

# Memorandum

**To:** ISO Board of Governors

**From:** Karen Edson, Vice President, Policy and Client Services

**Date:** January 29, 2015

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

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***This memorandum does not require Board action.***

## STATE AFFAIRS

### Legislature:

The legislature is back for the first year of the two-year session. They will have until September 11, when interim recess begins, to pass bills.

Committee assignments in both houses have been announced:

Senator Ben Hueso (D-San Diego) was appointed the new Chair of the Senate Energy, Utilities, and Communications Committee and Senator Jean Fuller (R-Bakersfield) remains Vice Chair. Other Senators on the committee include Anthony Cannella (R-Ceres), Bob Hertzberg (D-Van Nuys), Jerry Hill (D-San Mateo), Ricardo Lara (D-Bell Gardens), Connie Leyva (D-Chino), Mike McGuire (D-Healdsburg), Mike Morrell (R-Rancho Cucamonga), Fran Pavley (D-Agoura Hills), and Lois Wolk (D-Davis).

Senate President Pro Tempore Kevin De León (D-Los Angeles) replaced Senator Darrell Steinberg as Chair of the Rules Committee. Senator Jean Fuller (R-Bakersfield) remains Vice Chair, with Senators Anthony Cannella (R-Ceres), Connie Leyva (D-Chino), and Holly Mitchell (D-Culver City) rounding out the committee.

On the Assembly Utilities and Commerce Committee, Assemblyman Anthony Rendon (D-Lakewood) was elected as the new Chair, while Assemblyman Jim Patterson (R-Fresno) remains Vice Chair. Other Assembly members include Katcho Achadjian (R-San Luis Obispo), Susan Bonilla (D-Concord), Autumn Burke (D-Inglewood), Brian Dahle (R-Bieber), Susan Talamantes Eggman (D-Stockton), Cristina Garcia (D-Bell Gardens), David Hadley (R-Torrance), Roger Hernández (D-West Covina), Jay Obernolte (R-Big Bear Lake), Bill Quirk (D-Hayward), Miguel Santiago (D-Los Angeles), Philip Y. Ting (D-San Francisco), and Das Williams (D-Carpinteria).

## **Governor:**

On January 5, Governor Jerry Brown delivered his fourth Inaugural Address, which included ambitious new environmental goals. He noted the success of AB 32, the California Global Warming Solutions Act of 2006, – which aimed to reduce greenhouse gas emissions to 1990 levels by 2020 – as the first of its kind to take a long-term approach to addressing climate change. The Governor proposed three new goals to be achieved in the next 15 years: increasing renewable energy from 33 percent in 2020 to 50 percent by 2050; reducing petroleum use by 50 percent in cars and trucks; and doubling the efficiency of existing buildings.

In his closing remarks on the topic of energy and the environment, Governor Brown also predicted the expansion of distributed power, rooftop solar, micro-grids, an energy imbalance market, and battery storage, as well as the addition of millions of electric and low carbon vehicles, in California's future.

## **Legislation:**

SB 32 (Pavley): This bill would extend from 2020 to 2050 the requirement under the California Global Warming Act of 2006 that the State Air Resources Board approve a statewide greenhouse gas emission limit and would establish a new emissions level equivalent to 80% below the 1990 level. The bill would also authorize the state board to adopt interim greenhouse gas emissions level targets to be achieved by 2030 and 2040.

AB 33 (Quirk): This bill would require the State Air Resources Board to develop information on achieving maximum reduction of greenhouse gas emissions, consistent with its existing obligations under the California Global Warming Act of 2006, and to report its findings to appropriate committees of the legislature by January, 2017. The report would be required to include proposed goals for 2030, 2040 and 2050 as well as assessments of the benefits associated with various emission reduction strategies.

## **STRATEGIC ALLIANCES AND REGIONAL AFFAIRS**

### **Energy Imbalance Market (EIM):**

EIM Implementation: EIM continues to operate successfully across the PacifiCorp and ISO regions. Some initial issues are being resolved through a joint effort, and lessons learned are being incorporated into the NV Energy implementation, which will go live in October, 2015. The first benefit metrics report will be published by early February.

Tariff stakeholder process: The second stakeholder meeting of the year 1 EIM enhancements initiative was held in Portland on January 8. Approximately 40 stakeholders attended in person, and over 100 participated via phone. Several topics in this initiative will be staged for a Board decision in March, 2015, and other topics, including development of a transmission usage fee, will be grouped into the second phase for recommendation to the Board later in 2015.

NV Energy: NV Energy's stakeholder process concluded with the final stakeholder meeting on December 2. NV Energy plans to file its tariff changes at FERC in early March to support the October, 2015 implementation. The project implementation work is progressing well.

