

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, Vice President, General Counsel and Corporate Secretary
Date: July 16, 2010
Re: *Regulatory Update*

This memorandum does not require Board action.

Federal Energy Regulatory Commission (FERC) and related Court of Appeals matters

Tariff amendment filings and orders

- **Transmission planning process reform (ER-10-1401)**

On June 4, 2010, the ISO filed proposed tariff amendments to implement a revised transmission planning process that had been the subject of a stakeholder initiative starting in September 2009. The revised transmission planning process introduces substantial changes to the ISO's Order 890-compliant process. Specifically, the proposal introduces a comprehensive approach to transmission planning, rather than the project-by-project process currently in use. In addition, the ISO is proposing a new category of transmission infrastructure needed to meet state and federal policy goals such as California's 33% by 2020 renewable portfolio standard. Finally, the ISO has proposed to coordinate the large generator interconnection process and the transmission planning process by considering certain transmission network upgrades as part of the comprehensive planning process. The revised process is structured in three phases with at least four stakeholder meetings and numerous opportunities for stakeholder input and comments incorporated into the process.

Responsible Attorneys: Judi Sanders and Anthony Ivancovich

- **Multi-stage generating resource modeling (ER10-1360)**

On May 28, 2010, the ISO filed tariff amendments seeking to implement multi-stage generating resource modeling. The implementation of such modeling will allow the ISO's market system to more accurately reflect the unique operational and economic parameters of combined cycle generating units and other resources that have multiple operating or regulating ranges that limit the resource to operate in only one of those ranges at any particular point in time. The core of the ISO's proposal involves modeling the distinct operating modes, or configurations, of generating units with multiple

configurations as if each configuration were a distinct unit. The modeling approach may be extended in the future to other types of resources, such as pumped storage hydro and other storage facilities. The ISO plans to implement this new functionality on October 1, 2010.

Responsible Attorneys: Anna McKenna and David Zlotlow

- **Convergence bidding tariff amendments (ER10-1559)**

On June 25, 2010, the ISO filed tariff amendments to implement convergence bidding by February 1, 2011. Convergence bidding allows market participants to submit “virtual” bids for energy—demand or supply—in the ISO’s day-ahead market at eligible locations. Any virtual awards in the day-ahead market are liquidated in the hour-ahead schedule process or the real-time market. Convergence bidding is expected to reduce price differences between the day-ahead market, on the one hand, and the hour ahead and real-time markets, on the other hand. In its September 2006 order approving the ISO’s new market design, FERC directed the ISO to implement convergence bidding within one year of “go live.” FERC granted the ISO’s request for extension of time to implement this functionality by February 1, 2011.

Responsible Attorney: Sidney Davies

- **Interconnection requirements for asynchronous generating facilities (ER10-1706)**

The ISO filed a tariff amendment on July 2, 2010 to revise the interconnection requirements on large asynchronous generating facilities seeking to interconnect to the ISO grid. These resources are primarily variable energy resources such as wind and solar photovoltaic generating facilities. The tariff amendments specify requirements for low voltage and frequency ride through capabilities, power factor and reactive power capability design, voltage regulation, and power plant management. These requirements are necessary in light of the large amount of new variable energy resources seeking to interconnect to the ISO grid, which will displace conventional generation resources that provide comparable capabilities. The ISO proposes to apply these requirements to asynchronous generating facilities that have not executed or been tendered for signature a Large Generator Interconnection Agreement. The ISO has requested an effective date of July 3, 2010 for the tariff amendments.

