

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Design & Analysis

Date: September 18, 2023

Re: **State, Regional, and Federal Affairs update**

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory update

California Public Utilities Commission (CPUC):

On August 11, the ISO filed comments in the CPUC's Distributed Energy Resource (DER) Program proceeding. The CPUC will establish data working groups in this proceeding to identify DER necessary to evaluate DER programs and planning, increase demand forecasting accuracy, and align with other CPUC proceedings. The data working group will also evaluate any barrier to data collection and potential solutions. The ISO is very supportive of the CPUC's efforts in this proceeding and formation of data working groups. The ISO is particularly supportive of enhancing data access and data sharing platforms for behind the meter storage, electric vehicles, and measuring actual versus expected energy usage to inform short-term forecasting and improve operational visibility.

California Energy Commission (CEC):

On August 22, the ISO presented at the CEC's Senate Bill (SB) 100 kickoff workshop. This workshop was the start of discussions on developing the next SB 100 Joint Agency Report in 2025. The ISO presented on steps taken since the 2021 SB 100 Joint Report was completed, towards advancing clean energy goals in California. These steps include the zonal approach taken in the 2022-2023 Transmission Plan, developing a 20-Year Transmission Outlook and plans for an updated 20-Year Outlook in 2024, and ongoing coordination with the CPUC and CEC to implement the Memorandum of Understanding (MOU) signed in 2022. The ISO also highlighted the interconnection process enhancements stakeholder process as a key part the MOU, to facilitate the growth of a significant amount of new clean generation on the ISO grid.

Legislative update

Legislature:

The first half of the 2023-2024 legislative session completed on September 14, and the Legislature will be on interim recess until Wednesday, January 3, 2024. The Governor has until October 14 to sign or veto any bills passed before the September 14th deadline. During the interim, Legislators will be working with their staff to determine whether bills that failed to be passed should still continue or whether a new proposal is necessary.

Before adjournment, State Affairs was tracking over 75 bills related to energy. Several bills this session focusing on transmission planning were passed onto the Governor for signature or veto. AB 1373 was amended a few weeks before session ended to include several components of the Governor's energy proposal from January, including a Central Procurement Function led by the Department of Water Resources upon request by the CPUC; a rebuttable presumption of need for the ISO related to Certificate of Public Convenience and Necessity (CPCN) proceedings at the CPUC; and several other changes. Additionally, legislation such as SB 619 by Senator Padilla – which allows projects over 138kV to go through a CEC process for approval, and Senator Becker's SB 420 - streamlining some of the proceedings for projects under 138kV – also passed. SB 319 by incoming President pro Tempore Senator McGuire would require the CPUC, CEC, and ISO to develop a guidebook on transmission and include reporting information on the issuance of a CPCN every two years.

Hearings and Tours

On August 24, Assemblymembers and Senators from the Problem Solvers' Caucus – a bipartisan legislative group – visited the ISO for a control room tour and to learn about how the ISO is working towards a zero-carbon grid while maintaining reliability. CEO Mainzer, COO Rothleder, VP Millar, and VP Crowley participated in the tour and open forum discussion on how California can ensure grid resilience while incorporating over 7,000 MW of new capacity annually over the next few years.

On August 29, the Senate Energy, Utilities, and Communications Committee convened a hearing on Grid Resilience, with representatives from the Legislative Analysts' Office (LAO), CPUC, CEC, DWR, and ISO. Representing the ISO was CEO Elliot Mainzer who provided a high-level overview of the summer outlook, information about the July heatwave, and briefly touched on the ISO's efforts over the next few years to improve the interconnection queue process. Senators focused their questions on the Strategic Reliability Reserve, the need for the once through cooling units during the transition to a zero-carbon grid, and ways that each energy organization can coordinate on buildout and increasing resource diversity.

REGIONAL AFFAIRS

Western Energy Imbalance Market (WEIM) Governing Body:

The WEIM Governing Body did not meet in general session in July or August, but did meet in joint general session with the ISO Board of Governors on July 19, 2023. In addition to standing items, the Governing Body and ISO Board of Governors unanimously voted to approve revisions to the WEIM base schedule submission deadline. Anna McKenna then provided an update on the extended day-ahead market, day-ahead market enhancements, transmission service and market scheduling priorities, greenhouse gas accounting, and price formation initiatives. The Governing Body will hold its next hybrid in-person/virtual general session meeting on September 19, 2023, at the ISO in Folsom, CA.

WEIM Body of State Regulators (BOSR):

The WEIM Body of State Regulators (BOSR) held virtual meetings on July 14 and August 11, 2023. Discussion items for the July 14 meeting included an overview of GHG accounting for cap-and-trade programs in the WEIM and EDAM, presented by Clare Breidenich of the Western Power Trading Forum, followed by an ISO overview of GHG coordination survey results and update on the GHG coordination working group effort. Discussion items for the August 11 meeting included an ISO update on the price formation initiative working group effort.

On August 17-18, 2023, the BOSR, ISO, and Stanford University co-hosted a western electricity markets training for commissioners and commission staff at the Western Power Pool offices in Portland, OR.

On August 25, 2023, the BOSR and the Western Resource Adequacy Program (WRAP) Committee of State Representatives (COSR) held a virtual joint educational session to discuss EDAM-WRAP interoperability.

The BOSR plans to hold its next virtual meeting on September 8, 2023, and plans to meet in-person on October 4, 2023, in Seattle, WA, in conjunction with the Fall 2023 Joint CREPC-WIRAB meeting.

WEIM Regional Issues Forum (RIF):

The WEIM Regional Issues Forum (RIF) held its last teleconference meeting on September 12, 2023. Discussion items included price formation, and a RIF-ISO review of potential changes to the ISO's policy initiatives catalog/roadmap process and future implementation of a RIF policy initiatives roundtable.

FEDERAL AFFAIRS

Administration:

On August 29, 2023, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) posted [proposed rules](#) and [FAQs](#) on key provisions in the Inflation Reduction Act on prevailing wage and apprenticeship programs tied to the clean energy tax incentives. While in effect since January 29, 2023, the latest posting provides more details and clarity on compliance standards, among other items.

Also on August 29, 2023, the Biden administration announced \$300M funding opportunities to states, tribes and local governments to accelerate transmission siting and permitting processes. It is the first block of funds available of the \$760 program established in the Inflation Reduction Act.

On August 8, 2023, the ISO submitted comments on the U.S. Environmental Protection Agency's (EPA) proposed rule relating to greenhouse gas emissions from fossil-fueled electric generating units. In its comments, the ISO expresses support for decarbonizing the electricity sector as well as support for elements of EPA's proposed rule that account for electric grid reliability during the resource transition. The ISO encouraged EPA to consider additional pathways in any final rule to allow resources need for electric reliability to operate a temporary basis.