior (ER11-3856)**

On August 19, 2011, FERC issued an order accepting the ISO's tariff revisions to modify its bid cost recovery settlement rules and allow for the mitigation of exceptional dispatches in specific circumstances when there is the potential to exercise market power. FERC accepted the ISO's request that the tariff changes become immediately effective as of June 23, 2011, to avoid any further adverse impact on the ISO market and further authorized the FERC Office of Enforcement to conduct a non-public, formal investigation of the underlying bidding practices and related conduct.

As discussed in more detail below on page four of this report, on June 22, 2011, the ISO made an emergency filing proposing: 1) modifications to the ISO's bid cost recovery rules to remedy the observed exploitative behavior that has resulted in excessive bid cost recovery payments beyond the expected outcome of a competitive market; and 2) to extend mitigation exceptional dispatch energy settlement rules to exceptional dispatches needed to access stranded ancillary services awards and residual unit commitment capacity resulting from the same conduct.

The June filing came three months after the ISO's March filing proposing amendments to address other adverse market behavior that also caused significant increases in uplift payments borne by load serving entities on the ISO system. Parties to that proceeding requested that FERC launch a formal investigation into the market behavior. FERC agreed and requested that the FERC Office of Enforcement conduct a full investigation, with the authority to subpoena witnesses, compel their attendance and testimony, take evidence, etc. The Office of Enforcement will report its findings to the Commission.

The Commission's acceptance of the ISO's changes proposed in the June filing addresses the behavior identified therein, which has ceased since the ISO made its filing.

Responsible attorneys: Anna McKenna and Sidney Davies

- **Order 1000 re transmission planning and cost allocation (RM10-23)**

On July 21, 2011, FERC issued Order 1000, which addresses the transmission planning and regional cost allocation issues raised in the notice of proposed rulemaking released on June 17, 2010. With this order, FERC amended the transmission planning requirements established in Order 890 as follows:

*Planning reforms*

- Each public utility transmission provider must participate in a regional transmission planning process.
- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations.
- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions to their mutual transmission needs.

*Cost allocation reforms*

- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation.
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective.

*Right of first refusal reforms*

- Public utility transmission providers must eliminate the investor owned utility right of first refusal for a transmission facility selected in a regional transmission plan for purposes of cost allocation, except for:
  - Transmission facilities not selected in a regional transmission plan for purposes of cost allocation.
  - Upgrades to transmission facilities, such as tower change outs or reconductoring.

Order No. 1000 takes effect 60 days from publication in the *Federal Register* and each public utility transmission provider is required to submit a compliance filing within 12 months of the effective date of the final rule. The order also requires that compliance filings for interregional transmission coordination and interregional cost allocation be submitted within 18 months of the effective date of the final rule. The ISO participated actively in this docket and presented extensive comments on these issues. As a regional planning entity, much of the ISO's transmission revised transmission planning process, approved by FERC in December 2010, appears to be consistent with the order. The ISO is considering seeking clarification or rehearing on some elements of the order.

Responsible attorneys: Judi Sanders and Anna McKenna

## **Federal Energy Regulatory Commission and related Court of Appeals matters**

### **Tariff amendment filings and orders**

- **Dynamic transfers tariff amendments (ER11-4161)**

On July 29, 2011, the ISO filed amendments to implement tariff provisions regarding dynamic transfers approved by the Board at its May 19 meeting. These proposed tariff changes add provisions for pseudo-ties, which are resources located physically outside the ISO's balancing authority area, to permit scheduling to and from the ISO balancing authority area. Specifically, the proposed tariff provisions refine the existing provisions regarding dynamic scheduling of imports, add provisions for dynamic scheduling of exports, and address special aspects of dynamic transfers from intermittent resources. Stakeholders submitted written comments on only two provisions of the proposed tariff amendments in the final round of stakeholder comments on these revisions. The ISO requested that FERC make these tariff revisions effective on November 1, 2011 and that it issue an order on these revisions by October 1, 2011.