Responsible Attorneys: Andrew Ulmer and Grant Rosenblum

- **Standard capacity product tariff amendments (ER09-1064 and ER10-1524)**

FERC issued two orders on May 20, 2010. In one order, FERC denied requests for rehearing filed by Silicon Valley Power and Six Cities. FERC found that self-provision of ancillary services does not satisfy a resource adequacy resource’s obligation to offer energy into the ISO’s markets and, therefore, that entities that self-provide ancillary services should not be exempted from the offer obligation. In the second order, FERC accepted the ISO’s compliance filing, with the exception of the proposed two-formula approach for calculating non-availability charges. The order found that the calculation should instead use a single formula across all levels of availability, including zero, and directed the ISO to include the change in a compliance filing. The order also imposed two reporting requirements. The ISO must report on its progress to develop an availability standard for non-resource specific system imports and to implement a software update that will automatically

reject bids across out-of-service transmission lines. On June 21, 2010 the ISO submitted its compliance filing.

On June 22, 2010, the ISO filed proposed tariff amendments to implement phase 2 of the standard capacity product. The proposed amendments: (1) extend the standard capacity product to resource adequacy resources with qualifying capacity determined by historical output; (2) establish a three-month advisory period for the settlement of non-availability charges and availability incentive payments applicable to these resources; (3) clarify the types of outages considered when determining the non-availability of resource adequacy resources; and (4) modify existing tariff provisions to ensure that excess non-availability funds are properly allocated to load.

Responsible Attorney: Beth Ann Burns

- **Electronic tariff initiative (ER10-1563)**

On June 28, 2010, the ISO submitted its compliance filing in response to FERC Order 714. Order 714 requires all FERC jurisdictional public utilities to evolve their tariffs into electronic tariffs on file at FERC. The California ISO was the first independent system operator or regional transmission organization to comply with this directive. One of the benefits to the ISO is the capability of making electronic tariff amendment filings.

Responsible Attorney: Sidney Davies

- **Congestion revenue rights credit policy amendments (ER10-1692)**

On July 2, 2010, the ISO filed the first of two tariff amendments to eliminate unnecessary credit requirements for participating in the ISO's congestion revenue rights auctions. In this filing, the ISO is reducing the minimum credit requirement from \$500,000 to \$100,000 to participate in the monthly congestion revenue rights auctions. In addition, all of a participant's available credit can be used, rather than only 90%.

Responsible Attorneys: Sidney Davies and Grace Arupo

- **Eligible intermittent resource amendments (ER10-319)**

On April 30, 2010, FERC issued an order conditionally accepting the ISO's filing of a tariff amendment to expand the scope of data required to be provided by wind and solar resources larger than 1 MW. The additional data requirements consist of (1) extending to additional resources the obligation to install forecasting and telemetry equipment and to communicate relevant data to the ISO, and (2) reducing the threshold for reporting a forced outage of an eligible intermittent resource with total capacity of greater than 10 MW from the current outage capacity level of 10 MW to 1 MW. The FERC order is conditioned on the ISO's filing of further tariff language to (1) exclude small conduit hydroelectric facilities from the definition of eligible intermittent resources, (2) make clear that only intermittent resources subject to the ISO's participating generator requirements are subject to the expanded data requirements, and (3) defer the effective date for the requirement for expanded forced outage reporting from the ISO's requested date of February 1 to July 1, 2010. The ISO submitted its compliance filing on May 27, 2010.

Responsible Attorney: Mike Dozier

- **Make-whole mechanism for demand bids subject to price correction (ER10-966)**

Under the current market design, the ISO may correct published financially binding prices if the ISO identifies an invalid market solution or invalid prices in an otherwise valid market solution due to data input failure or hardware or software failure, or if a result is inconsistent with the provisions of the ISO tariff. Prices that apply to demand, which includes both internal demand and exports, are also subject to such price corrections. After the start of the new market, market participants brought to the ISO's attention the following issue: when prices for demand are corrected in the upward direction scheduling coordinators with cleared demand bids may be subject to prices that are higher than the prices they submitted in their bid curve. In response to stakeholder concerns, the ISO developed a proposal to minimize exposure of demand bids to the impact of price corrections in this situation. The proposed "make-whole" mechanism would apply to all demand, including internal demand and exports, cleared in the integrated forward market and all export schedules cleared in the hour-ahead scheduling process. On March 31, 2010, the ISO filed tariff amendments to incorporate this new mechanism. The proposal was not protested by any party. FERC issued an order accepting the make-whole mechanism on May 27, 2010.

