

Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel, Chief Compliance Officer and
Corporate Secretary

Date: September 12, 2017

Re: Regulatory update

This memorandum does not require Board action.

Highlights

- *ISO filed a transferred frequency response agreement between the ISO and Bonneville Power Administration; Grant County, Washington, and Chelan County, Washington*
- *ISO filed a generator scheduling agreement for the O'Neill Pump-Generating Plant*
- *ISO filed the energy imbalance market readiness certification for Portland General Electric*
- *FERC accepted the operating agreement between the ISO and the Metropolitan Water District of Southern California*
- *FERC accepted the ISO's tariff amendment regarding reactive power requirements – automatic voltage regulator*
- *FERC rejected the extension of protective measures for participating intermittent resource program*
- *ISO filed a special local capacity study with the CEC for the Moorpark Sub-Area (Puente Power Project)*
- *FERC provisionally accepted the energy imbalance market implementation agreement between the ISO and Powerex Corp.*
- *ISO filed a petition for a limited tariff waiver to suspend changes to the availability assessment hours related to the resource adequacy program for April to October 2018*
- *ISO filed a tariff amendment to change the cost allocation of black start procurement and system restoration*
- *ISO filed an energy imbalance market implementation agreement between the ISO and the Los Angeles Department of Water & Power*
- *FERC rejects the ISO's tariff amendment to create a new class of participating transmission owners*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Order rejecting the ISO's tariff amendment to create a new class of participating transmission owners (ER17-1432)**

On September 1, 2017, FERC rejected the ISO's April 18, 2017, tariff amendment to create a new class of participating transmission owner (*i.e.*, the certified small participating transmission owner) whose low-voltage, generator-interconnection-driven network upgrade costs would be allocated regionally, rather than locally and to the transmission owner alone. The filing proposed three criteria that would be used to determine whether a PTO is eligible for such rate treatment, and describes how Valley Electric Association satisfies these criteria. FERC rejected the ISO's tariff amendment without prejudice.

- **Energy imbalance market readiness certification informational filing for Portland General Electric (ER15-861)**

On August 30, 2017, the ISO filed readiness certification with FERC for Portland General Electric to join the Western energy imbalance market. The certification informs FERC that both the ISO and Portland General Electric have met all readiness criteria specified in section 29.2(b)(7) of the tariff and their readiness to proceed with Portland General Electric's participation in the energy imbalance market on October 1, 2017.

- **FERC order accepting the ISO's tariff amendment to modify technical requirements associated with automatic voltage regulation (ER17-490)**

On August 29, 2017, FERC issued an order accepting the ISO's tariff amendment to modify its technical requirements associated with automatic voltage regulation. The August 29 order permanently accepts the tariff amendment FERC previously accepted provisionally on February 3, 2017. This ensures that resources are providing dynamic reactive power support, in compliance with FERC Order No. 827.

- **FERC order rejecting tariff amendment to extend participating intermittent resource program protective measures (ER17-1337)**

On August 17, 2017, FERC rejected the ISO's proposed tariff amendment to extend protective measures for participating intermittent resources for an additional year beyond the initial three year term, which it had previously provisionally accepted on May 23, 2017. The protective measures were approved by the Board in 2014 to provide qualifying resources the ability to retain for three years the same imbalance energy settlement that was in effect before the ISO adopted the fifteen-minute market. These measures were set to expire on April 30, 2017. Pursuant to the request of certain market participants, the ISO proposed to extend these measures for one additional year.

- **Petition for limited tariff waiver to suspend changes to the availability assessment hours for April to October 2018 (ER17-2263)**

On August 8, 2017, the ISO filed a petition for limited tariff waiver to suspend the requirements regarding the posting of the availability assessment of hours, set forth in tariff section 4 0.9.3.1(a)(2)(B). The tariff provision would require that the ISO post changes to the availability assessment hours based on its new findings. The availability assessment hours affect resource adequacy requirements for market participants. The waiver would apply only to the availability assessment of hours for resources providing local and/or system resource adequacy capacity for the period of April to October 2018. The waiver is intended to alleviate any negative impacts on resource delivery for participants of the California Public Utilities Commission's Demand Response Auction Mechanism.