Responsible attorneys: Mike Dozier and John Anders

- **Settlement process timeline change (ER11-4176)**

On August 1, 2011, the ISO filed proposed tariff modifications to accelerate and improve the efficiency of the existing settlement process by implementing five enhancements that will:

- 1) shorten the time periods between issuance of settlement statements to achieve earlier market settlement;
- 2) introduce an unscheduled reissue recalculation settlement statement to allow the ISO to more quickly correct system errors that have a significant financial impact on the market;
- 3) extend the timeline for market participants to submit settlement quality meter data to allow preparation of more accurate data and reduce the need for later adjustments to reflect meter data revisions;
- 4) revise the penalty for submitting untimely and inaccurate meter data to encourage earlier submission of correct data; and
- 5) align the billing periods of the weekly invoices for the settlement statements issued three business days after the trading day and twelve days after the trading day to include the same trading days for easier review and validation by market participants.

Responsible attorney: Beth Ann Burns

### **Resource adequacy requirements for system resources (ER11-4151)**

On July 29, 2011, the ISO filed proposed tariff amendments to provide for generated bids and outage reporting for non-resource specific system resources with resource adequacy contracts. System resources are resources located outside of the ISO's balancing authority area. Non-resource specific system resources are system resources that are not tied to specific resources. Non-resource specific system resources with resource adequacy contracts have the obligation to offer their resource adequacy capacity into the ISO's day-ahead market. If any such resource fails to meet that obligation, the amendments will allow ISO to generate cost-based bids for the resource adequacy capacity. If the resource adequacy contracts are for less than seven days a week, twenty-four hours a day, the ISO will insert generated bids only in the subset of hours where the resource is contractually obligated to provide resource adequacy capacity and fails to

submit a bid. The amendment will also extend the standard capacity product standards to non-resource specific system resources and provide availability incentive payments to those resources whose availability exceeds the applicable availability standard or assess non-availability charges to those resources that fail to meet the standard.

Responsible attorney: Beth Ann Burns

- **Tariff amendment to modify bid cost recovery rules (ER11-3149)**

On March 21, 2011, the ISO filed tariff amendments proposing to modify bid cost recovery rules to eliminate the incentive for parties to engage in a bidding practice that exploited those rules to generate increased payments. The ISO Board authorized the filing at its March 18 meeting. The ISO's bid cost recovery mechanism was created to ensure that where the ISO commits a resource, that resource will at least recover its bid costs, including start-up and minimum load costs. Where a resource's market revenues are insufficient to cover those costs, the bid cost recovery mechanism provides a payment to make up the difference. In March of 2011, the ISO observed a bidding practice that forced the ISO to schedule a resource in the day-ahead market at a high megawatt level but then to dispatch the resource at a much lower level in the real-time market. This bidding practice resulted in significant overpayment of bid cost recovery of approximately \$57 million from August 2010 through February 2011. The ISO proposed expedited consideration of the proposed amendment and FERC issued an order on May 4, 2011 accepting the tariff amendment with a March 26, 2011 effective date, as requested.

On June 3, 2011, the ISO filed a request for clarification of one statement in FERC's May 4 order relating to the ISO's authority to correct prices and charges when computational errors cause them to be inconsistent with the filed rate. On the same day, the ISO filed a limited waiver of certain requirements in Section 11.8 of its tariff, in order to permit the ISO to refrain from correcting the calculation of bid cost recovery payments during the period from April 2009 to July 2010. The ISO explained that it is exercising its existing authority to recalculate bid cost recovery payments during the period from August 2010 to March 2011, when a bidding practice exacerbated the impact of an error in the procedures used by the ISO to calculate bid cost recovery payments. The requested waiver would avoid the unnecessary burden to market participants of resettlements for the earlier period when the financial impact of the error in calculating bid cost recovery payments was relatively smaller. One party filed a protest and comments arguing that the ISO had exceeded its authority to correct computational errors because the tariff did not specify the specific methodology to be used to calculate the amounts in dispute. In its July 12 answer, the ISO explained that correction was necessary in order for the settlements to be consistent with the filed rate as explicitly set forth in the tariff. FERC has not yet issued orders on either of the filings.