Responsible Attorney: Anna McKenna

- **Proxy demand resource (ER10-765-000)**

On February 16, 2010, the ISO filed tariff amendments to implement its new demand response product, proxy demand resource. Proxy demand resource facilitates the participation of retail demand in the ISO market in compliance with FERC orders authorizing the new market design as well as directives to all independent system operators and regional transmission organizations from Order No. 719. The product allows loads to be modeled as pseudo-generators for purposes of demand response. The resources will be able to submit bids for energy and ancillary services (as non-spinning reserve) into the day-ahead and real-time market. On April 16, 2010, FERC issued a letter to the ISO seeking additional information on the proxy demand resource amendment. The ISO filed its response on May 17, 2010 in which it requested an effective date of July 19, 2010.

Responsible Attorney: Bill Di Capo

- **Late payment penalties (ER10-753)**

In December 2008, the Board approved several revisions to the ISO credit policy. Most of these were implemented in 2009. The one exception was the implementation of penalties and possible suspension or termination provisions. On February 5, 2010, the ISO filed proposed tariff amendments to impose penalties on market participants that pay invoices later than the tariff's prescribed time limit or post financial security beyond the three day requirement. Penalties apply after the third late payment or posting. In addition, the ISO proposed tariff provisions to permit the ISO to suspend or terminate a market participant after the fifth late payment or posting. On April 6, 2010, FERC issued an order accepting the ISO's tariff amendment subject to a compliance filing to modify the tariff language to avoid any ambiguity. The tariff amendments went into effect on April 7, 2010. The ISO submitted its compliance filing on April 15, 2010, which FERC accepted by letter order dated June 8, 2010.

Responsible Attorney: Sidney Davies

- **Scarcity pricing (ER10-500)**

The ISO submitted proposed tariff language to FERC on December 24, 2009 to implement its reserve scarcity pricing design approved by the Board in response to FERC's directive to implement scarcity pricing by April 1, 2010. On March 31, 2010, FERC requested additional information to evaluate the ISO's proposed scarcity pricing design, including information on how the ISO's proposed scarcity demand reserve curve values reflect applicable reliability standards and provide adequate price signals for customers to invest in generation and demand response technologies and for customers to participate in the ISO's market. The ISO filed its response to FERC's questions on April 30, 2010. FERC issued an order largely accepting the ISO's scarcity pricing design on June 29, 2010 but suspended the effective date of scarcity pricing until November 29, 2010 and directed to the ISO to: (1) justify proposed differences between the scarcity values proposed for the expanded system region and the sub-regions or make those values consistent; (2) include in the tariff a table reflecting scarcity reserve demand curve values for each reserve; and (3) provide for an annual review of scarcity pricing during the first three years of implementation. The ISO's compliance filing is due August 28, 2010.

Responsible Attorney: Andrew Ulmer

Regulatory contracts filings and orders

- **Agua Caliente large generator interconnection agreement (LGIA) (ER10-1376)**

On July 7, 2010, FERC issued an order accepting the May 28, 2010 filing by the ISO, Arizona Public Service Company, and San Diego Gas & Electric Company of the LGIA for the Agua Caliente solar photovoltaic project interconnecting to the jointly-owned Hassayampa-North Gila line. This LGIA is a nonconforming agreement that combines provisions of the pro forma LGIAs of the ISO and APS and includes Imperial Irrigation District as a non-FERC jurisdictional public utility party, as well as two companies comprising the interconnection customer – one for each of the two phases of the project. The agreement also addresses the authority and responsibility of the ISO and APS for matters relating to the Hassayampa-North Gila line. In addition, it recognizes the possibility that the interconnection customer may request that the second phase of the project be a pseudo-tie out of the ISO balancing authority area to another balancing authority area.

