

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Policy and Performance

Date: May 5, 2022

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

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory update

Distributed Energy Resources:

On April 21, the California Public Utilities Commission (CPUC) adopted the second version of its Distributed Energy Resources (DER) Action Plan. The DER Action Plan was developed to help the CPUC guide its utility infrastructure planning and improve coordination across proceedings related to grid planning, affordability, load flexibility, market integration, and customer programs in anticipation of a high-DER future. The DER Action Plan also calls for continued collaborations with the California Air Resources Board (CARB), the California Energy Commission (CEC), and the ISO. Within the DER Action Plan, the ISO will be most focused on DER market integration.

In a companion effort, the CEC launched an informational proceeding to further explore, collect information, conduct assessments, and support recommendations for the role of DERs across the state. The CEC will be coordinating this effort with the CPUC's DER Action Plan and DER proceeding.

Legislative update

Legislation:

The Legislature reconvened from Spring Recess on April 18. Energy infrastructure continues to receive substantial attention this year, with an unprecedented number of legislative proposals relating to transmission planning and costs. State Affairs is currently tracking approximately 50 bills that directly or indirectly relate to the ISO or energy industry, generally.

Given the volume of bills being deliberated, the following are bills State Affairs considers high priority, based on their level of importance to the Legislature and potential impact in the ISO markets and operations.

Measures highlighted in previous summaries to the ISO Board of Governors are still being tracked as they continue through the legislative process. For example, SB 839 by Senator Dodd – relating to the base interruptible program, SB 887 by Senator Becker – relating to transmission planning, and SB 1174 by Senator Hertzberg – relating to advancing interconnection and transmission approvals have been placed on the Suspense File in Senate Appropriations.

ACR 188 (Holden) requests the ISO, in consultation with the California balancing authorities, to produce a report by February 2023 that summarizes recent relevant studies on the impacts of expanded regional cooperation on California and identifies key issues that will most effectively advance the state's energy and environmental goals, including relevant updates to specified transmission development and resource diversity estimates. The report will also include a discussion of regional transmission organizations (RTOs) being considered in Colorado, Nevada, and other regional states, collaboration between states on energy policies to maximize consumer savings while respecting state policy autonomy, and engagement between neighboring states on the future of RTOs in the west.

AB 2140 (Muratsuchi) prohibits the State Water Resources Control Board (SWRCB) from granting an operator of a power plant any extension to comply with the once-through cooling (OTC) policy if both the Statewide Advisory Committee on Cooling Water Intake Structures determines that the extension is not necessary to ensure electricity reliability and the city or county that has jurisdiction over the site of the power plant formally adopts a resolution objecting to the extension.

AB 2696 (E.Garcia) requires the CEC, in consultation with the California Infrastructure and Economic Development Bank, the Governor's Office of Business and Economic Development, the ISO, and the CPUC, to conduct a study to review potential lower cost ownership and alternative financing mechanisms for new transmission facilities needed to meet the state's clean energy and climate targets, and to submit a report to the Governor and the Legislature on or before September 30, 2023.

AB 2911 (Muratsuchi) requires specified information in the possession of the ISO and the CPUC to be published relating to outages and scheduling coordinators. The bill also authorizes an action to enforce the requirements of the Bagley-Keene Open Meeting Act or the California Public Records Act to be brought against the CPUC in superior court.

SB 1020 (Laird) seeks greater specificity to the SB 100 targets, creates a climate and equity trust fund, establishes an Authority to administer the fund, and increases coordination to support transmission planning. Specifically, the bill (1) adds interim

zero-carbon electric sector targets of 90% by 2035 and 95% by 2040 to the SB 100 framework, (2) requires all state agencies to purchase 100% zero-carbon electricity to serve their own needs by 2030, (3) creates a climate and equity trust fund, (4) establishes the California Affordable De-carbonization Authority (CADA) to administer the trust fund, and (5) authorizes the CPUC and CEC to disclose confidential information to the ISO relating to power purchase agreements to assist with transmission planning.

SB 1032 (Becker) requires the CPUC, in consultation with the Treasurer's Office, the Governor's Office of Business and Economic Development, the ISO, and the CEC, to conduct a study to identify proposals that accelerate the development of, and reduce the cost to ratepayers of expanding, the state's electrical transmission grid to achieve the state's clean energy and climate targets, and to submit the study to the Governor and the Legislature on or before January 1, 2024.

REGIONAL AFFAIRS

WEIM Governing Body:

On March 15, the Western Energy Imbalance Market (WEIM) Governing Body met virtually in general session. During the general session, the WEIM Governing Body received a CEO report, updates from the Body of State Regulators and Regional Issues Forum, and updates on the WEIM implementation of Avista Utilities and Tacoma Power.

WEIM Body of State Regulators:

The WEIM Body of State Regulators (BOSR) met in San Diego on May 2, before the Spring 2022 Joint CREPC-WIRAB Meeting. Meeting agenda items included an extended day-ahead market (EDAM) straw proposal overview, panel discussion of EDAM GHG accounting, and a WEIM Governance Review Committee update on EDAM governance options. On June 1-2, the BOSR will also host a western electricity markets training in Salt Lake City, Utah, for western public utilities commissioners and invited guests. This training will include an overview of the WEIM and the current day-ahead market, as well as presentations from the EDAM policy team and ISO Department of Market Monitoring.

WEIM Regional Issues Forum:

On May 4, the WEIM Regional Issues Forum (RIF) is hosting an in-person meeting in San Diego, California. Topics include the future of RIF with an overview from the WEIM Governance Review Committee, an ISO policy catalog update, and prioritization of topics for future RIF meetings, as well as a round table discussion with the audience. The next RIF meeting is tentatively set for August 29 in webinar format until otherwise announced.

WEIM Governance Review Committee:

The WEIM Governance Review Committee (GRC) met virtually in general session on April 29. The GRC provided an update on their activities, discussed EDAM governance options, and invited stakeholder feedback. GRC members continue to conduct stakeholder outreach and provide additional governance review updates at the May 2 BOSR and May 4 RIF meetings in San Diego, and at the May 25-26 EDAM stakeholder meeting at ISO's headquarters in Folsom.

FEDERAL AFFAIRS

Administration:

On March 28, the White House released the President's Fiscal Year 2023 budget proposal, which includes significant increases in funding for energy programs such as an additional \$3 billion for Smart Grid Investment Grants, \$81 million for energy storage, \$31 million for grid operations planning and situational awareness, and \$90 million for the Department of Energy's (DOE's) new grid deployment office. It also includes major funding increases for cybersecurity within a number of federal agencies and a placeholder for energy technology tax credits that were included in the Build Back Better infrastructure bill and are still being debated. The presidential budget request is considered a "wish list" that will be discussed and substantially modified over the next several months and will be the subject of a number of congressional hearings. Fiscal Year 2023 begins on October 1, 2022.

Congress:

On March 31, the Senate confirmed Joseph DeCarolis to be the Administrator of the Energy Information Administration, an independent agency within DOE. Dr. Carolis is a professor specializing in energy systems analysis at North Carolina State University.

On April 5, there was a special election to fill the Central Valley congressional seat in District 22 (Fresno/Tulare) through the end of 2022. The seat was formerly held by Representative Devin Nunes. Since no candidate cleared 50% of the vote in the special election, there will be a runoff election on June 7 between former Assembly Leader Connie Conway, a Republican, and DWR Operations Manager Lourin Hubbard, a Democrat. California's primary election, also held on June 7, will determine the top two candidates to run in the general election on November 8 in the newly-drawn 21st District.