Responsible attorneys: Roger Collanton and Anna McKenna

- **Tariff amendment to address excessive bid cost recovery and exceptional dispatch payments (ER11-3856)**

On June 22, 2011 the ISO filed tariff amendments proposing: 1) additional modifications to the ISO's bid cost recovery rules to remedy the observed behavior that has resulted in excessive bid cost recovery payments beyond the expected outcome of a competitive market; and 2) to extend the mitigated exceptional dispatch energy settlement rules to exceptional dispatches needed to

access stranded ancillary services awards and residual unit commitment capacity. The ISO requested waiver of the sixty-day notice requirement under Section 35.11 of FERC's regulations asserting that the waiver is appropriate and necessary to enable the ISO to immediately eliminate incentives for market participants to engage in the identified bidding strategies that may cause inappropriately high payments to resources. Since the early part of April, resources have engaged in a series of complex day-ahead and real-time bidding strategies that maximize bid cost recovery payments during targeted hours of the day-ahead market. Two parties filed comments. While neither party objected to the proposed rule changes, both parties argued that additional stakeholder review was necessary. One party also argued that the ISO's proposal to apply the mitigated exceptional dispatch energy settlement rule to stranded ancillary services awards and residual unit commitment capacity was too broad an application of market power mitigation. In its July 28 answer, the ISO emphasized the need for FERC to accept the proposed tariff changes as filed to prevent continued adverse market behavior. The rules proposed are narrowly tailored to address actual observed behavior and are not unreasonably burdensome to the market or overly broad. The ISO also reiterated its commitment to conduct a follow-up stakeholder process after FERC issues its order.

Responsible attorneys: Anna McKenna and Sidney Davies

- **Grid management charge (GMC) 2012 rate structure proposal**

The ISO submitted proposed tariff amendments to FERC on July 5, 2011 that will implement the new GMC rate design approved by the board at its May 2011 meeting. In this filing, the ISO proposes to substantially reduce the number of GMC cost categories from seven under the current structure to three under the proposal. The ISO has also reduced the number of billing determinants that are used to develop the rates under the GMC formula. These changes are intended to provide greater transparency, predictability and simplicity, rate design principles which were of particular importance to stakeholders. The rate design proposal also includes four transactional and administrative fees, two of which are similar to fees currently being charged. Finally, the ISO proposes to "grandfather" a limited number of long term power supply contracts that meet specific tariff criteria from the application of the systems operation charge until such time as these contracts are renegotiated and GMC increases can be passed through to the power purchasers. The ISO proposes to implement the new GMC rate design on January 1, 2012. No protests or comments opposing the changes were filed.

Responsible attorney: Judi Sanders

- **Convergence bidding tariff amendment (ER11-2128)**

The ISO submitted two tariff filings on March 2, 2011 in compliance with FERC's January 31, 2011 order generally accepting the ISO's convergence bidding tariff amendment filed on June 25, 2010 as authorized by the ISO Board at its February 2010 meeting: (1) tariff language in response to specific directives; and (2) additional evidence in support of the proposed virtual award charge through which the ISO proposes to collect a portion of its grid management charge. On April 13, 2011, FERC issued a letter order accepting the ISO's compliance filing of tariff language. On April 18, 2011, the ISO filed an answer to the protest of certain financial market participants that challenged the ISO's virtual award charge. By order dated July 25, 2011, FERC accepted the ISO's virtual award charge and rejected the financial market participants' protest.

Responsible attorney: Sidney Davies

- **Congestion revenue rights processes tariff amendments (ER11-3973)**

On June 23, 2011, the ISO filed amendments to its tariff to enable the ISO to model an anticipated level of unscheduled outages in its annual congestion revenue rights release processes. This enhancement will enable the ISO to better manage revenue adequacy of outstanding congestion revenue rights released through the annual processes. In addition, the ISO is proposing clarifications to existing tariff provisions that do not reflect changes to the congestion revenue rights release rules and requirements but eliminate uncertainty or ambiguity in the tariff. The proposal to model possible outages in the annual release processes was uncontested by stakeholders at the end of the stakeholder process preceding this filing. One party, however, filed comments asserting the need for additional information related to the ISO's accounting of outages in the monthly congestion revenue rights process, which was beyond the scope of the filing. In its reply, the ISO explained that it had already provided additional information and urged FERC to accept the proposed changes because they will have substantial benefits to the ISO market.