- **Tariff amendment to implement black start and system restoration phase 2 (ER17-2237)**

On August 3, 2017, the ISO filed with FERC to revise its tariff rules for allocating costs associated with black start procurement. The ISO has determined that it needs to procure incremental black start capability to enhance system restoration times in the Greater San Francisco Bay Area. The ISO proposes to designate costs of the black start capability it procures as reliability costs under the tariff, and allocate those costs to the participating transmission owner in whose service area the black start generator(s) will be located. The participating transmission owner would then be able to seek recovery of these costs from rate-payers. The ISO requested an effective date of November 1, 2017.

- **Tariff amendment to eliminate the conceptual statewide plan from the ISO tariff (ER17-2169)**

On July 28, 2017, the ISO filed a tariff amendment to eliminate reference to the conceptual statewide plan from the tariff. The ISO had adopted the requirement to develop a conceptual statewide plan as part of its annual transmission planning process. FERC Order No. 1000 has superseded the development of the conceptual statewide plan and rendered it redundant. The ISO requested an effective date of September 27, 2017.

- **Joint comments in response to the NERC's petition for approval of proposed revisions to the rules of procedure (RR17-6)**

On July 17, 2017, the ISO, along with the Alberta Electric System Operator, ISO New England, Inc., and PJM Interconnection, LLC, submitted comments in response to the Petition of the North American Electric Reliability Corporation (NERC) for approval of proposed revisions to the NERC rules of procedure, filed with FERC on June 26, 2017. The joint commenters requested that FERC reject NERC's petition and remand it for further review.

- **FERC order granting tariff waiver requesting an extension to report exceptional dispatch capacity procurement mechanism designation (ER17-2072)**

On July 10, 2017, the ISO filed a petition for limited tariff waiver with FERC requesting a two week extension to post the report of the exceptional dispatch capacity procurement mechanism designation pursuant to section 43A.6.2 of the tariff. The ISO required additional time to compile and verify the information. On August 22, 2017, FERC issued a letter order granting the ISO's petition.

Regulatory Agreements

- **Amendment to participating load agreement between the ISO and California Department of Water Resources (ER17-2412)**

On August 31, 2017, the ISO filed with FERC an amendment to the first amended and restated participating load agreement between the ISO and the California Department of Water Resources. The amendment extends the terms of the agreement from November 1, 2017 to November 1, 2019.

- **Generator scheduling agreement for the O'Neill Pump-Generating Plant (ER17-2402)w**

On August 31, 2017, the ISO filed with FERC a generator scheduling agreement between the ISO and Western Area Power Administration, Sierra Nevada Region (WAPA). The Agreement sets the terms under which WAPA will submit self-schedules into the ISO market for the O'Neill Pump-Generating Plant. The ISO requested an effective date of November 1, 2017.

- **Transferred frequency response agreement between the ISO and Public Utility District No. 2 for Grant County, Washington (ER17-2393)**

On August 31, 2017, the ISO filed with FERC a transferred frequency response agreement between the ISO and Public Utility District No. 2 for Grant County, Washington. The ISO initiated a competitive solicitation to procure transferred frequency response in order to be compliant with NERC Reliability Standard BAL-003-1.1. The ISO requested an effective date of November 1, 2017, and that the agreement be effective for one year.

- **Transferred frequency response agreement between the ISO and Public Utility District No. 1 for Chelan County, Washington (ER17-2398)**

On August 31, 2017, the ISO filed with FERC a transferred frequency response agreement between the ISO and Public Utility District No. 1 for Chelan County, Washington. The ISO initiated a competitive solicitation to procure transferred frequency response in order to be

compliant with NERC Reliability Standard BAL-003-1.1. The ISO requested an effective date of November 1, 2017, and that the agreement be effective for one year.

- **Transferred frequency response agreement between the ISO and Bonneville Power Administration (ER17-2387)**

On August 31, 2017, the ISO filed with FERC a transferred frequency response agreement between the ISO and Bonneville Power Administration. The ISO initiated a competitive solicitation to procure transferred frequency response in order to be compliant with NERC Reliability Standard BAL-003-1.1. The ISO requested an effective date of November 1, 2017, and that the agreement be effective for one year.