Responsible Attorney: Mike Dozier

- **Solar Partners I large generator interconnection agreement (LGIA) (ER10-732)**

On June 14, 2010, Southern California Edison Company submitted a compliance filing in response to a FERC order requiring revisions to this LGIA. As FERC determined that this agreement does not conform to the ISO's pro forma LGIA, SCE noted in the filing that the agreement is also a nonconforming service agreement of the ISO. The LGIA provides for the interconnection of the Solar Partners I DPT 1 solar thermal project to the ISO grid, including construction of a portion of SCE's proposed Eldorado-Ivanpah transmission project as a network upgrade to accommodate this interconnection. The compliance filing revises the termination cost provisions of the LGIA that relate to FERC's conditional approval of SCE's recovery of the costs of "abandoned plant" for the Eldorado-Ivanpah project in Docket No. EL10-1. In conjunction with this filing, SCE reiterated its request that FERC permit those revisions to be restored to the agreement.

Responsible Attorney: Mike Dozier

- **Gila River Power non-conforming dynamic scheduling host balancing authority operating agreement (ER10-1015)**

On June 4, 2010, FERC issued an order accepting the ISO's Dynamic Scheduling Host Balancing Authority Operating Agreement with Gila River Power as filed. This agreement specifies the terms for dynamic scheduling of energy and ancillary services and imports of regulation from the Gila River "generator-only" balancing authority area. FERC also granted the requested waiver of tariff provisions that would have required the ISO to enter into agreements with Arizona Public Service and Salt River Project to support dynamic scheduling from Gila River.

Responsible Attorney: Mike Dozier

- **Riverside Metered Subsystem Agreement Amendment and termination of Corona Participating Generator Agreement (ER10-1286)**

On May 21, 2010, the ISO filed an amendment to the Amended and Restated Metered Subsystem Agreement between the ISO and the City of Riverside and a companion notice of termination of the Participating Generator Agreement between the ISO and the City of Corona. The amendment and termination reflect the planned transfer from Corona to Riverside of the Clearwater power plant, and the ISO requested that they be effective as of the closing date of the transfer.

Responsible Attorney: Mike Dozier

Report filings

- **New market quarterly report (ER06-615)**

In its September 2006 order, FERC directed the ISO and its Department of Market Monitoring to file quarterly reports for one year after implementing its new market design. On April 30, 2010, the ISO filed its fourth and final quarterly report covering the January 1 through April 30, 2010 period subject to one outstanding reporting obligation of the Market Surveillance Committee. The ISO filed a motion for extension of time for this reporting obligation on behalf of the MSC. On June 7, 2010, the ISO filed the report, entitled "Report on the Performance of the California ISO's Local Market Power Mitigation Mechanism During the First Year," on behalf of the MSC.

Responsible Attorneys: David Zlotlow and Sidney Davies

- **Monthly convergence bidding status report (ER10-300)**

On May 28 and April 30, 2010, the ISO filed its June and July reports on the status of convergence bidding. FERC directed the ISO to file monthly status reports to track progress toward the ISO's implementation of convergence bidding by February 2011.

Responsible Attorney: Sidney Davies

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

On May 17 and June 15, 2010, the ISO submitted its monthly market disruption reports. A market disruption is an action or event that causes a failure of an ISO market, related to system operation issues or system emergencies. Section 7.7.15 of the tariff authorizes the ISO to take one or more of a number of specified actions in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption.

Responsible Attorney: Anna McKenna

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

The ISO submits two monthly exceptional dispatch reports. On May 17, and June 28, 2010, the ISO submitted transactional data including incremental and decremental MW volume, duration and location for exceptional dispatches occurring during the months of March and April 2010, respectively. On May 28 and June 30, 2010, the ISO submitted MW hour data and cost data for exceptional dispatches occurring during the month of February and March 2010, respectively.