Responsible attorneys: Anna McKenna and David Zlotlow

### **Rulemakings and related proceedings**

- **Demand response compensation final rule (FERC Order 745) (ER11-4100)**

On March 15, 2011 FERC issued a final rule that establishes a standardized approach for compensation and cost allocation for certain demand resources that participate in organized electricity markets such as independent system operators and regional transmission organizations. On April 14, 2011, the ISO filed a timely motion for clarification that the ISO's default load adjustment mechanism associated with the ISO's proxy demand resource product previously filed and approved was not impacted by the order and, in the alternative, requested rehearing. In the meantime, the ISO is required to comply with Order 745, specifically the "net benefits test" imposed by the order. Accordingly, on July 22, 2011 the ISO submitted its compliance filing, which included tariff modifications. In accordance with the net benefits test, the ISO will undertake each month an analysis based on historical data and the ISO's previous year's supply curve to identify a price threshold indicating where customer net benefits would occur. This price threshold will establish a minimum bid price from demand response resources below which bids will not be considered. The ISO will post and update this information regarding the net benefits test on its website. These matters remain pending before FERC.

Responsible attorneys: Sidney Davies and John Anders

- **Order 719 compliance filing order (ER09-1048)**

On July 5, 2011, FERC issued an order largely accepting the ISO's April 20, 2011 additional compliance filing under FERC Order No. 719. The April 20 filing was made in response to a FERC directive to comprehensively review section 37 and the rest of the tariff to ensure that no market participant is subject to sanction for anything other than objectively identifiable conduct. With one minor exception, the Commission accepted the April 20 filing as completing the ISO's compliance obligations with the market monitoring aspects of Order 719. FERC issued Order 719 on October

17, 2008. The July 5 order is thus significant in bringing to a close a long and involved compliance process.

Responsible attorney: David Zlotlow

- **Credit reform final orders (ER11-3973)**

On June 30, 2011, the ISO filed its compliance filing in response to FERC's series of credit reform orders. In this filing, the ISO proposed revisions to the existing settlements cycle to: (1) include billing and payment periods of no more than seven days each; (2) limit unsecured credit to \$50 million; (3) eliminating unsecured credit in connection with congestion revenue rights markets; (4) minimum criteria for market participation; (5) clarify the definition of "material adverse change" to trigger demands for additional collateral; and (6) modify the cure period for collateral calls from three days to two. The proposed effective date is October 1, 2011. The ISO will be submitting a further compliance filing to address use of netting and set-offs on September 30, 2011. On July 28, 2011, the ISO filed its answer to comments and protests. In its answer, the ISO argued that its decision not to propose an exemption that would allow governmental entities to use unsecured credit in connection with congestion revenue rights markets was reasonable in light of all the circumstances. In addition, the ISO explained that comments and protests concerning the current ongoing stakeholder process that will result in enhanced minimum participation criteria were beyond the scope of pending compliance filing.

Responsible attorneys: Grace Arupo, Beth Ann Burns and Sidney Davies

### **Regulatory contracts filings and orders**

- **California Oregon Intertie path operator and owners coordinated operating agreements (ER11-3865, ER11-3911 and ER11-4075)**