- **FERC Order accepting the Operating Agreement between the ISO and the Metropolitan Water District of Southern California (ER17-2068)**

On August 30, 2017, FERC issued an order accepting the operating agreement between the ISO and the Metropolitan Water District of Southern California (MWD). The agreement governs the operation of the MWD transmission system within the ISO's balancing authority area, allows the ISO to make transmission capacity that MWD is not making available to ISO market participants, and ensures that MWD will have its own local capacity area meeting the ISO's resource adequacy requirements. The operating agreement will be effective October 1, 2017.

- **FERC Order accepting the amendment to the market efficiency enhancement agreement with Western Area Power Administration – Sierra Nevada Region (ER17-2061)**

On August 22, 2017, FERC issued an order accepting the amendment to the market efficiency enhancement agreement between the ISO and the Western Area Power Administration – Sierra Nevada Region. The amendment modifies the location of injections and withdrawals modeled in the ISO market. Per the FERC order, the amendment will be effective as of September 6, 2017.

- **Certificate of concurrence for the UC Regents large generator interconnection agreement (ER17-2311)**

On August 15, 2017, the ISO filed with FERC a certificate of concurrence for the large generator agreement among the ISO, Pacific Gas & Electric (PG&E), and the Regents of the University of California, that PG&E had already filed with FERC. The agreement became effective July 27, 2017.

- **FERC order provisionally accepting the energy imbalance market implementation agreement with Powerex Corp. (ER17-1796)**

On August 9, 2017, FERC issued an order provisionally accepting and suspending (subject to refund, and further order), the Western energy imbalance market implementation

agreement between the ISO and Powerex Corp. FERC provisionally accepted the requested effective date of August 15, 2017, and that Powerex Corp. will participate in the energy imbalance market beginning on April 4, 2018. This energy imbalance market implementation agreement will permit an entity with resources located in a balancing authority outside of the United States to participate in the energy imbalance market.

- **FERC Order accepting amended and restated participating generator agreement with Energia Azteca X, S.A de C.V. (ER17-1782)**

On July 24, 2017, FERC issued a letter order accepting the first amended and restated participating generator agreement between the ISO and Energia Azteca X, S.A de C.V. The ISO received the requested effective date of August 9, 2017. This amendment is to update reference to the applicable balancing authority as the responsibilities have been transferred from Comisión Federal de Electricidad to Centro Nacional de Control de Energía – Gerencia de Control Regional Baja California.

- **Energy imbalance market implementation agreement between the Los Angeles Department of Water & Power (ER17-2120)**

On July 21, 2017, the ISO filed with FERC an energy imbalance market implementation agreement between the ISO and the Los Angeles Department of Water & Power (LADWP). The ISO requested an effective date of October 1, 2017. The implementation agreement is to allow the ISO to move forward with extension of the real-time energy market to the LADWP, with a target for implementation on April 1, 2019.

Reports filed

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

On July 7, 2017, and August 7, 2017, 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, modified or terminated in June and July 2017, respectively.

- **Informational report on transition period for first six months of new energy imbalance market participants (ER15-2565)**

When a transmission or power balance constraint is binding, the ISO calculates energy prices based on penalty factors pegged to the bid caps. During the first six month transition period of the start of a new participant in the energy imbalance market, the ISO will not apply the penalty factors when a transmission or power-balance constraint is binding and will instead calculate energy price based on the last economic price signal. FERC required that the ISO and the DMM file monthly reports on the performance of these measures

during the transition period. The ISO and DMM have filed these reports: (1) on August 15, 2017, the ISO filed an informational report for Arizona Public Service, for March 2017; (2) on August 15, 2017, the DMM filed an informational report for Puget Sound Energy, for February 2017; (3) on August 15, 2017, the DMM filed an informational report for Puget Sound Energy, for March 2017; and (4) on August 15, 2017, the DMM filed an informational report for Arizona Public Service, for February 2017.

- **Market disruption reports (ER06-615 and ER07-1257)**

On July 17, 2017, and August 15, 2017, the ISO submitted to FERC monthly market disruption reports for the periods of May 16 to June 15, 2017, and June 16 to July 15, 2017, respectively. A market disruption is an action or event that causes a failure of the ISO market that is related to system operation issues or system emergencies.

