



Memorandum

To: ISO Board of Governors

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

Date: January 29, 2015

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *ISO filed for transition period for all new energy imbalance market participants*
- *ISO filed for changes to energy imbalance market administrative charge*
- *FERC accepted ISO changes to commitment cost mechanisms to provide resources with a fair opportunity to recover costs during the upcoming winter months*
- *FERC accepted the ISO's compliance filing to FERC's Order 1000 regional and interregional transmission planning requirements*
- *FERC accepted the ISO's proposed revisions to the grid management charge effective January 1, 2015*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Energy imbalance market amendment to implement transitional period (ER15-861)**

On January 15, 2015, the ISO submitted a tariff amendment to provide a 12-month transition period during which the pricing of energy in the balancing authority area of a new energy imbalance market entity is not subject to the pricing parameters, currently pegged to the \$1,000 per MWh price cap. These parameters normally apply under the tariff when the market optimization relaxes a transmission constraint or the power balance constraint in

clearing the real-time market. This amendment provides a necessary and prudent transition period for entities that begin participating in centralized energy markets for the first time. The ISO requested that FERC waive the notice requirements and permit this tariff amendment to become effective February 13, 2015.

- **Energy imbalance market administrative charge (ER15-850)**

On January 14, 2015, the ISO filed a tariff amendment to revise the fixed and minimum administrative charges assessed to participants in the energy imbalance market so that the ISO will no longer assess energy imbalance market participants an administrative charge based on volumes of imbalance energy. Instead, the ISO will assess the administrative charge only to the energy imbalance market entity scheduling coordinators using the volumes of supply and demand that determine the existing minimum charge. The revision to the administrative charge will prevent excessive collections during this interim period. The ISO requested that FERC waive notice requirements and permit this tariff amendment to become effective January 15, 2015.

- **Response to FERC data request regarding the natural gas day (RM14-2)**

On January 14, 2015, the ISO filed its response a data request received from the Director of FERC's Office of Energy Policy and Innovation on December 12, 2014. FERC has proposed to move the start of the gas day from 9:00 a.m. Central Time to 4:00 a.m. Central Time. This proposal is made, in part, because of a concern that the current 9:00 a.m. Central Time start of the gas day occurs in the middle of the morning electric load ramp in some regions. This creates a situation where electric load is increasing at the same time natural gas-fired generators may be running out of their daily nominations of natural gas transportation service.

- **Energy imbalance market further petition for waiver (ER15-817)**

On December 31, 2014, the ISO filed a petition for limited waiver, for the period from November 1 through November 13, 2014, to address the occurrence of high prices that did not reflect actual market and operational conditions and could not be corrected under existing tariff authority. If granted, the waiver would allow the ISO to resettle transactions in the energy imbalance market based on prices that reflect actual market conditions during the affected intervals, rather than the original posted prices. Those prices were driven by the then effective pricing parameters that trigger to reflect scarce conditions, which it is now known were not present.

- **Outage management system (ER14-2372)**

On December 31, 2014, FERC granted the ISO's request to waive implementation of the outage management system tariff revisions. This waiver was requested to avoid the potential for market volatility with the introduction of the outage management system along with the energy imbalance market and full network model. The ISO is scheduled to implement the outage management system enhancement in February 2015.

- **Commitment cost enhancements (ER15-15)**

On December 30, 2014, FERC accepted the ISO's October 1, 2014 tariff amendment to modify its commitment cost recovery provisions. The amendment ensures that the ISO's commitment cost mechanisms provide resources with a fair opportunity to recover their costs during the upcoming winter months, when gas prices are more likely to be volatile because of cold weather events. The tariff revisions are effective December 31, 2014.

- **Order 1000 regional compliance (ER13-103)**

On December 18, 2014, FERC accepted the ISO's May 19, 2014 compliance filing to FERC's Order 1000 regional requirements directive addressing: (1) how the ISO will notify stakeholders when it decides not to consider a need for transmission enhancements to be driven by public policy requirements; (2) competitive solicitation qualification criteria; (3) information requirements for transmission facilities; (4) evaluation and reevaluation processes for transmission proposal selection; and, (5) cost allocation. FERC issued a press release noting that the ISO was the first region to fully comply with the regional requirements of Order 1000. The tariff revisions are effective as of October 1, 2013.