Responsible Attorney: Sidney Davies

Rulemakings and policy statements

- **Transmission planning and cost allocation rulemaking (RM10-23)**

FERC issued a notice of proposed rulemaking (NOPR) on June 17, 2010 proposing to develop transmission planning requirements that would address some of the same issues that the ISO seeks to address in its proposed transmission planning tariff revisions. This NOPR includes the following issues:

- *Transmission Provider Participation in the Regional Planning Process.* The NOPR proposes a requirement that each transmission provider participate in a regional transmission planning process that produces a regional transmission plan and meets the following Order 890 principles: (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability; (6) dispute resolution; and (7) economic planning studies.
- *Public Policy Driven Projects.* This portion of the NOPR focuses on a pivotal segment of the ISO's revised transmission planning process, namely a new category of transmission needed to meet state and federal public policy initiatives such as renewable portfolio standards. The NOPR proposes that each transmission provider amend its open access transmission tariff to explicitly provide for consideration of public policy requirements that may drive transmission needs.
- *Non-IOU Transmission Developer Participation in the Transmission Planning Process.* The NOPR posits that there may be undue discrimination and preferential treatment against non-IOU transmission developers within existing regional transmission planning processes. To address this issue, the NOPR proposes various reforms that must be reflected in transmission provider tariffs, including removing

the right of first refusal from agreements and tariffs, and providing an open process for considering projects proposed by non-incumbents.

- *Proposed Interregional Planning Reforms.* The NOPR proposes to require that each transmission provider, through its regional transmission planning process, “coordinate with the public utility transmission providers in each of its neighboring transmission planning regions within its interconnection to address planning issues.” This coordination must be reflected in an interregional transmission planning agreement to be filed with FERC.
- *Proposed Cost Allocation Reforms.* The NOPR proposes intraregional and interregional cost allocation reforms addressing FERC’s concerns that existing cost allocation methodologies may not appropriately account for benefits associated with new facilities.

The ISO intends to submit comments to the NOPR by the August 30, 2010 deadline.

Responsible Attorneys: Judi Sanders and Anthony Ivancovich

- **Demand response compensation notice of proposed rulemaking (RM10-7)**

FERC’s January 2010 notice of proposed rulemaking proposes that all demand response resources that submit an energy bid in a wholesale energy market should be compensated at the full locational marginal price. On May 13, 2010, the ISO submitted comments indicating agreement with the proposed national rule, but noting that the rule should not preclude action by local retail regulatory entities to make adjustments outside of the wholesale market transaction to account for retail considerations (such as a local regulatory authority determination that there should be an offset on payments to account for costs incurred by load serving entities to serve associated demand).

Responsible Attorney: Bill Di Capo

- **Credit policy notice of proposed rulemaking (RM10-13)**

As previously reported, the ISO filed comments on March 15 and March 29, 2010 in response to FERC’s January 21, 2010 NOPR on proposed reforms to reduce the credit risk of participating in organized wholesale electricity markets. One of the issues concerned FERC proposal that independent system operators and regional transmission operators become counterparties to transactions in the markets that they operate. The ISO took a strong position in a joint filing with the Midwestern ISO in comments filed on March 15, 2010, that FERC not impose the counterparty requirement. The joint California ISO and Midwestern ISO filing pointed out that the risk of particular concern to FERC was highly unlikely and largely mitigated by existing tariff provisions. On May 11, 2010, the ISO participated in a technical conference at FERC to discuss this issue with the ISO again opposing such a requirement. Following the technical conference, on June 8, the ISO submitted further written comments this effect.