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

On July 17, 2017, July 31, 2017, August 15, 2017, and August 30, 2017, the ISO submitted exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as required by FERC in its September 2, 2009 order in the referenced proceeding; and (2) an analysis of mitigation as required by tariff section 34.11.4. The reports covered April, May, and June 2017. 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.

California Public Utilities Commission matters

- **Comments on Draft Resolution E-4867 – approval of the database for energy-efficient resources (DEER) (R.13-11-005)**

On July 31, 2017, the ISO commented on the CPUC draft resolution stating that the results of the analysis indicate that coincident peak load hours have shifted to later in the day during the summer months, in large part due to the behind-the-meter photovoltaic resources. The ISO commented that aligning the DEER peak definition will encourage the most cost-effective and operationally-effective energy efficiency.

- **Informal comments on the proposed scenarios framework for Aliso Canyon natural gas storage facility (I.17-02-002)**

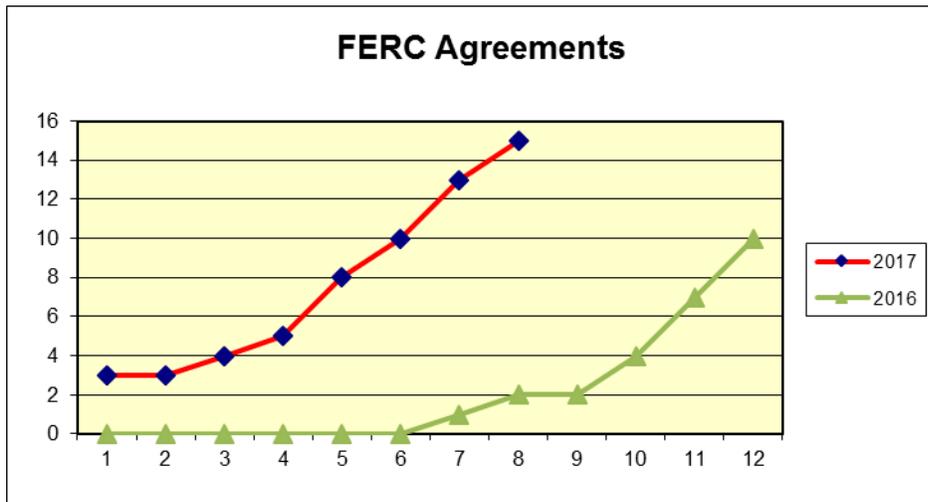
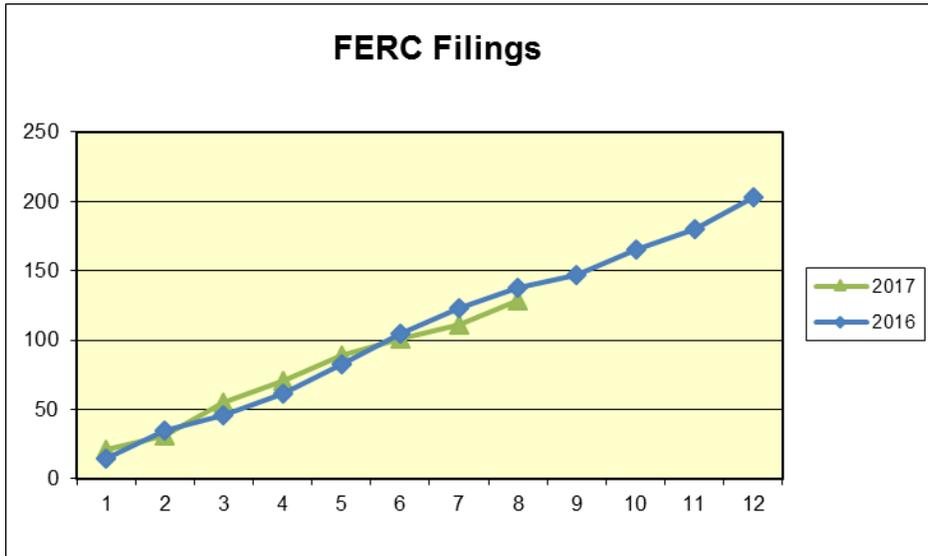
On July 24, 2017, the ISO submitted informal comments to the CPUC regarding the proposed scenarios framework developed by Energy Division staff. The ISO commented on the CPUC's proposed production cost modeling analysis and provided suggestions on how the CPUC could incorporate the ISO's power flow modeling results into the CPUC's production cost modeling analysis.