- **Order 1000 interregional compliance (ER13-1470)**

On December 18, 2014, FERC accepted the ISO's May 23, 2013 tariff filing to comply with the interregional transmission planning requirements of Order No. 1000 with one modification. The ISO's interregional transmission planning tariff provisions will become effective October 1, 2015. FERC directed the ISO to submit tariff language in a compliance filing indicating how it will determine regional benefits, in dollars, resulting from a proposed interregional transmission project for purposes of interregional cost allocation.

- **Grid management charge revisions (ER15-66)**

On December 18, 2014, FERC approved, without modification, the ISO's proposed revisions to its grid management charge, effective January 1, 2015. The approved revisions included: (1) an increase in the revenue requirement to \$202 million; (2) changes to the allocation of the revenue requirement to service categories; and (3) updated service fees.

- **Flexible ramping constraint parameter (ER15-50)**

On December 18, 2014, FERC accepted the ISO's October 6, 2014 tariff revisions to set the flexible ramping constraint parameter and include the parameter value, set at \$60 as opposed to the current \$247, in its tariff. The ISO provided results of its study showing that a parameter setting above \$60 would not obtain additional flexible capacity the ISO could rely on being available in the five minute market. The tariff revisions are effective January 15, 2015.

- **Interconnection process enhancements topics 13-14 (ER15-129)**

On December 18, 2014, FERC accepted the ISO's October 17, 2014 tariff revisions to: (1) clarify the timing of reimbursement to interconnection customers for network upgrades they have financed; and (2) modify how the ISO distributes non-refundable interconnection financial security and study funds to apply them directly to reduce transmission rates. The tariff revisions are effective December 19, 2014.

- **Response to Transmission Agency of Northern California's protests (ER15-223, et al.)**

On December 5, 2014, the ISO filed an answer in response to the Transmission Agency of Northern California's three protests concerning Pacific Gas & Electric Company's termination of its comprehensive agreement with the California Department of Water Resources and PG&E's submission of a load interconnection agreement and two large generator interconnection agreements, to which the ISO is a party. In its protests, the Transmission Agency of Northern California argued that PG&E and the ISO did not fully consider the impacts that the termination of the large generator interconnection agreements, namely, the loss of the remedial action scheme. Under the remedial action scheme, the California Department of Water Resources receives automatic trip signals for its generation and pumping load during pre-specified contingency conditions. The remedial action scheme was needed to manage congestion due to unfinished upgrades to Path 15. In its answer, the ISO argued that these upgrades have since been built and are in-service, thereby negating the continued need of the remedial action scheme. In its December 29, 2014 order, FERC agreed with the ISO's answer, dismissed the protests, and accepted the new agreements without modification.

- **Interconnection process enhancements topics 4-5 (ER14-2586)**

On December 3, 2014, the ISO submitted further tariff revisions in compliance with FERC's November 3, 2014 order on the ISO's proposed tariff amendment to improve the efficiency and flexibility of the fast track and independent study portions of its interconnection processes, as well as to comply with the FERC's Order No. 792. The ISO requested an effective date of February 2, 2015 for these revisions.

- **Pro-Forma approved project sponsor agreement (ER14-2824)**

On December 3, 2014, the ISO submitted further tariff revisions in compliance with FERC's November 7, 2014 order on its proposed tariff amendment introducing a *pro forma* approved project sponsor agreement. The *pro forma* agreement is effective November 10, 2014, subject to this compliance filing.

Regulatory Agreements

- **Amendment to Adjacent Balancing Authority Operating Agreement (ER15-620)**

On January 15, 2015, FERC accepted the ISO's December 12, 2014, amendment to its adjacent balancing authority operating agreement with Nevada Power Company. The amendment reflects the planned interconnections of a 230 kV transmission line from Nevada Power's NSO Substation to Southern California Edison's Eldorado Substation and a 230 kV transmission line from the Eldorado Substation to Nevada Power's Magnolia Substation. The agreement is accepted for filing, to be effective on the later of February 25, 2015 or the in-service date of the interconnection facilities, as requested.

