

Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel & Chief Compliance Officer

Date: December 10, 2015

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *FERC accepted the ISO's readiness criteria for all new EIM entities, enabling NV Energy to join the EIM on December 1, 2015*
- *FERC accepted a six month transition period for all new EIM entities during which the ISO will not apply pricing parameters based on the bid caps and instead will establish prices based on the last cleared economic bid*
- *FERC accepted the interconnection process procedures to prevent interconnection customers from using the annual downsizing process solely to reduce the amount of financial security*
- *The ISO proposed to maintain the effectiveness of existing tariff provisions regarding the allocation of financial default losses across all market participants after the expiration of the current tariff provisions per a 2010 settlement agreement.*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Order accepting tariff revisions – interconnection process enhancements – downsizing (ER15-2752)**

On November 24, 2015, FERC accepted the ISO's tariff revisions to its generator interconnection process, intended to close a loophole inadvertently created when the ISO revised this process in 2014. The revisions prevent interconnection customers from using the annual downsizing provisions solely to reduce the amount of financial security they would otherwise be required to forfeit upon their eventual withdrawal from the interconnection queue. The new procedures are effective October 14, 2015.

- **Order authorizing mitigation – EIM inerties (ER15-2272)**

On November 19, 2015, FERC granted authorization to include energy imbalance market transfer constraints between the NV Energy balancing authority area (BAA) and the ISO and PacifiCorp East BAAs in the ISO's local market power mitigation procedures under section 29.39(d)(2) of the tariff. The mitigation took effect December 1, 2015, when NV Energy joined the EIM.

- **Order accepting compliance filing – EIM readiness criteria (ER15-861-004)**

On November 19, 2015, FERC accepted the ISO's August 28, 2015 filing specifying readiness requirements and criteria that will apply to all prospective EIM entities. The readiness criteria were effective March 16, 2015, and are applicable to NV Energy, the first entity to join the EIM since they became effective.

- **Compliance filing to reconcile overlapping FERC-approved tariff records (ER16-350)**

On November 18, 2015, the ISO submitted a compliance filing to reconcile overlapping tariff records in FERC's eTariff system in order to reflect the sum of revisions to the same sections of the tariff that FERC has already accepted in different proceedings. The ISO did not propose any substantive changes to any FERC-approved tariff language in this filing and no stakeholder raised any concerns regarding the filing. The ISO requested that FERC accept each of the reconciled tariff records contained in the filing effective as of the latest effective date previously approved by FERC for the relevant tariff record.

- **Filing to maintain effectiveness of default loss allocation (EL09-62)**

On November 10, 2015, the ISO submitted a filing to maintain the effectiveness of existing tariff provisions regarding the allocation of financial default losses across all market participants. The ISO submitted the filing in accordance with a settlement agreement FERC approved in Docket No. EL09-62, which required the ISO either to request that the effectiveness of these tariff provisions be maintained beyond February 11, 2016, or to file amendments to modify or replace the default loss allocation tariff provisions. Based on the justness and reasonableness of the existing approach, as well as unanimous stakeholder comments supporting maintenance of the existing approach and the absence of any stakeholder proposals to modify it, the ISO requested that FERC accept the filing and maintain the effectiveness of the current tariff provisions.

- **Order accepting tariff revisions – EIM transition period pricing (ER15-2752)**

On October 29, 2015, FERC accepted the ISO's tariff amendments to allow a transition period for new EIM entities during the first six months of EIM participation. The tariff provisions were accepted for filing, subject to condition, effective November 1, 2015. FERC ordered the ISO to submit a compliance filing within 30 days of the order date to include additional language committed to by the ISO in response to comments.

Regulatory Agreements

- **EIM implementation agreement between the ISO and Portland General Electric (ER16-366)**

On November 20, 2015, the ISO filed for acceptance with FERC its May 15, 2015, EIM implementation agreement, with Portland General Electric Company (PGE). The implementation agreement sets forth the terms under which the ISO will extend its existing real-time energy market systems to provide imbalance energy service to PGE pursuant to the ISO's EIM tariff. Under the implementation agreement, PGE will compensate the ISO for its share of the costs of related system changes, software licenses, and other configuration activities. The ISO requests that FERC accept the implementation agreement effective January 20, 2016, so that PGE participation in EIM may proceed for a planned implementation on October 1, 2017.

- **Letter order accepting planning coordinator agreement between the ISO and the City and County of San Francisco (ER15-2642)**

On November 9, 2015, FERC issued a letter order accepting the planning coordinator agreement dated May 14, 2015, between the ISO and the City and County of San Francisco (San Francisco), effective November 10, 2015. The planning coordinator agreement sets forth the terms under which the ISO will serve as the planning coordinator for the transmission facilities and generation units owned by San Francisco, and connected to those transmission facilities that are part of the bulk electric system located within the ISO's balancing authority area. Under the agreement, San Francisco will pay the ISO an annual service fee for its services as planning coordinator during the initial three year term of the agreement.