California Energy Commission matters

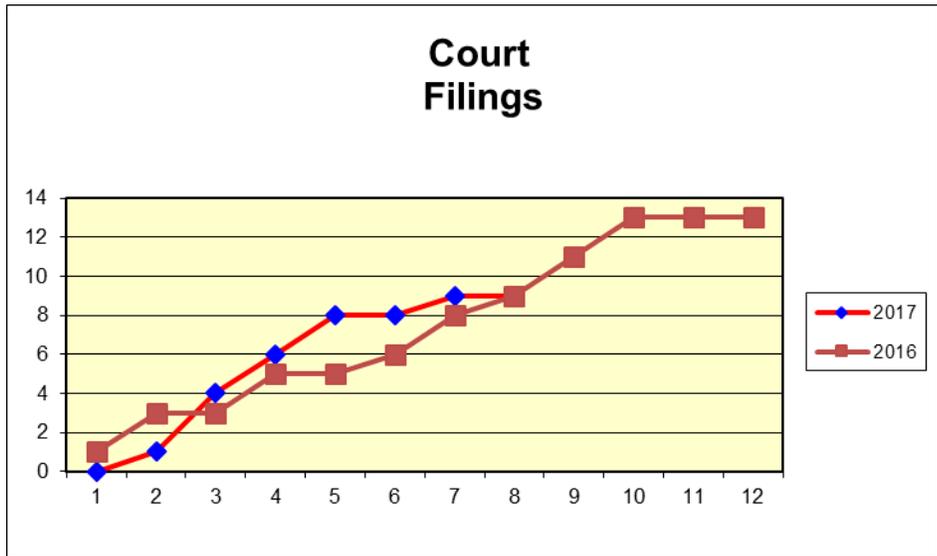
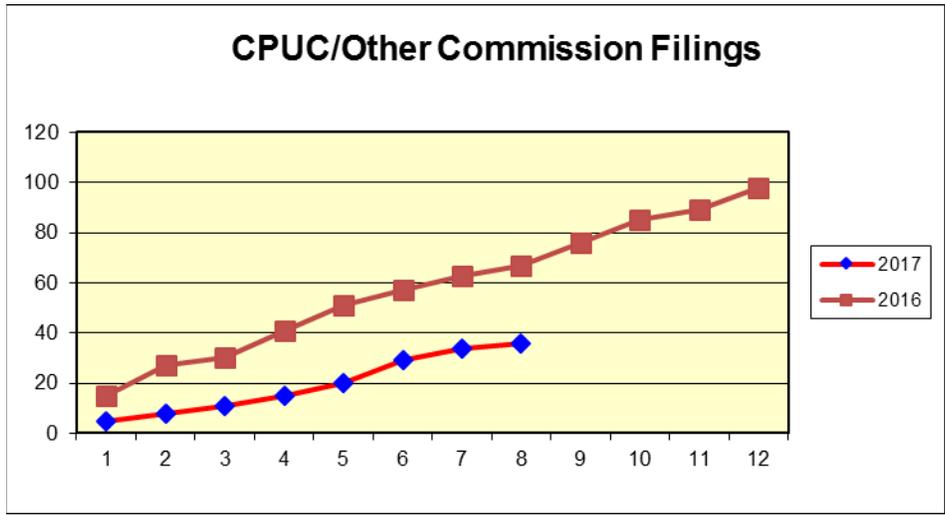
- **ISO special local capacity study for the Moorpark sub-area for the Puente Power Project (15-AFC-01)**

On August 16, 2017, the ISO submitted a local capacity special study for the Moorpark sub-area to the Puente Power Project Application for Certification Committee at the CEC. The ISO's local capacity study was filed with the CEC, served on all recipients designated to receive service, and posted on the ISO website according to the ISO's proposed alternative timeline. A market notice regarding the availability of the special local capacity study was delivered to all market participants.

Regulatory Filings Through August 2017



Regulatory Filings Through August 2017



*Regulatory Filings Through
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