- **Bonneville Power Administration intra-hour scheduling pilot agreement termination (ER15-409)**

On December 31, 2014, FERC accepted the ISO's termination of the pilot agreement between the ISO and Bonneville for intra-hour scheduling. The termination of the agreement coincides with Bonneville's implementation of 15-minute scheduling to comply with FERC Order No. 764, and is effective October 21, 2014.

- **Copper Mountain Solar 4 upgrade facilities agreement (ER15-291)**

On December 16, 2014, FERC accepted the ISO's filing of a certificate of concurrence with respect to the affected participating owner transmission upgrade facilities agreement between Southern California Edison Company, the ISO, and Copper Mountain Solar 4, LLC. The agreement is effective October 29, 2014.

Reports filed

- **FERC Order No. 764 fifteen minute market changes (ER14-480)**

On December 31, 2014, the ISO submitted an informational filing, pursuant to FERC Order No. 764 accepting the ISO's filing to implement fifteen minute market and scheduling, effective May 1, 2014. FERC had requested reports on the market performance topics 120 days in advance of reinstating convergence bidding at the interties.

- **Energy imbalance market pricing waiver (ER15-402)**

On December 18, 2014, and January 23, 2015, the ISO's Department of Market Monitoring submitted reports providing an independent assessment on the performance of the energy imbalance market, pursuant to FERC's December 1, 2014 order granting the ISO's waiver related to pricing parameters in the energy imbalance market. On December 15, 2014, and January 15, 2015, the ISO submitted its reports also in compliance with the FERC's order, providing data on, and an assessment of, the performance of the energy imbalance market during the term of the waiver. The reports provide data demonstrating progress towards identifying and eliminating problems giving rise to the waiver petition, and describes a variety of software and procedural steps that have been taken by the ISO and PacifiCorp to

improve energy imbalance market performance, along with additional future improvements being pursued to the performance of the energy imbalance market.

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

On December 15, 2015 and January 15, 2015, the ISO submitted to FERC its monthly market disruption reports, for the periods October 16 through November 15, 2014, and November 16 through December 15, 2014. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

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

On December 15, 2014, the ISO submitted to FERC transactional data including incremental and decremental megawatt volume, duration, and location for exceptional dispatches occurring during the month of October 2014. 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.

- **AES Huntington Beach hours of operation (ER13-351)**

On December 10, 2014, the ISO submitted to FERC an informational report, pursuant to FERC's order approving the reliability must-run agreement for synchronous condensers at AES Huntington Beach Generating Units 3 and 4, on the hours of operation for those units for the period September, October, and November 2014.

- **Negotiated default energy bids and major maintenance adders (ER06-615)**

On January 7 and December 8, 2014, the ISO submitted to FERC informational filings containing the rates or formulas used to calculate negotiated default energy bids, custom operations and maintenance adders, and major maintenance adders, that were implemented or modified for the months of November and December 2014, respectively.