Reports filed

- **EIM price waiver reports (ER15-402)**

On November 13, 2015, the ISO submitted to FERC its report on EIM performance for August through September 2015. The report was submitted pursuant to FERC's March 16, 2015, order directing the ISO to refine the monthly reports to "assist the Commission and the parties in determining the extent to which the price spikes continue to be caused by transitional issues, and the extent to which they may be triggered by lack of adequate supply in the EIM." On December 1, 2015, the Department of Market Monitoring submitted its assessments of the EIM performance, covering August and September 2015.

- **Exceptional dispatch reports (ER08-1178 and EL08-88)**

On October 30 and November 30, 2015, the ISO submitted an exceptional dispatch informational report on: (1) the price impact of exceptional dispatches as required by FERC

in its September 2, 2009 order in this proceeding; and (2) an analysis of the degree of mitigation as required by tariff section 34.9.4. These reports covered July 2015 and August 2015, respectively. On November 16, 2015, the ISO submitted to FERC transactional data including incremental and decremental megawatt volume, duration, and location for exceptional dispatches occurring during the month of September 2015. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside the operation of the ISO market to address operational needs that cannot be addressed by the ISO market.

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

On November 16, 2015, the ISO submitted to FERC its monthly market disruption report for the period September 16, 2015 through October 15, 2015. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

- **Informational status report on third party participation in the EIM (ER15-402)**

On November 2, 2015, the ISO submitted an informational status report regarding the status of third party energy imbalance market participation within the first year of EIM operations, consistent with FERC's directives in FERC's order granting tariff waiver and direction informational filings issued on December 1, 2014. The ISO reported that the following third-party entities have registered to participate in the EIM: West Valley Power, LLC, and EDF Trading North America, LLC.

California Public Utilities Commission matters

- **Decision on flex alert program transfer proposal (R.14-08-013)**

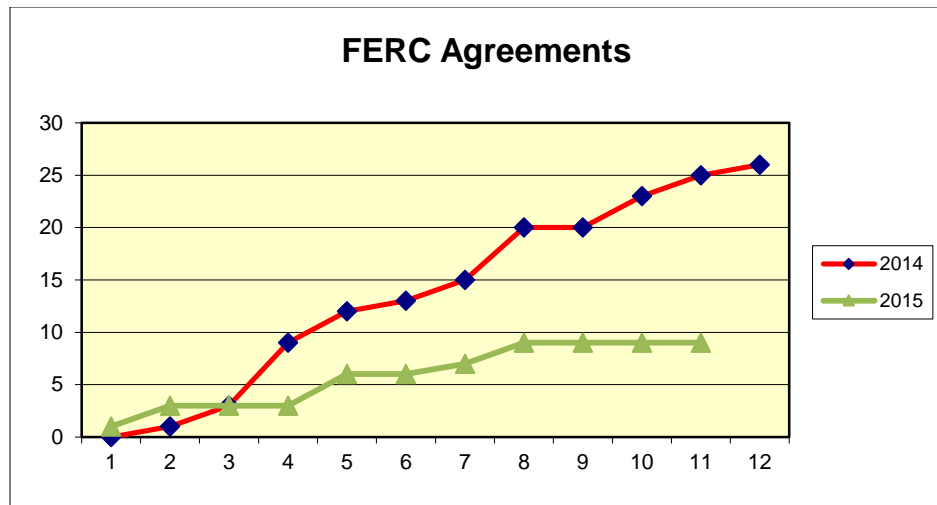
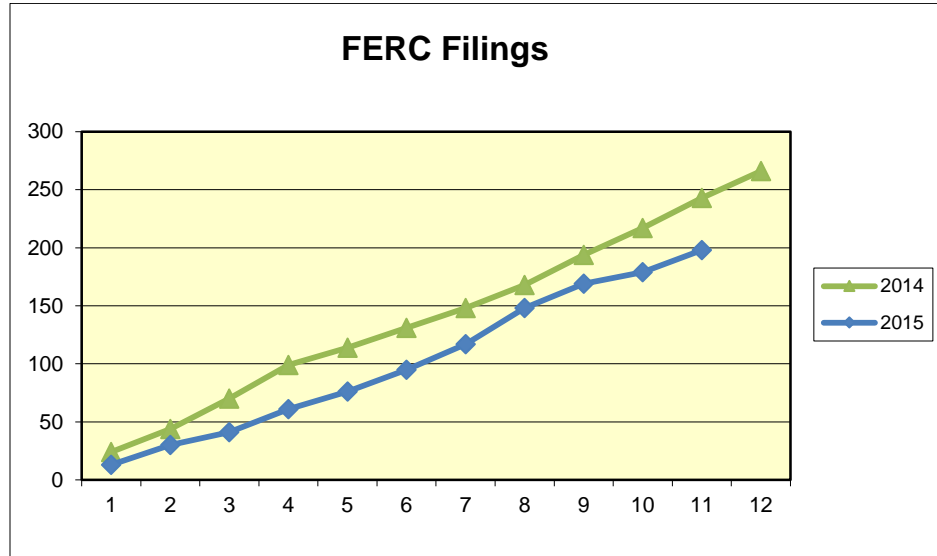
On November 19, 2015, the CPUC issued a decision finding that the ISO will administer and fund the Flex Alert program beginning in 2016. The ISO will not continue the paid media program that is currently funded by ratepayers of the investor-owned utilities. The ISO will maintain the Flex Alert brand in order to ensure that the Flex Alert program is an effective tool to maintain grid reliability. The ISO shall maintain the ability to revise, modify, expand or discontinue Flex Alert activities as necessary to ensure reliable operation of the transmission grid.