Transitional Committee: The EIM Transitional Committee met in Phoenix on January 12. ISO Management provided a briefing on the status of EIM regulatory activities, deployment and operations. The committee provided updates on their three current working group activities:

1. Market design working group is currently participating in the EIM year 1 enhancement initiative.
2. Stakeholder working group led a stakeholder meeting on the morning of January 12 to present the issue paper the committee posted on January 5. The issue paper addresses two threshold issues: the criteria for evaluating governance proposals and the relationship between an EIM governing body and the ISO. Stakeholder comments were due on January 26.
3. Straw proposal working group is developing a schedule and outline for the straw proposal, tentatively set to be posted on March 19.

Chair Wagner will continue to provide briefings to the Board and get feedback as they move through the process.

NWPP Market Operator RFP: The ISO submitted a bid to the Northwest Power Pool (NWPP) on December 19 in response to its market operator RFP for the SCED (security constrained economic dispatch). We believe the ISO proposal is very responsive to the NWPP request.

Regional outreach: Our EIM outreach continues with an expanding list of interested parties. In coordination with PacifiCorp, presentations to regional groups continue to provide information and beneficial discussion on EIM issues. Ongoing discussions continue with other interested balancing authority areas and state regulators, as appropriate.

## **FEDERAL AFFAIRS**

### **Congress:**

114<sup>th</sup> Congress convenes: Members of Congress convened in Washington on January 5 for the first year of the 114th Congress, with Republicans in the leadership in both House and Senate by the largest majority since 1929. In the House, Republicans hold a majority of 246 to 189; in the Senate, they hold a majority of 54 to 46. California's House delegation is made up of 15 Republicans and 38 Democrats.

In the Senate, Senator Mitch McConnell (R-KY) replaced Harry Reid (D-NV) as Majority Leader. As expected, Senator Lisa Murkowski (R-AK) will chair the Senate Energy and

Natural Resources Committee and Senator Maria Cantwell (D-WA) will be ranking member. Senator James Inhofe (R-OK) will replace Senator Barbara Boxer (D-CA) as chair of the Environment and Public Works Committee. Senator Boxer will now serve as ranking member of that committee.

House committee leadership will remain the same, with Congressman John Boehner (R-OH) continuing as Speaker and Kevin McCarthy (R-23rd District—Bakersfield) as Majority Leader. Congressman Fred Upton (R-MI) will continue to lead the House Energy and Commerce Committee, with Congressman Frank Pallone (D-NJ) as ranking member.

The focus on Republican leadership in both House and Senate is expected to include reducing the costs and impacts of environmental and other regulations and advancing domestic energy resources, but many speculate that there is potential for bipartisan agreement on issues such as energy efficiency, cybersecurity protections, and the advancement and commercialization of new energy technologies.

Senator Boxer announces retirement in 2016: On January 9, Senator Barbara Boxer (D-CA) announced that she will not run for reelection in 2016, but will return to California to continue working on environmental initiatives and other issues of importance to her. Senator Boxer was first elected to the Senate in 1992. She remains the top Democrat on the Senate Committee on Environment and Public Works.

#### **Administration:**

Honorable sworn in: On January 5, Colette Honorable was sworn in as a Commissioner at the Federal Energy Regulatory Commission (FERC) following Senate approval by voice vote on December 16, 2014. Ms. Honorable, a Democrat, served as the Chair of the Arkansas Public Service Commission since 2011 and is the former President of the National Association of Utility Regulatory Commissioners. Her term is effective until June 30, 2017, replacing former Commissioner John Norris, who resigned in mid-August to take a position with the Department of Agriculture in Rome, Italy. Ms. Honorable's appointment restores FERC to its full complement of five Commissioners.

EPA rules delayed: On January 7, the U.S. Environmental Protection Agency (EPA) announced that the agency will delay the final rules regulating carbon emissions for new power plants under Section 111(b) of the Clean Air Act and existing power plants under Section 111(d) of the Act. The original plan called for issuing the regulations for new plants on January 8, 2015 and for existing plants on June 1, 2015. Instead, EPA will issue both rules as a package on an unspecified date in mid-summer, 2015. The agency also announced that it will issue a model state plan for carbon reduction for existing plants under Section 111(d) that will serve as a default plan in the event that a state does not submit its own plan to the agency by a specified deadline.

FERC to hold workshops on carbon rule reliability issues: FERC has announced that it will hold a series of technical workshops to discuss the implications of EPA's proposed

carbon rules for new and existing power plants. The Commission announced on December 12 that the first workshop will be held in Washington, DC on February 19, 2015, to address whether industry participants such as state regulatory agencies and regulated utilities have appropriate tools to identify related reliability and market issues; explore potential compliance strategies; and discuss how planning entities, states and industry can work together to manage reliability impact of the rules. FERC also announced that it will hold additional workshops on related topics, including a workshop for the western region to be held in Denver on a date yet to be announced.