California Public Utilities Commission matters

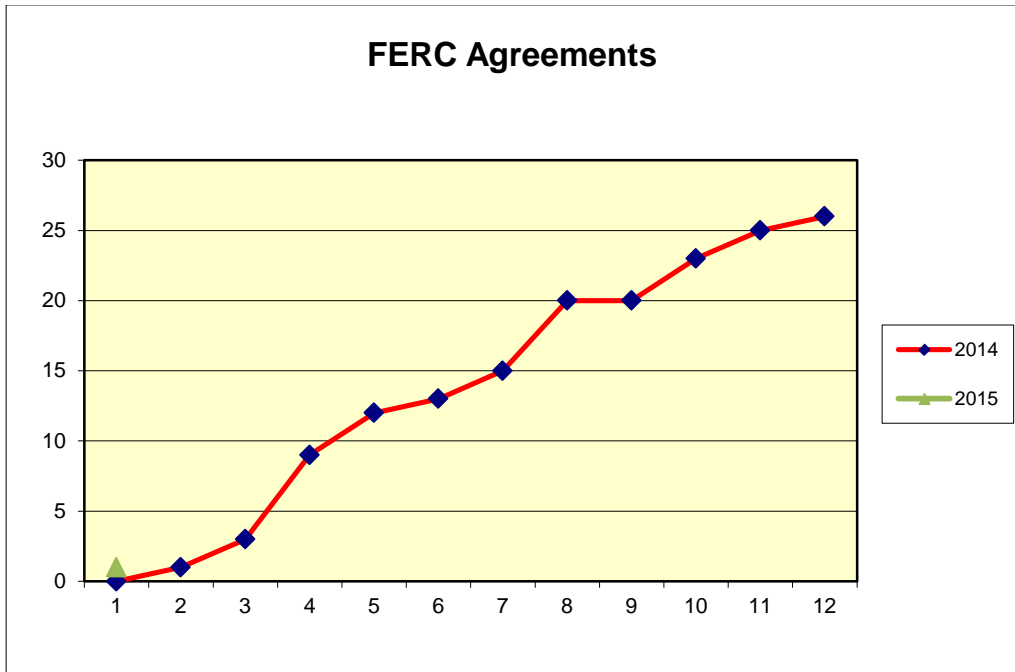
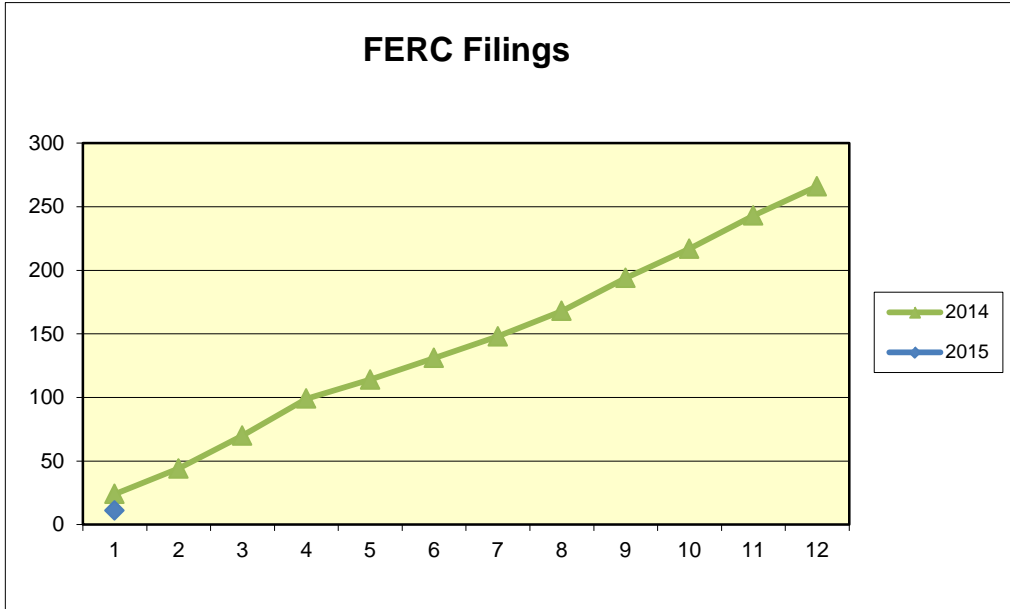
- **Long-Term Procurement Plan (R.13-12-010)**

On January 12, 2015, the ISO submitted comments supporting the Administrative Law Judge's proposal to close Phase 1A of the long-term procurement plan proceeding and to use Phase 1B of the proceeding to focus on modeling refinements and policy guidance. The ISO emphasized the fact that over-generation concerns should be addressed in the context of this proceeding.

