

# Memorandum

**To:** ISO Board of Governors

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

**Date:** October 20, 2011

**Re:** Regulatory Update

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***This memorandum does not require Board action.***

## **Regulatory Highlights**

- **California ISO grid management charge (ER11-4000)**

On September 30, 2011 FERC issued an order approving the ISO tariff amendments that implement the redesign of the ISO's grid management charge. The grid management charge is the mechanism by which the ISO recovers the administrative costs of running the energy markets and reliably operating the grid. The revised grid management charge will go into effect on January 1, 2012. This new rate design was informed by a cost of service study based on the ISO's activity based cost accounting, which began in 2009, as well as the ISO's nodal market design along with stakeholders' desire for greater transparency and predictability in estimating their grid management charge assessments.

The new grid management charge retains the revenue requirement cap mechanism that permits the ISO to develop the grid management charge rates with its stakeholders based on an annual budget that is posted on the website but not submitted for FERC approval unless the total revenue requirement exceeds a certain level. For 2012 the ISO's revenue requirement cap will remain at \$197 million. The cap will be increased to \$199 million for 2013 and 2014 to reflect increased administrative costs. The revenue requirement cap will sunset at the end of 2014 and the ISO will make a grid management charge filing for rates that will be effective January 1, 2015.

Responsible attorney: Judi Sanders

- **Valley Electric Transition Agreement (ER12-84-000)**

On October 14, 2011 the California ISO filed with FERC a transition agreement between the ISO and Valley Electric Association, Inc. The transition agreement is designed to implement the principles agreed to by the parties and approved by the Board at its August meeting. The agreement sets forth the terms and conditions under which Valley Electric will make the transition from the NV Energy balancing authority area to the ISO balancing authority area. In addition to the general terms and conditions applicable to the transition, the agreement provides specific procedures for the merger of generator interconnection queues, the treatment of transmission projects initiated or completed prior to the transition, the determination of Valley Electric's resource adequacy requirements, and the allocation of congestion revenue rights to Valley Electric. ISO operational control of Valley Electric's transmission facilities will provide ISO market participants with greater access to the NV Energy and Western Area Power Administration, Desert Southwest Region systems. With Valley Electric as part of the ISO balancing authority area, the ISO will be able to achieve efficiencies in providing renewable resources in the Valley Electric service area to California and will be able to enhance the regional transmission grid. Valley Electric will become the first ISO participating transmission owner, utility distribution company, and load serving entity located primarily outside of California. The ISO and Valley Electric are prepared to commence the transition as soon as is practicable in order to complete all of the activities necessary to transition Valley Electric to the ISO balancing authority area effective January 1, 2013, the targeted transition date. In order to achieve this transition date, the ISO and Valley Electric must begin the transition process set forth in the agreement during the 1<sup>st</sup> quarter of 2012 and, therefore, the ISO requested that FERC accept the transition agreement effective December 15, 2011.

Responsible attorney: John Anders

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

As discussed in the July 6, 2011 regulatory update, on June 22, 2011 the ISO filed a tariff amendment proposing: 1) to modify 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 mitigated exceptional dispatch energy settlement rules to exceptional dispatches needed to access stranded ancillary services awards and residual unit commitment capacity. On August 19, 2011, FERC issued an order accepting the tariff amendments effective as of June 23, 2011, the day after the filing, as requested by the ISO. In the same order, FERC authorized its Office of Enforcement to conduct a non-public, formal investigation of the bidding practices and related conduct that drove the ISO to file this emergency tariff amendment.

Responsible attorneys: Anna McKenna and Sidney Davies

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

### **Tariff amendments and orders**

- **Convergence bidding at intertie locations (ER11-4384)**

The ISO has concluded that convergence bidding at intertie locations increases the real-time imbalance energy offset costs without any commensurate benefits such as convergence of the day-ahead and hourly intertie prices. Accordingly, on August 26, 2011, the ISO requested a temporary waiver of the tariff requirement that would have obligated the ISO to increase the convergence bidding position limits at the interties as of October 1, 2011. An increase in the position limits would have further increased costs to be allocated through the real-time imbalance energy offset. FERC issued an order granting the waiver request on September 29, 2011. For the same reasons, the ISO filed a tariff amendment on September 20, 2011 to eliminate convergence bidding at intertie locations requesting an effective date of November 28, 2011. The Board authorized the tariff amendment at its August 25, 2011 meeting.

