

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, Vice President, General Counsel & Chief Administrative Officer
Date: October 26, 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

- **Generation interconnection process (ER11-1830)**

On October 29, 2010 the ISO filed its generation interconnection process (GIP) tariff amendment with FERC, to harmonize the ISO's small and large interconnection processes. Under GIP, the ISO will use a cluster process as the primary study track for all generation projects seeking to interconnect to the ISO grid, regardless of size. The GIP also provides for an independent study process track, to allow projects of any megawatt size to be studied independently and faster than the cluster cycle timeline. A third study track is a "fast track" for certain projects up to 5 MW in size. The ISO expects that the streamlined GIP will allow it to clear the backlog of small generation projects by August 2011, and to better process large and small projects going forward.

Responsible attorney: Bill Di Capo

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

On October 15, 2010, FERC issued an order accepting the ISO's convergence bidding tariff amendment subject to limited compliance directives. Specifically, FERC accepted the ISO's proposed: (1) uplift cost allocation to convergence bidding entities; (2) information release policy; (3) position limits (12 months and 18 months for internal Pnodes and interties, respectively); (4) rules to preempt implicit convergence bidding at inter-tie locations; (5) congestion revenue rights (CRR) settlement rule (prevents entities that are both CRR holders and convergence bidding entities from using virtual bidding to increase CRR revenues); (6) authority to reduce volume of bids at particular locations in order to ensure an AC solution; and (7) the dynamic credit check for

virtual bids. The only substantive change involved the ISO's proposed suspension authority. Although FERC accepted the ISO's proposals to suspend virtual bidding for reliability concerns, FERC directed the ISO and the Department of Market Monitoring to develop objective behavioral criteria for triggering suspensions or to rely on DMM's existing authority to make referrals to FERC.

Responsible attorney: Sidney Davies

- **Transmission Planning Process Reform (ER-10-1401)**

On July 26, 2010, FERC conditionally accepted but suspended the ISO's proposed tariff modifications that would implement a revised transmission planning process intended to facilitate the grid planning necessary to achieve the state's 33% renewable portfolio standard by 2020. FERC staff convened a technical conference on August 24, which ISO staff participated in. In accordance with the schedule established at the conference, the ISO submitted initial comments on September 8 and reply comments on September 17. The ISO also filed a clarifying response to statements made by an independent transmission provider in reply comments. The revised transmission planning process has been suspended until January 3, 2011 unless FERC issues a ruling establishing an earlier effective date.

Responsible attorneys: Judi Sanders and Anthony Ivancovich

- **Multi-stage generating resource modeling (ER10-1360 and ER10-2056)**

On September 30, 2010, FERC issued an order on the ISO's transition costs proposal for multi-stage generation (MSG) resource modeling. The ISO's initial MSG filing, which was filed on May 27, 2010, explained that MSG resources would be eligible to recover the costs of transitioning from one configuration to another. The initial filing did not, however, offer a methodology for determining how such costs would be calculated. In a subsequent filing made on July 29, 2010, the ISO offered its proposed methodology for calculating such costs. With only a few minor compliance items, the Commission's September 30 order accepted the ISO's transition costs methodology. On September 9, 2010, the ISO filed tariff amendments with FERC to delay implementation of the MSG functionality from October 1, 2010 to November 15, 2010. That request was granted in a letter order issued on October 19, 2010.

Responsible attorneys: Anna McKenna and David Zlotlow

- **Station Power netting (ER05-849 and EL04-130)**

On August 30, 2010, FERC issued an order declaring that treatment of station power for retail purposes can be different from treatment of station power for wholesale purposes and otherwise affirming its prior orders regarding the ISO's station power tariff provisions. FERC issued this order in response to an opinion issued on May 4, 2010 by the United States Court of Appeals for the District of Columbia Circuit in response to Southern California Edison's appeal of a series of FERC orders requiring the ISO to revise its tariff provisions concerning station power netting intervals. The court vacated FERC's orders, finding that FERC had failed to explain why it has authority to set the netting interval for station power as it relates to retail energy transactions. In its order, FERC stated that if the ISO or any stakeholder believes that ISO tariff provisions need to be modified as a result of the order, then the ISO

should undertake a new stakeholder process. On September 30, 2010, representatives of numerous generators filed requests for rehearing with FERC, asserting among other things, that the FERC order will subject them to costs pursuant to retail tariffs that they won't be able to recover.