On December 20, 2007, docket nos. ER07-882, et al., FERC approved a settlement among PG&E, PacifiCorp, the ISO, the Transmission Agency of Northern California, the Sacramento Municipal Utility District, Powerex, and PPM Energy that resolved, among other things, a dispute over the eastern Malin to Round Mountain segment of the California-Oregon Intertie. In order to ensure that the operation of the three-line California-Oregon Intertie ("COI") continues to be coordinated among all the parties that have capacity at the COI, the settlement provides that PacifiCorp be added as a party to the COI path operator agreement and owners coordinated operating agreement beginning January 1, 2012. Negotiations on the owners coordinated operating agreement concluded with a set of agreed upon changes and a set of disputed changes. The agreed upon changes include changes that no one disputes are necessary to add PacifiCorp as a party. The disputed changes, on the other hand, arguably represent a "collateral attack" on prior FERC orders related to the ISO's integrated balancing authority area tariff provisions for calculating locational marginal prices for imports from and exports to the balancing authority areas of the Turlock Irrigation District and the Balancing Authority of Northern California, a position taken by PG&E and supported by the ISO. On June 29, 2011 PG&E filed an amended version of the owners coordinated operating agreement including only the agreed upon changes. On June 29, 2011, PacifiCorp filed an amended version of the owners coordinated operating agreement including the agreed upon changes and the disputed changes. On July 19, 2011 the ISO protested PacifiCorp's filing on the grounds that it represented a "collateral attack" of prior FERC orders, and filed in support of

PG&E. Also on July 19, 2011, the ISO filed an amended version of the COI path operator agreement to add PacifiCorp as a party. All changes to the COI path operator agreement were agreed to by the parties since they mirror the agreed upon changes to the owners coordinated operating agreement. However, the ISO filed an unexecuted version of the COI path operator pending the outcome of filings by PG&E and PacifiCorp with respect to the owners coordinated operating agreement.

Responsible attorney: John Anders

- **Intra-hour scheduling pilot agreement with Bonneville Power Administration (ER11-4243)**

On August 5, 2011, the ISO filed an intra-hour scheduling pilot agreement between the ISO and the Bonneville Power Administration (BPA). The purpose of this agreement is to facilitate a program that generally will involve using dynamic e-tags and electronic communications to facilitate intra-hour changes to transmission schedules for wind generation facilities in BPA's balancing authority area that are scheduling into the ISO's balancing authority area. The program is planned to commence on October 1, 2011 and last for one year with an option to extend by agreement of the parties. Participation levels will be limited to 400 MWs, with 200 MWs initially participating. The benefits of the pilot program will include sharing in the firming required for variable energy resources that are produced in one balancing authority area, but serve load in another. Currently, the output of variable energy resources outside the ISO balancing authority area are imported only through static hourly schedules, which must be firming up by the host balancing authority area. The results of this pilot project will also inform the ISO and BPA with respect to the feasibility and potential advantages or disadvantages of moving to a more granular intra-hour scheduling timeline.

Responsible attorney: John Anders

### **Report filings**

- **Q 2 2011 report on progress in processing interconnection queue (ER08-1317 and ER11-1830)**

On August 1, the ISO filed its second quarter 2011 report on the ISO's progress in processing generator interconnection requests. In particular, the ISO noted that, in the March 2011 queue cluster window for the newest cluster (queue cluster 4), the ISO received 172 interconnection requests which will continue to the study phase (of which 5 were conventional natural gas units, with the remainder being renewable, including 6 geothermal; 8 solar thermal; 136 solar PV, 13 wind and 1 battery storage). This queue represents approximately 36,000 MW, an inordinately large number of requests given the number of MWs already in the queue and the ISO's approximate 45,000 MW historical system peak.

Responsible attorney: Bill Di Capo



- **Market disruption reports (ER06-615)**

A market disruption is an action or event that causes a failure of an ISO market, related to system operation issues or system emergencies. The ISO reports these market disruptions to FERC on a monthly basis. On July 15, 2011, the ISO submitted its monthly report of market disruptions that occurred from May 16 through June 15, 2011. Section 7.7.15 of the tariff authorizes the ISO to take one or more of a number of specified actions in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption.

Responsible attorney: Anna McKenna

- **Exceptional dispatch reports (ER08-1178)**

The ISO submits two monthly exceptional dispatch reports to FERC. On July 15, 2011, the ISO submitted transactional data including incremental and decremental MW volume, duration and location for exceptional dispatches occurring during the month May, 2011. On July 30, the ISO submitted MW hour data and cost data for exceptional dispatches occurring during the month of April 2011.