Responsible attorney: Anna McKenna

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

On September 30, 2011, FERC accepted without change amendments to implement tariff provisions regarding dynamic transfers approved by the Board at its May 19 meeting. The ISO filed these proposed tariff changes on July 29, 2011 to (i) add provisions for pseudo-ties, which are resources that are transferred from one balancing authority area to another by programming of the balancing authorities' energy management systems, (ii) refine the existing provisions regarding dynamic scheduling of imports, (iii) add provisions for dynamic scheduling of exports, and (iv) address special aspects of dynamic transfers from intermittent resources. FERC made these tariff revisions effective as of November 1, 2011, as requested by the ISO.

Responsible attorneys: Mike Dozier and John Anders

- **Flexible ramping constraint and provide related compensation (ER12-500)**

In certain circumstances, the ISO does not have sufficient ramping capability in the market to meet five-minute dispatch instructions. On October 7, 2011, the ISO filed tariff amendments with FERC to enable it to better utilize the ramping capability of the diverse resources in the market through implementation of a flexible ramping constraint. This market enhancement will ensure the availability of a pre-specified quantity of upward-ramping capability requirement in hour-ahead scheduling process, short-term unit commitment process, real-time unit commitment process and the real-time dispatch. The ISO also proposed tariff provisions that would provide just and reasonable compensation to resources that are used to meet the flexible ramping constraint. The costs of such compensation will be allocated to measured demand,

which consists of metered load and exports. This proposal was approved by the Board on August 25, 2011.

Responsible attorneys: Anna McKenna and David Zlotlow

- **Transmission maintenance coordination committee (ER11-4340)**

On August 19, 2011, the ISO filed a tariff amendment to change the status of the transmission maintenance coordination committee from an advisory committee of the ISO Board to an advisory committee reporting to ISO Management. The primary responsibility of this committee is to develop proposed standards and proposed changes to existing standards regarding transmission maintenance that are set forth in the transmission control agreement. The proposed change in advisory role does not alter any of the responsibilities of the committee. The Board authorized the change at the July 13, 2011 meeting. On October 18, 2011, FERC issued an order accepting the tariff amendment as filed.

Responsible attorney: Sidney Davies

- **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. On September 30, 2011, FERC accepted ISO's proposed tariff modifications effective October 1, 2011 subject to one compliance obligation. In its order, FERC accepted the ISO's offer to clarify tariff section 11.29.7.3.1 to indicate that, for purposes of determining whether the \$1 million threshold for issuing the unscheduled recalculation settlement statement has been met, the ISO will calculate the financial impact resulting from an error based on the dollar value of the charges that were mistakenly assessed due to the error.

Responsible attorney: Beth Ann Burns

- **Reliability demand response resource (ER11-3616)**

On May 20, 2011, the ISO filed proposed tariff revisions to allow state emergency triggered demand response programs to participate in the ISO market as reliability demand response resources. This tariff amendment was submitted following an extensive stakeholder process. The ISO sought to include in the filing sufficient detail to demonstrate the justness and reasonableness of the tariff provisions regarding demand response resource design and to permit FERC to issue an order accepting it. However, on August 26, 2011, FERC issued a letter requesting additional information in order to process the filing. Specifically, FERC sought clarification concerning the circumstances under which resources registered under the program would be “emergency triggered”. The ISO responded on September 21 with additional detailed information about the process. FERC also asked why the tariff definition for proxy demand resource appeared equivalent if in fact it was a different resource. The ISO explained in its response that the difference is addressed in the demand response provider agreement but the ISO modified the tariff definitions to include this additional detail. Neither of these changes affects the ISO’s planned implementation scheduled for April 1, 2012.

Responsible attorney: John Anders

- **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 the 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. On September 30, 2011, FERC issued an order accepting the ISO’s proposed tariff amendments to subject to one compliance obligation. The ISO is required to modify the language in tariff section 9.3.10.6.1 to refer to FERC’s regulations that apply to reporting or referring a market participant’s behavior to the Office of Enforcement for investigation.