Responsible attorney: Mike Dozier

- **Congestion revenue rights amendments (ER10-10-1756)**

On September 1, 2010, FERC issued letter order approving the ISO's July 12, 2010 proposal make various enhancements to the process of modeling, allocating and auctioning congestion revenue rights. These enhancements will be implemented for the 2011 annual CRR process and for the monthly CRR process starting for the January 2011 monthly auction.

Responsible attorney: David Zlotlow and Anna McKenna

- **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. On August 31, 2010, FERC issued an order accepting in part and rejecting in part the ISO's tariff amendments. FERC accepted the ISO's amendments relating to low voltage ride through requirements and made them effective July 3, 2010. FERC, however, rejected other requirements relating to reactive power capabilities, voltage regulation and generator power management on the grounds that the ISO may demonstrate the need for these requirements for specific projects as part of the interconnection study process on a case-by-case basis and that the ISO did not adequately explain how it would use these capabilities if they were made broadly applicable. The ISO has filed a request for rehearing of FERC's order. The requirements proposed by the ISO 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.

Responsible attorneys: Andrew Ulmer and Grant Rosenblum

- **Price correction time horizon changes (ER10-1998)**

On July 27, 2010, the ISO filed proposed revisions to its tariff to limit the timeframe that it can change posted prices to five days, unless FERC orders otherwise. The ISO also proposes to include additional detail in its tariff reflecting the ISO's ability to rectify price processing or publication issues within a limited time as specified in a business practice manual after which all posted prices will be final unless otherwise ordered by FERC. The amendments provide market participants the requested price certainty, while providing a reasonable time frame within which the ISO can correct posted prices to ensure that such market prices are consistent with the ISO's filed tariff requirements. By order dated September 29, 2010, FERC conditionally accepted the ISO's tariff amendments.

Responsible attorney: Anna McKenna

- **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. FERC issued an order largely accepting the ISO's scarcity pricing design on June 29 but suspended the effective date of scarcity pricing until November 29, 2010. FERC directed the ISO to justify proposed differences between the scarcity values proposed for the ISO system region and the ISO's ancillary services sub-regions or make those values consistent. The ISO filed a motion for clarification or, in the alternative rehearing, of FERC's order indicating it will make these values consistent but requested that FERC clarify that it is not necessary to add the values together to calculate ancillary service marginal prices, when there is a shortage in both the ISO system region and an ancillary service sub-region. The ISO has also submitted a compliance filing consistent with the relief it requested in its motion for clarification and is awaiting an order addressing its compliance filing.

Responsible attorney: Andrew Ulmer

- **Participation of non-generator resources in ancillary services market (ER10-1755)**

On July 12, 2010, the ISO filed a tariff amendment to modify the operating characteristics and technical requirements for the existing ancillary services market. The purpose of this tariff amendment is to increase the pool of resources capable of providing ancillary services. On September 10, 2010, FERC issued an order conditionally accepting the ISO's proposed tariff amendments. As part of its order FERC directed the ISO to file a progress report within six months on its efforts to implement regulation energy management that would facilitate the provision of ancillary services by limited energy storage devices. The ISO is examining the regulation energy management feature as part of the ISO's renewable integration market and product review stakeholder process.

Responsible attorney: Andrew Ulmer

- **Settlements recalculation window (ER10-1735)**

On July 8, 2010, the ISO filed a proposed amendment to establish an additional process and timeline for settling true-up adjustments related to the trading days from April 1 through October 31, 2009. The ISO has already completed the recalculation settlement statements specified in the ISO tariff provisions for this bridge period. The proposed amendment will apply recently implemented payment acceleration provisions to this period, which will provide a definite process and timeline for settling the remaining true-up adjustments, beginning with the publication of a recalculation settlement statement 18 months after the trading day. There are over 50 true-up adjustments in the settlement queue that are awaiting reruns for those trading days. The ISO proposed an effective date of October 6, 2010 for the proposed settlement provisions for the bridge period. This date coincides with the date that the ISO will publish recalculation settlement statement T+18M for trading day April 1, 2009, if necessary. The ISO will thereafter publish a recalculation settlement statement T+18M as necessary for subsequent trading days in the bridge period. By order dated September 20, 2010, FERC accepted the ISO's amendment.