- **Testimony of Neil Millar and Songzhe Zhu – West of Devers upgrade project (A.13-10-020)**

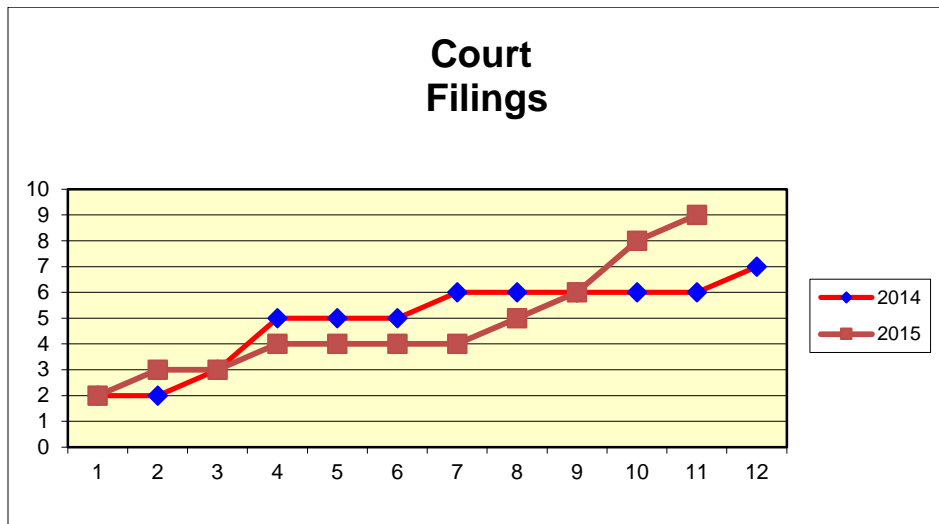
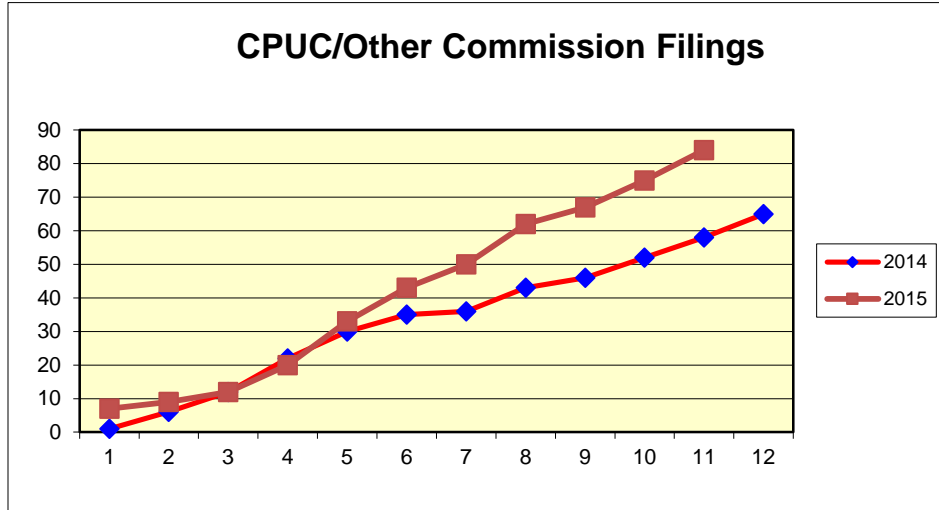
On October 27, 2015, the ISO submitted testimony of Neil Millar, ISO Executive Director – Infrastructure Development, to provide an overview of the ISO's transmission planning processes that led to the identification of the need for reinforcement of the West of Devers transmission system and testimony of Songzhe Zhu, ISO Lead Regional Transmission Engineer, providing detailed information regarding the need for the West

of Devers Upgrade Project. On November 10, 2015, the ISO submitted rebuttal testimony of Neil Millar and Songzhe Zhu to rebut certain testimony offered by Office of Ratepayer Advocates (ORA) regarding Southern California Edison Company's (SCE's) Application requesting a certificate of public convenience and necessity for the West of Devers Upgrade Project.

Regulatory Filings Through November 2015



Regulatory Filings Through November 2015



Regulatory Filings Through November 2015