Responsible attorney: Beth Ann Burns

- **Qualifying facility exemption (ER11-4733)**

On September 30, 2011, the ISO filed a tariff amendment to exempt scheduling coordinators for two categories of qualifying facilities from the requirement in section 40.9.5 to report outages to the ISO for purposes of the standard capacity product availability determination. The exemptions apply to qualifying facilities that provide resource adequacy under an existing agreement for regulatory must-take generation that either is exempt from the application of the standard capacity product financial incentives or that has had the term of its agreement extended by order of the CPUC. The exemption is necessary because the scheduling coordinators for these resources cannot obtain the required outage information from the resources under their existing agreements and cannot submit it to the ISO as required by section 40.9.5. Unless the proposed exemption is granted, a scheduling coordinator that fails to submit outage information could be found to be in non-compliance with the reporting requirement in section 40.9.5 even though the scheduling coordinator does not have and cannot obtain the required information.

Responsible attorney: Beth Ann Burns

- **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. On August 22, 2011, the Commission accepted the ISO's proposal in its entirety.

Responsible attorneys: Anna McKenna and David Zlotlow

- **Regulation energy management tariff amendment (ER11-4353)**

The ISO has filed amendments to its tariff to allow greater participation by non-generator resources in the ISO's ancillary services market. Non-generator resources are resources that can operate as generation or load, or both. These resources have the capability to be dispatched to any operating level within their operating range but are subject to constraints with respect to the amount of energy they can generate or curtail.

Examples of these resources include battery storage, flywheels and dispatchable demand response). At its February 2011 meeting, the Board authorized the ISO to implement regulation energy management, which will allow non-generator resources to bid their capacity more effectively into the ISO's regulation markets. The ISO conducted a stakeholder process during the second quarter of 2011 and filed a tariff amendment on August 22, 2011. The ISO proposed to implement regulation energy management in April of 2012. No party filed a protest of the ISO's tariff amendment and several parties submitted supporting comments. On September 27, 2011, the ISO filed an answer to comments submitted by the California Department of Water Resources and the California Energy Storage Association.

Responsible attorney: Andrew Ulmer

- **Amendment 60 allocation of must-offer costs (ER04-835)**

In May of 2004, the ISO filed a tariff amendment proposing to apply cost causation principles to the allocation of "must-offer" costs. During the electricity crisis, FERC required all resources to offer their capacity into the ISO market. In turn, the ISO was obligated to compensate these resources for their costs. The ISO initially allocated all costs at a system-wide level. In amendment 60, the ISO proposed to allocate costs depending on whether the ISO's need for the resource was to meet a local, zonal or system-wide requirement. The ISO proposed an effective date of October 1, 2004. FERC established a refund effective date of July 17, 2004 as a result of a complaint filed by Pacific Gas & Electric Company, which FERC consolidated with the amendment 60 proceeding. Although parties did not generally object with the ISO's theory of cost allocation, parties disputed the ISO's proposed classifications of constraints as zonal or local. As a result, the FERC set the matter for hearing. On September 16, 2011, FERC issued two orders. In its order on rehearing, FERC rejected any further consideration of any reclassification of a constraint as local or zonal. In the second order, FERC accepted the ISO's two pending compliance filings filed in February 2007 and January 2008, respectively, and directed the ISO to submit an informational filing explaining how the ISO addressed Southern California's Edison's concern that the ISO had not published sufficient information on its website for it to validate its allocation of must-offer costs. The time period in issue is July 17, 2004 through March 31, 2009. The ISO will be filing to request an extension of time to comply with this directive.

Responsible attorney: Sidney Davies

## Rulemakings and related proceedings

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

On July 21, 2011, FERC issued Order 1000. This order is summarized in the August 18, 2011 regulatory update. On August 22, 2011, the ISO submitted a request for request for clarification and rehearing raising the following issues:

- FERC exceeded its statutory authority by mandating that neighboring regions develop cost allocation methodologies and include them in their tariffs or have default cost allocation methodologies imposed on them. The ISO argued that FERC has authority to modify a rate, term or condition only if found to be unjust or unreasonable and cannot impose rates and cost methodologies where none exist. In addition, the ISO also argued that FERC has no statutory authority to mandate inter-regional planning coordination and had no reasonable basis for concluding that the existing voluntary inter-regional cost allocation mechanisms were unduly discriminatory.
- The ISO sought clarification regarding cost allocation in a scenario where an inter-regional project crosses several neighboring regional planning entities and interconnects to a third regional planning entity (such as the ISO). The ISO sought clarification to the effect that the project will not be eligible for cost allocation and cost recovery from ratepayers of the third regional planning entity unless that entity has identified a need for the project in its regional transmission plan.