Responsible attorney: Sidney Davies

### **Other FERC matters**

- **Electricity crisis-era refund case (EL00-95)**

In this docket, FERC ordered entities that supplied energy during the electricity crisis of 2000-2001 to pay refunds based on the unreasonably high prices in the markets of the ISO and the California Power Exchange. Over the years, most of these suppliers have reached settlements with the State of California and the investor-owned utilities. Approximately fifteen suppliers, however, remain as respondents. As a result of an order issued by an appellate court, these fifteen suppliers are subject to new refund exposure for certain transactions that FERC had previously exempted, including the summer of 2000, energy exchanges, and agreements to supply on a non-spot basis (for periods longer than 24 hours). These issues will be taken up in a hearing to begin in March 2012.

Otherwise, the case is moving toward a conclusion. On July 15, 2011, FERC issued an order accepting intermediate compliance filings submitted by the ISO and the Power Exchange in April 2010. The intermediate compliance filings, which reflected the final numbers for the underlying transactions including all disputes other than the refunds ordered by FERC, were a prerequisite for determining how much each party should ultimately receive from the bankruptcy estate of the Power Exchange. FERC's order also offers guidance for the final clearing, including permission to clear the Power Exchange and ISO markets on a combined net basis, and directed the two entities to proceed with their final compliance filings.

Responsible attorneys: Roger Collanton and Dan Shonkwiler

- **Order granting motion to delay disaggregation of load aggregation points (ER06-615)**

FERC issued an order on July 25, 2011 granting the ISO's motion for extension of time to comply with its September 2006 order directing the ISO to disaggregate the large default load aggregation points used for scheduling the demand of the majority of the load in California. The ISO requested an extension of time from April 1, 2012 to the last quarter 2014. No parties opposed the request.

Responsible attorney: Anna McKenna

### **California Public Utilities Commission matters**

- **Rulemaking proceedings regarding qualifying facility policy (R.04-043)**

On July 15, 2011, the CPUC issued Decision 11-07-010 granting the joint petition of California Municipal Utilities Association and the parties to the global settlement of qualifying facilities issues for modification of CPUC Decision 10-12-035, which had approved the settlement agreement. D.11-07-010 revises D.10-12-035 to include statements that CMUA's issues regarding cost allocation to "municipal departing load" have been resolved. On July 28, CMUA and the parties to the global settlement filed a joint petition for modification of D.11-07-010 requesting that the CPUC delete two paragraphs and two conclusions of law from D.11-07-010 regarding cost recovery related to municipal departing load on the basis that these provisions contain unsupported conditions that are not acceptable to all of the settling parties. The petition for modification also includes a request that the CPUC specify the effective date of the global settlement as the date when the CPUC's decision granting the petition for modification becomes final and non-appealable and that the CPUC close the proceedings as of that date. On August 5, representatives of several other parties filed a joint response to the July 28 petition for modification expressing concern about the potential for cost shifting if the provisions are removed and requesting that the CPUC reject the petition.

The CPUC previously issued Decision 11-03-051, dated March 24, 2011, on applications for rehearing of D.10-12-035. D.11-03-051 made minor clarifications to and otherwise denied all applications for rehearing of D.10-12-035, except that it granted a request by CMUA for abeyance of its rehearing application. D.10-12-035 noted that the settlement will not be effective until FERC approves a waiver of the utilities' mandatory obligations to purchase power from qualifying facilities under the Public Utility Regulatory Policies Act of 1978, which approval FERC provided on June 16, 2011 in docket number QM11-2, and required the utilities to file a motion for closure of the proceedings on the settlement once the conditions of the effectiveness of the settlement have been met.

Responsible attorneys: Mike Dozier and Sidney Davies

- **Investor-owned utility demand response programs for 2012-2014 (A11-03 et al)**

The ISO provided direct testimony of John Goodin, ISO Demand Response Lead, and participated in the July evidentiary hearings. The ISO advocated the modification of certain investor-owned utility demand response programs to make them more compatible for participation in the ISO's market as proxy demand resources and demand response reliability resources. This ISO also

advocated that programs which were not directly participating into the ISO market through bid submission should not be counted for resource adequacy.