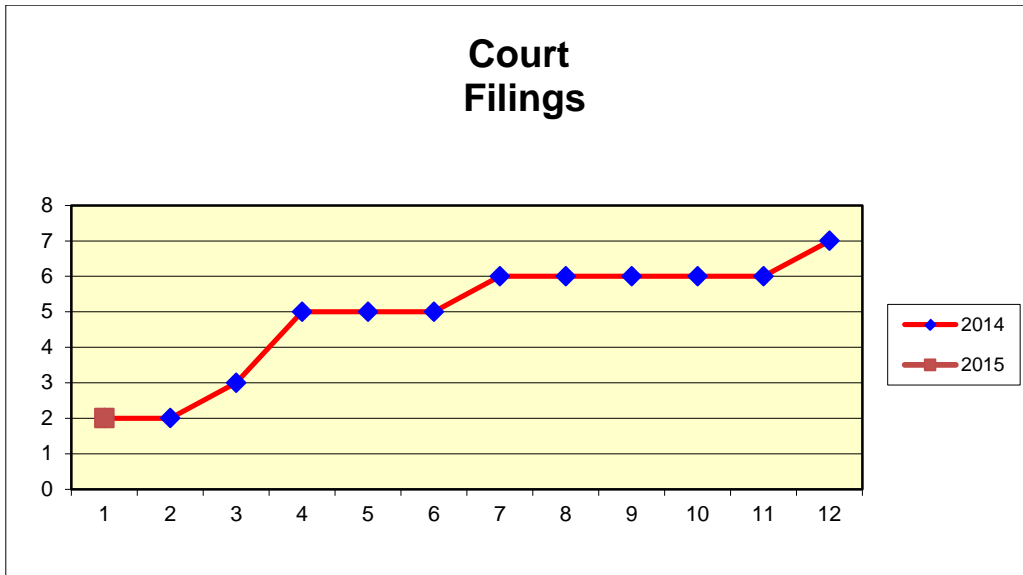
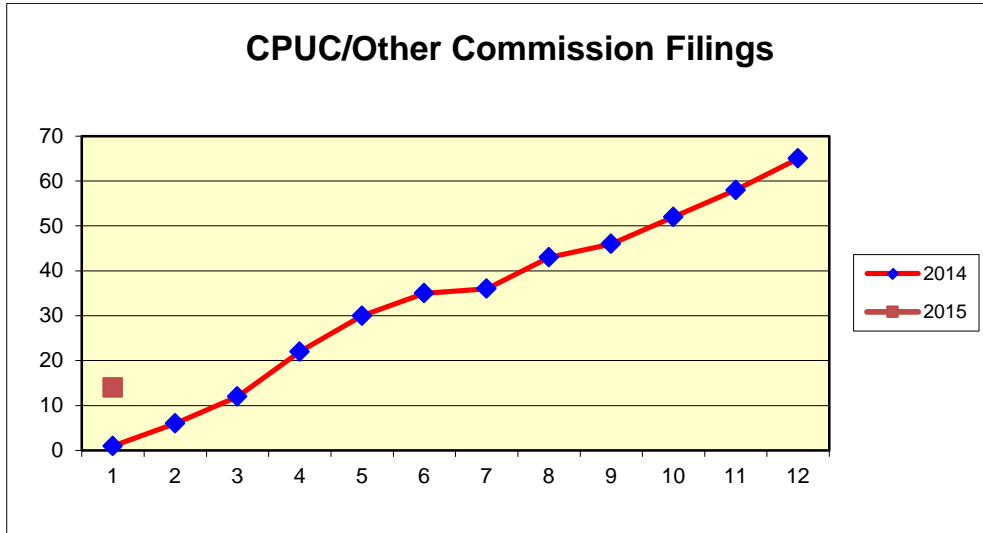
- **Demand Response (R.13-09-011)**

On December 22, 2014, the ISO filed a joint compliance letter in response to Commission Decision (D.) 14-12-024, which modified an August 4, 2014 settlement agreement between the ISO and 19 other parties. Amongst other issues, the settlement agreement provided for the bifurcation of demand response resources into two categories: (1) supply resources, which are bid into ISO markets; and (2) load modifying resources, which reshape or reduce the net load curve. The settlement agreement provided for the bifurcation of demand response resources by 2020, but the Commission's D.14-14-024 accelerated bifurcation to 2018. In the joint compliance letter, the ISO and the parties to settlement agreement agreed to work in good faith to comply with the orders in D.14-12-024 while requesting that the settlement agreement be treated as a joint proposal of the parties in order to preserve the evidentiary record and the rights of the parties to request rehearing and modification. On January 26, 2014, the Administrative Law Judge issued a proposed modified decision which in large part accepted the proposals in the joint compliance letter.

Regulatory Filings Through January 2015



Regulatory Filings Through January 2015



Regulatory Filings Through January 2015