Tariff compliance filings addressing the regional planning aspects of Order 1000 are due in October, 2012 and filings addressing the inter-regional planning aspects of the order are due in April, 2013.

Responsible attorneys: Judi Sanders and Anna McKenna

- **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. FERC issued Order 719 on October 17, 2008. 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. The ISO made the final compliance filing on August 24, 2011. In the August filing, the ISO removed an element of the Rules of Conduct (section 37 of the tariff) that FERC found could give the ISO too much discretion in levying penalties. On September 7, 2011, FERC issued a letter



order accepting the ISO's final compliance filing related to the market monitoring aspects of Order 719. The specific provision involved the ISO's authority to levy penalties where a market participant does not provide a timely response to a request for additional information regarding a forced outage. The tariff had required that the additional information be provided within the deadline set forth in the request. FERC found that this gave the ISO discretion in setting the deadline. In compliance with FERC's directive, the ISO amended the provision to provide a default four-day deadline for the additional information. There are no further outstanding compliance filings in this proceeding.

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) eliminate unsecured credit in connection with congestion revenue rights markets; (4) establish 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. On September 15, 2011, FERC issued an order accepting the ISO's compliance filing with two exceptions. First, with regard to the elimination of unsecured credit for the congestion revenue market, FERC directed the ISO to revise its tariff on compliance to recognize a letter from a federal agency as sufficient financial security to participate in the congestion revenue market. Second, as to the minimum criteria for market participation, FERC found that it was insufficient for the ISO to require each prospective or existing market participant to submit an officer-certified statement as part of its certification process on an annual basis. Instead, FERC directed the ISO to the revise its tariff to establish periodic compliance verification as part of its minimum participation criteria. The ISO must submit a further compliance filing by December 14, 2011.

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

## **Regulatory contracts filings and orders**

- **NextEra Genesis McCoy Solar interconnection agreement (ER11-4512)**

On September 13, 2011, the ISO filed the large generator interconnection agreement (LGIA) for the NextEra solar generating project known as the Genesis McCoy Solar Project (and alternatively as the Blythe Desert Center Project). The generating facility is planned as a 500 MW, four unit project consisting of a two 125 MW solar thermal units (the Genesis Station) and two 125 MW solar photovoltaic units (the McCoy Station). The LGIA is a non-conforming agreement, as it contains provisions that are not included in the pro forma LGIA relating to (i) up-front funding of the network upgrades (which are part of Southern California Edison's Colorado River substation expansion and West of Devers

reconducting transmission projects; and (2) provisions that permit the interconnection customer to exercise a “partial termination” of the LGIA with respect to three units of the solar project.

Under the NextEra LGIA, the customer pays a partial termination charge to exercise partial termination. This LGIA is the third such LGIA which the ISO has entered into with such partial termination provisions. All three contracts are for projects connecting to the West of Devers transmission project, which will not be completed until 2017. The ISO and Southern California Edison agreed to include the partial termination within the LGIAs for each of the three projects because the later phases of each solar project cannot achieve full capacity deliverability interconnection until 2017, when West of Devers is completed. FERC has accepted the prior-filed LGIAs containing the partial termination provisions in these circumstances.