Responsible attorney: Bill Di Capo

- **Resource adequacy rulemaking (R09-10-032)**

On August 9, 2011, the assigned administrative law judge issued a proposed decision in phase 2 of the 2012 resource adequacy proceeding pertaining to demand response resources. The proposed decision is very favorable to ISO positions. Specifically, the proposed decision suggests that the CPUC should adopt the ISO proposal that a demand response resource receive local resource adequacy credit only if it is capable of being dispatched by local area. This requirement goes into effect in 2013. The proposed decision would also adopt the ISO proposal to create a new maximum cumulative capacity bucket for demand response resources for 2013 so that demand response can be treated comparably with supply-side resources. The implementation details of reallocating the existing maximum cumulative capacity buckets to accommodate the new bucket will be considered in the upcoming 2013 resource adequacy proceeding. In addition, the proposed decision recommends that the CPUC continue to use the load impact protocols for demand response resources, consistent with D.10-06-036, defer applying the standard capacity product to demand response resources until the ISO files a tariff amendment at FERC to make that change, and not permit fossil-fueled emergency back-up generation resources to receive system or local resource adequacy credit as demand response resources.

Responsible attorney: Beth Ann Burns

- **Smart grid proceeding (R.08-12-009)**

On July 28, the CPUC adopted a final decision in its ongoing smart grid proceeding establishing rules on customer privacy and customer access to usage and price information. The rules will apply to the investor-owned utilities and third parties that gain access to customer data from the utility. Most notably for the ISO, the order requires the investor-owned utilities to work with the ISO to develop methods of providing wholesale price information to consumers. CPUC staff will convene a workshop soon to facilitate gaining consensus on how to provide such information.

Responsible attorney: David Zlotlow

- **PG&E, SDG&E and SCE demand response programs 2012-2014 (A11.03-001 et al.)**

The ISO submitted testimony commenting on the IOU demand response applications in these consolidated proceedings that review and approve the IOU tri-annual budget cycle for demand response programs and budgets. In its testimony, the ISO supported SCE's approach not to count, for resource adequacy purposes, demand response programs which are not structured as price responsive programs. The ISO also recommended that the CPUC consider a competitive solicitation mechanism as a metric against which to evaluate the proposed IOU budget amounts and the timeframe for IOU efforts to configure certain demand response programs to integrate into the ISO's market as proxy demand resources.

Responsible attorney: Bill Di Capo

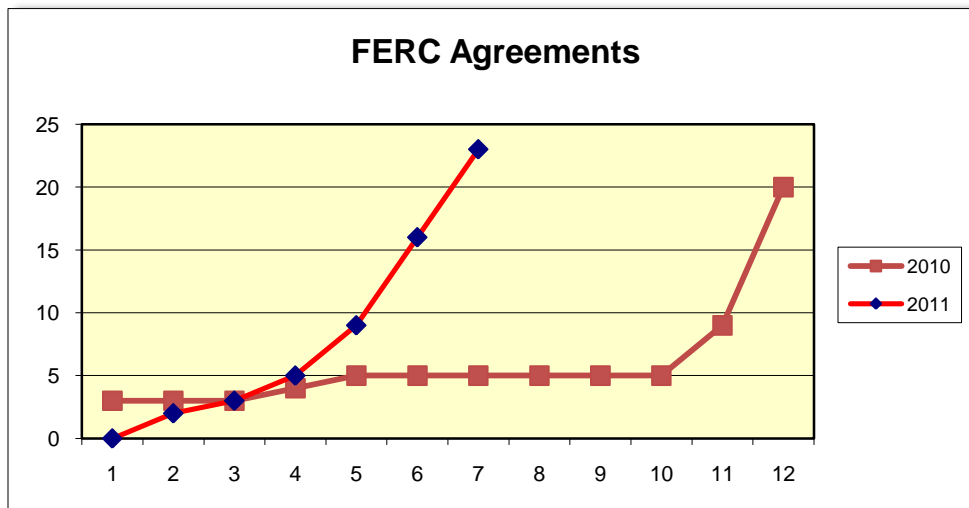
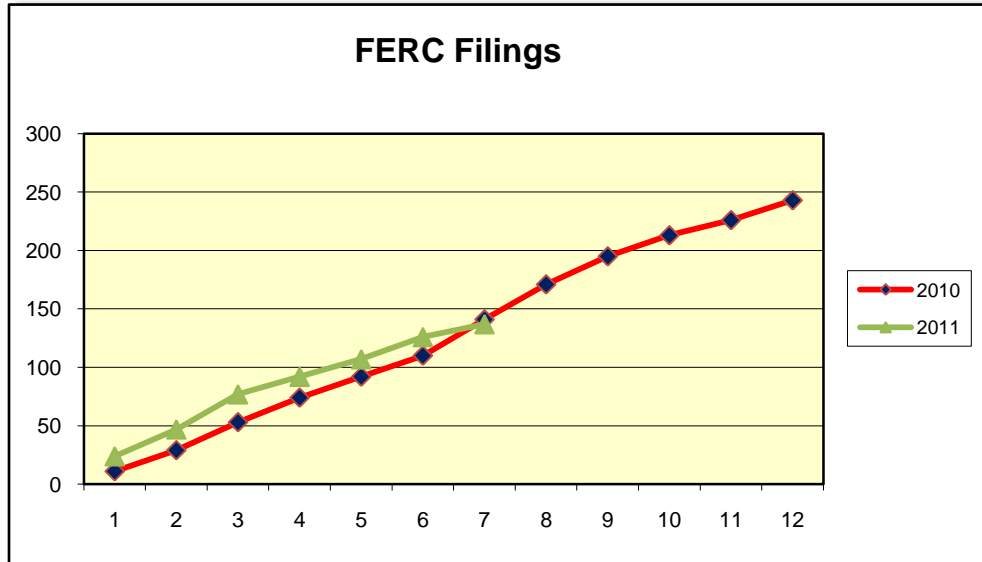
## **Other regulatory filings**