Responsible Attorney: Dan Shonkwiler

Other FERC matters

- **Waiver of financial security for certain transition cluster projects (ER10-1656)**

On June 30, 2010, the ISO requested a waiver of financial posting requirements for interconnection customers in the transition cluster, where a participating transmission owner (PTO) has committed to provide up-front funding for the customers' network upgrade costs. Without such waiver, the customers in this cluster are required to post financial security in the amount of 30% of their cost responsibility for these network upgrades in December 2010. The waiver request will also help to advance California's 33% renewable energy goal, particularly for projects seeking American Recovery and Reinvestment Act federal stimulus grant (up to 30% of cost of the plant). These projects must start plant construction by December 31 to qualify. The waiver request asks FERC to rule within 45 days, so that if the PTO puts its funding commitment into the customer's interconnection agreement, the customer will know by the time of contract execution (in Q3) that it will not have to include transmission costs in its financial security posting. Knowing this helps the customer to complete its project financing around the same time it signs its interconnection agreement.

Responsible Attorney: Bill Di Capo

- **Joint petition for tariff waiver regarding erroneous wheeling charge (ER10-1634)**

On June 29, 2010 the ISO and the City of Riverside filed a joint petition requesting waiver of the tariff provisions that would have required Riverside to pay an erroneous wheeling access charge. Due to a data conversion error, Riverside's wheeling access charge was approximately 1,000 times higher than it should have been. Both the City of Corona, Riverside's customer, and Southern California Edison Company, the only affected participating transmission owner, supported the filing. FERC granted the joint waiver request by order dated July 1, 2010.

Responsible Attorney: Sidney Davies

- **Large generator interconnection process investigation (EL10-15)**

On July 1, 2010, FERC issued a ruling in its hearing to consider whether initial financial posting requirement of the cluster large generator interconnection process was just and reasonable as applied to "switching customers"—customers who at initially submit their interconnection request seeking full capacity deliverability status but then switch status, at the end of Phase I, to energy only deliverability status. FERC opened the hearing as part of the same order that accepted the ISO's 2009 LGIP amendment, based upon a customer protest to the amendment filing. The Commission determined that it was not reasonable that the LGIP requires switching customers to post an initial security deposit that includes costs for delivery network upgrades, and requires the ISO to amend the tariff provision to base the deposit only upon reliability network upgrade costs. The ISO maintained that the deposit formulation was necessary to prevent gaming in deliverability selection at the application stage. The order found this concern to be speculative at this time, without prejudice to the ISO making a future showing of the opportunity for gaming behavior.

Responsible Attorney: Bill Di Capo

- **Green Energy Express and 21st Century Transmission Holdings, request for declaratory order (EL10-76)**

On July 2, 2010 Green Energy Express, an independent transmission provider and active participant in the ISO's revised transmission planning initiative, filed a petition for declaratory order seeking a ruling on several issues that also were raised by Green Energy Express in protest to the ISO's June 4, 2010 tariff transmission planning tariff amendment filing. Specifically, Green Energy Express has requested that FERC: (1) find that independent transmission providers are entitled to build, finance and own LGIP network upgrades that are found to be needed as part of the revised transmission planning process; (2) find that these entities are entitled to build, finance and own location constrained resource interconnection facilities; and (3) consider examining the existing ISO tariff language conferring upon PTOs with PTO service territories the obligation to build reliability-driven projects and projects needed to maintain the feasibility of long-term congestion revenue rights to determine whether these provisions are unjust, unreasonable and unduly discriminatory. The petitioners have requested FERC to issue an expedited ruling on the issues raised in the petition by August 3, 2010, to coincide with the effective date for the ISO's revised transmission planning process of August 4 requested by the ISO.

Responsible Attorneys: Judi Sanders and Anthony Ivancovich

Court of Appeals matters

- **Integrated-Balancing Authority Area appeal (No. 09-1213)**

The ISO filed a brief in support of FERC on June 21, 2010 in connection with petitions for review of FERC's July 30, 2009 and September 19, 2008 IBAA orders in the United States Court of Appeals for the District of Columbia Circuit. These orders generally accepted the ISO's tariff provisions concerning how to model adjacent balancing authority areas and price transactions at the ISO's interties with adjacent balancing authorities. Responsible Attorneys: Roger Collanton, Dan Shonkwiler and Andrew Ulmer

California Public Utilities Commission (CPUC) matters

Demand response rulemaking (R.07-01-031)

On June 28, 2010 the CPUC issued a final decision in Phase 3 approving a settlement negotiated between the ISO and the IOUs regarding IOU emergency-triggered demand response programs. The settlement reflects the ISO's recommended policy to cap the megawatt level of emergency-triggered demand response that the CPUC will count for resource adequacy. The settlement provides for a lowering of the megawatt level during the period 2012 through 2014 from a current level of 3.5% of ISO historical system peak to 2%.