Responsible attorney: Bill Di Capo

- **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. 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. On October 4 the Commission issued a letter order accepting the agreement, which in turn allowed the ISO to commence limited testing on October 5 with a planned implementation of October 17. 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 firmed 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**

- **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 August 15, September 15, and October 17, 2011, the ISO submitted its monthly report of market disruptions that occurred from June 16 through July 15, July 16 through August 15, and August 16 through September 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 August 15, September 15 and October 14, 2011, the ISO submitted transactional data including incremental and decremental MW volume, duration and location for exceptional dispatches occurring during the months June, July and August, 2011. On August 30 and September 30, the ISO submitted MW hour data and cost data for exceptional dispatches occurring during the months of May and June 2011. In addition, on October 12, 2011, the ISO filed a report summarizing efforts underway to minimize reliance on exceptional dispatch. The ISO is required by FERC order to submit these reports every 120 days. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside of the operation of the ISO markets due address operational needs that cannot be address by the ISO market.

Responsible attorney: Sidney Davies

#### **Other FERC matters**

- **Petition to distribute forfeited interconnection funds (ER11-4738)**

On September 30, 2011, the ISO filed for permission to distribute forfeited interconnections study deposit funds as well as forfeited interconnection financial security amounts in accordance with Appendix Y of the tariff for calendar years 2009 and 2010. Forfeiture of a portion of an interconnection customer's financial postings occurs when the customer withdraws a project. The purpose of the financial positing requirement is to reduce the number of non-viable projects in the ISO's interconnection queue. Section 3.5.1.1 of Appendix Y to the tariff requires the ISO to distribute any forfeited funds in the same manner as the rules of conduct penalties, discussed below, except that market participants with penalty violations are not precluded from the allocation. The total distribution amounts to \$13,352,391.

Responsible attorney: Bill Di Capo

- **Petition to distribute rules of conduct penalties (ER12-77)**

The ISO's Rules of Conduct (Section 37 of the tariff) grant the ISO authority to penalize market participants for violations of pre-defined rules. The tariff requires the ISO to place all penalty proceeds into a trust account and for each calendar year allocate those proceeds to market participants that had no violations in that year. The tariff requires

the ISO to receive permission from FERC before making such disbursement. On October 13, 2011, the ISO filed for permission to distribute the penalty proceeds from 2010. The total penalty distribution for 2010 amounts to \$47,000. Of that total, \$46,000 was for eight different violations of the requirement to provide a timely explanation of a forced outage (section 37.4.1). The other \$1,000 comprised two violations of availability reporting requirements (section 37.4.3).

Responsible attorney: David Zlotlow

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

- **Demand response rulemaking (R.07-01-041)**

On August 18, 2011, following workshops facilitated by the CPUC, the Administrative Law Judge in this proceeding issued a request for comment on the staff proposed Rule 24 for direct participation of demand. The purpose of this phase of the rulemaking is to develop detailed rules for facilitation of demand response participation directly in the wholesale electricity markets (e.g., the ISO's proxy demand resource or reliability demand response resource). It is essential the relationships between third party demand response providers and the load serving entities be addressed in order to continue the development of demand response in California. Information sharing, metering and reporting obligations along with contractual arrangements all need to be worked through. The purpose of proposed Rule 24 is to work through these issues. The ISO filed comments on September 23, 2011 and reply comments on October 7, 2011, which were focused almost exclusively on clarification of the interplay between the proposed Rule 24 and the ISO's processes and procedures.

Responsible attorney: John Anders

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

On October 11, 2011, the CPUC issued Decision 11-10-016 granting the joint petition filed on July 28 by California Municipal Utilities Association and the parties to the global settlement of qualifying facilities issues for modification of CPUC Decision 11-07-010, which had approved the settlement agreement. D.11-10-016 revises D.11-07-010 to delete two paragraphs and two conclusions of law from D.11-07-010 regarding cost recovery related to municipal departing load.

The petition for modification also included 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. In D.11-10-016 the CPUC ruled that the settlement will only be effective when both D.11-10-016 and D.10-12-035 are final and non-appealable. On October 11, CMUA withdrew its application for rehearing of D.10-12-035, but CCSF still has a pending application for rehearing of that decision.

The CPUC had issued Decision 11-07-010 on July 15, 2011, granting the joint petition of CMUA and the parties to the global settlement of qualifying facilities issues for modification of CPUC Decision 10-12-035 approving the settlement agreement. D.11-07-010 revised D.10-12-035 to include statements that CMUA's issues regarding cost allocation to "municipal departing load" have been resolved. The CPUC also 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.