- **Statewide policy on the use of coastal and estuarine water for power plant cooling**

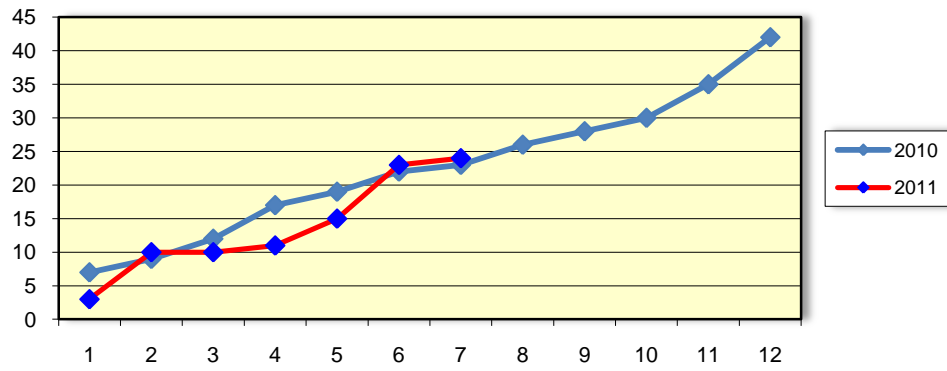
In May 2010, the State Water Resources Control Board adopted a policy on the use of coastal and estuarine water for power plant cooling (once-through cooling). As defined by the policy, the water board will require power plants to adopt the best technology available to cool power plants with coastal or estuarine waters so as to reduce the level of impingement and entrainment of marine life in accordance with a specific schedule. Under the policy, affected generators submitted implementation plans on April 1, 2011. The ISO is working in collaboration with various state agencies as part of the statewide advisory committee on cooling water intake structures to review those implementation plans in order to advise the water board whether they are feasible from an electric reliability perspective. In connection with LADWP's implementation plan, the water board has adopted an amendment to the once through cooling policy that accelerates the compliance schedule for three LADWP generating units and extends the compliance schedule to 2024 and 2029 for the remainder of LADWP's generating units subject to the policy. The amendment also requires generators using once through cooling beyond 2022 to commit to eliminate use of once-through cooling at those units and implement additional mitigation measures.

Responsible attorney: Andrew Ulmer

### Regulatory Filings 2011 Cumulative Charts through July



### CPUC/Other Commission Filings



### Court Filings