On June 4, 2010, the CPUC issued a final decision in Phase 4 concerning the scope of direct participation by retail demand in the ISO's proposed proxy demand response mechanism. The proposed decision authorizes IOU pilot participation for 2010 upon issuance of a FERC decision on proxy demand response that the CPUC "finds acceptable." The decision expands the proposed decision by determining that direct access customers of energy service providers and third-party demand response providers are permitted to participate in the ISO's market as proxy demand response. The

decision defers certain issues for later determination: namely, authorization of expanded participation by IOU retail demand and the question of whether existing customers of IOUs can be represented by third party demand response providers.

Responsible Attorney: Bill Di Capo

Long-term resource adequacy rulemaking (R.05-12-013)

On June 7, 2010, the CPUC published a decision in the long-term resource adequacy proceeding. The decision maintains the status quo. It does not adopt a multi-year forward obligation on load-serving entities to procure resource adequacy capacity nor support development of a capacity market.

Responsible Attorney: Beth Ann Burns

Resource adequacy rulemaking for 2010 (R.09-1—032)

On June 25, 2010, the CPUC issued a decision that found that the ISO's final 2011 Local Capacity Requirements Study should be used as the basis for establishing local procurement obligations for 2011 applicable to CPUC-jurisdictional load-serving entities. The decision also establishes local capacity procurements obligations for those load-serving entities and adopted modifications to the counting rules for qualifying capacity.

Responsible Attorney: Beth Ann Burns

Smart Grid rulemaking (R.08-12-009)

On June 28, 2010, the CPUC released its final "Decision Adopting Requirements for Smart Grid Deployment Plans Pursuant to Senate Bill 17 (Padilla)" as part of its ongoing smart grid rulemaking. SB 17 requires the state's IOUs to file smart grid deployment plans with the CPUC by July 1, 2011. By July 1, 2010, SB 17 requires the CPUC to determine what parameters those deployment plans must meet. The requirements of the deployment plans must be developed in consultation with the Energy Commission as well as the ISO among other key stakeholders. The IOUs will be required to address several smart grid topics in their deployment plans. Among other things, the IOUs must explain how their smart grid programs will: motivate consumers to participate in grid operations; enable electricity markets to flourish; enable penetration of intermittent power generation sources; and create infrastructure to enable demand response and distributed generation to compete on equal terms with traditional generation.

Responsible Attorney: David Zlotlow

Other State regulatory matters

Petition for Review of San Diego Regional Water Board Order concerning South Bay Power Plant

On June 11, 2010, the ISO filed a petition with the State Water Resource Control Board for review of a San Diego Regional Water Quality Control Board order that prohibits operation of the South Bay

Power Plant under an extension of Dynegy's South Bay's current National Pollutant Discharge Elimination System (NPDES) permit beyond December 31, 2010. Dynegy has filed an application for a new NPDES permit but may need to operate beyond 2010 under its current permit, if a new NPDES permit is not issued in a timely manner. In its petition, the ISO argues that the Regional Board's order violates state law governing administrative extension of NPDES permits and is inconsistent with the compliance timeframes established by recently adopted statewide policy on the use of coastal and estuarine waters for power plant cooling. The State Board has yet to schedule a timeframe for responses to the ISO's petition.

Responsible Attorneys: Andrew Ulmer and Sidney Davies

Regulatory Filings July 2010 Charts