Responsible attorneys: Mike Dozier and Sidney Davies

- **Rulemaking to improve distribution level interconnection rules (R.11-09-011)**

On September 27, 2011, the CPUC issued an order instituting rulemaking that seeks to revise CPUC-jurisdictional Rule 21 generator interconnection rules and IOU distribution interconnection rules so as to establish a single interconnection process across the entire electrical distribution system (including interconnections to facilitate wholesale electric transactions). The CPUC stated that the outcome of the rulemaking is intended to enhance distribution interconnection of renewable resources sized up to 20 MW, in support of the state's 33% renewable portfolio standard procurement requirement, and other legislation promoting renewable development. The rulemaking is modeled on a previous "settlement effort" regarding qualifying facilities. The CPUC settlement effort will be used to facilitate an all party settlement which the CPUC may then adopt through full Commission decision by the end of the year. Comments to the rulemaking must be filed by October 28. The issue of concern to the ISO is the interrelated issue of deliverability for resources interconnecting on the distribution grid and ISO's generation interconnection and activities for the ISO-controlled grid, including deliverability of resources interconnecting to the ISO grid.

Responsible attorney: Bill Di Capo

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

These consolidated proceedings review and approve the investor owned utility demand response programs and budgets for the tri-annual cycle 2012 to 2014. The CPUC conducted evidentiary hearings in July. Since the last report, the ISO submitted an opening brief on August 22 and a reply brief on September 9 commenting on testimony and the evidentiary record. In its briefs, the ISO reiterated its position that the CPUC not count, for resource adequacy purposes, demand response programs which are not structured as price responsive programs that are integrated into the ISO market as either proxy demand resources or reliability demand response resources. The ISO also reiterated its recommendation that the CPUC consider a competitive solicitation mechanism as a metric against which to evaluate the proposed investor owned utility budget amounts and the

timeframe for investor owned utility efforts to configure certain demand response programs so that the demand response can participate as proxy demand resources in the ISO market.

Responsible attorney: Bill Di Capo

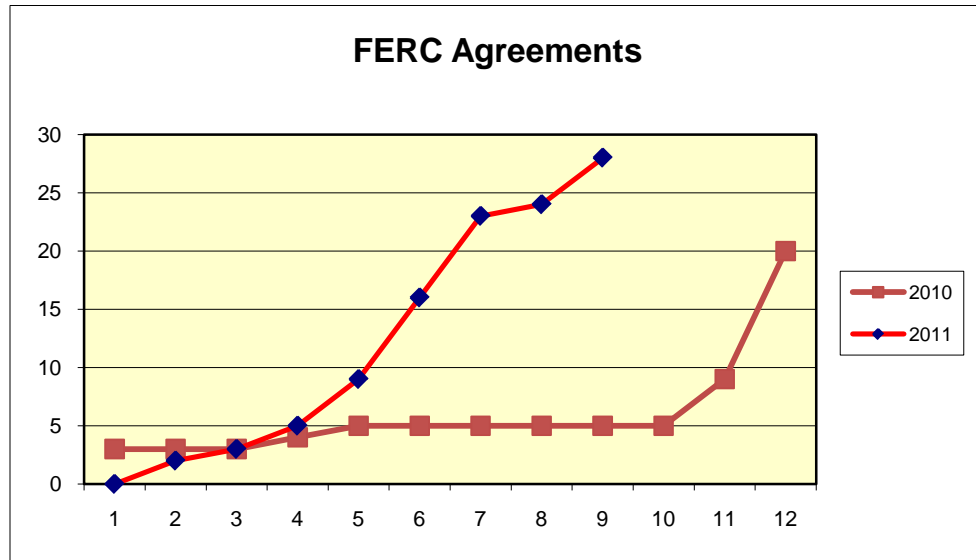
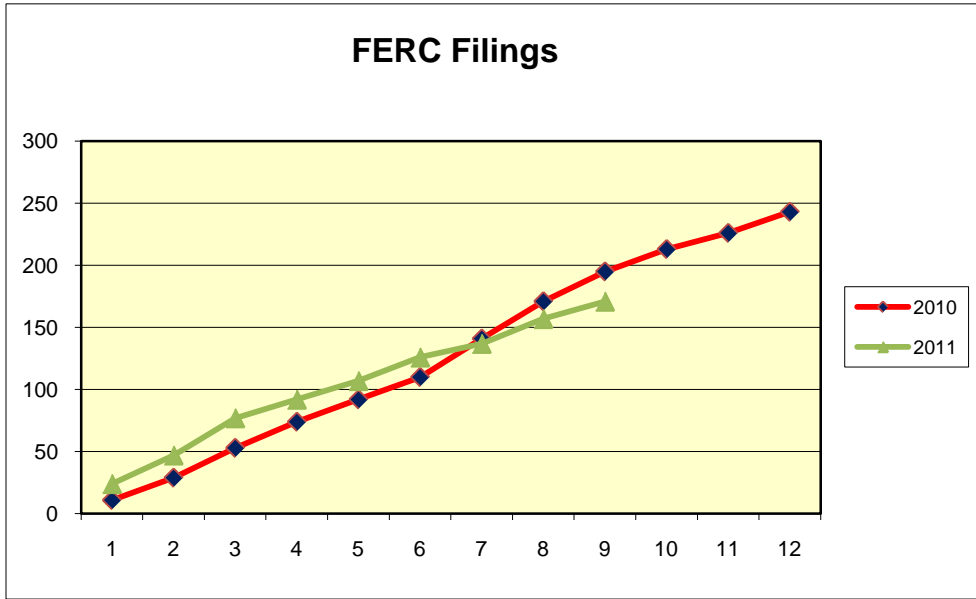
### **Other regulatory filings**

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

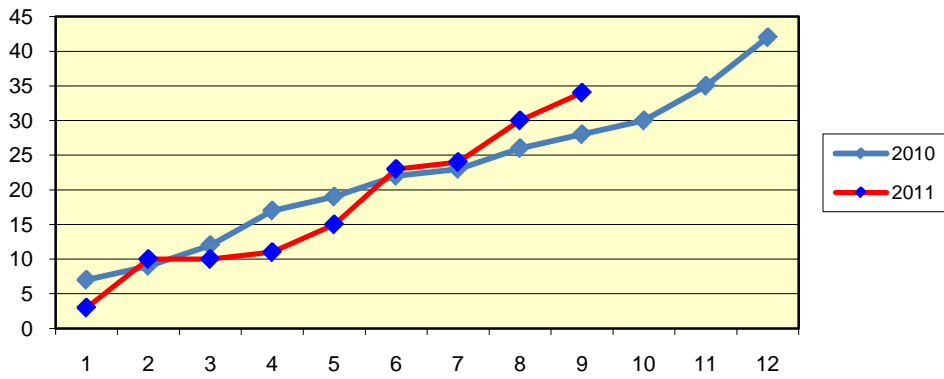
In May 2010, the State Water Resources Control Board adopted a policy on the use of coastal and estuarine water for power plant cooling (once-through cooling). As defined by the policy, the water board will require power plants to adopt the best technology available to cool power plants with coastal 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. The ISO expects to publish initial results from these study efforts as part of its transmission planning process in December 2011. 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

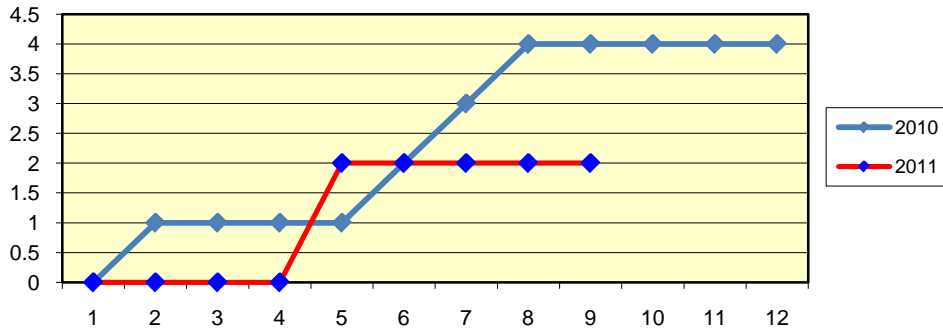
**Regulatory Filings  
2011 Cumulative Charts through September**



### CPUC/Other Commission Filings



### Court Filings





# Total Filings