Responsible attorney: Beth Ann Burns

Regulatory contracts filings and orders

- **CPC West, CPC East, DPT 2, Ivanpah 3, and Desert Sunlight interconnection agreements (ER10- 2122, 2146, 2147, 2148, and 2282)**

The ISO and Southern California Edison Company entered into interconnection agreements for the CPC West, CPC East, DPT 2, Ivanpah 3, and Desert Sunlight projects that do not conform to the ISO's pro forma large generator interconnection agreement. The non-conforming provisions relate primarily to conditions pertaining to SCE's up-front funding of the network upgrades for the interconnection of these projects, including the provision that SCE must receive FERC approval to recover any costs of "abandoned plant" from transmission ratepayers as a condition of its up-front funding. On September 17 and 23, 2010, FERC issued orders accepting SCE's and the ISO's filings of the CPC West and CPC East agreements, effective as of February 27, 2010 and April 29, 2010, respectively. On September 23 and 24, 2010, FERC issued orders accepting SCE's and the ISO's filings of the DPT 2 and Ivanpah 3 agreements, both effective as of August 3, 2010. On October 7, 2010, FERC issued an order conditionally accepting SCE's and the ISO's filings of the Desert Sunlight agreement, effective as of August 10, 2010, subject to the outcome of the proceedings on SCE's request for abandoned plant cost recovery in Docket No. EL10-81.

Responsible attorneys: Mike Dozier and Bill Di Capo

- **Collinsville interconnection agreement (ER10-3045)**

On August 9, 2010, Pacific Gas and Electric Company filed an unexecuted interconnection agreement for its Collinsville project that includes provisions applicable to utility-owned generating facilities that do not conform to the ISO's pro forma large generator interconnection agreement. On September 17, 2010, FERC accepted PG&E's filing effective as of October 9, 2010, subject to revisions to address comments by the ISO. PG&E submitted its compliance filing that same day. On September 27, 2010, the ISO submitted a separate filing of this agreement due to the need to establish its own baseline service agreement in FERC's new eTariff software system.

Responsible attorneys: Mike Dozier and Bill Di Capo

- **Imperial Irrigation District adjacent balancing authority operating agreement (ER10-1761)**

On September 9, 2010, FERC issued an order accepting as filed the Adjacent Balancing Authority Operating Agreement with Imperial Irrigation District, effective as of July 8, 2010. This agreement specifies the terms for coordination of operations by the ISO and IID as operators of adjacent balancing authority areas, particularly including each party's responsibilities in the event of an emergency potentially affecting the reliable operation of the parties' transmission facilities pursuant to the mandatory reliability standards of the North American Electric Reliability Corporation.

Responsible attorney: Mike Dozier

- **Griffith Energy non-conforming Dynamic Scheduling Host Balancing Authority Area Operating Agreement (ER10-2027)**

On September 9, 2010, FERC issued an order accepting this agreement as filed, effective as of September 27, 2010. This agreement specifies the terms for dynamic scheduling of energy and ancillary services and imports of regulation from the Griffith Energy “generator-only” balancing authority area. The agreement was filed with FERC because it does not conform to the ISO’s pro forma version of this agreement.

Responsible attorney: Mike Dozier

- **Riverside Metered Subsystem Agreement amendment no. 2 (ER10-2550)**

On October 15, 2010 FERC issued an order accepting the ISO’s September 7, 2010 filing of amendment no. 2 to the Amended and Restated Metered Subsystem Agreement between the ISO and the City of Riverside. This amendment addresses the planned commercial operation of two new units of the Riverside Energy Resource Center generating facility. FERC granted the ISO’s requested effective date of September 28, 2010.

Responsible attorney: Mike Dozier

- **Dynegy reliability must-run contract settlement agreement (ER10-166)**

On behalf of Dynegy and the ISO, Dynegy filed a settlement agreement proposing to resolve all disputes concerning rates terms and conditions of reliability must-run service from Dynegy’s South Bay Power Plant for the 2010 contract year under its reliability must-run contract with the ISO. In addition, the settlement would resolve certain costs beyond the 2010 contract year. By letter order dated October 20, 2010, FERC accepted the unopposed settlement agreement.

Responsible attorney: Sidney Davies

Report filings

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

On September 30, the ISO filed its October 2010 report 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 October 15 and September 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 September 15, and October 15, 2010, the ISO submitted transactional data including incremental and decremental MW volume, duration and location for exceptional dispatches occurring during the months of July and August, respectively. On September 30, the ISO submitted MW hour data and cost data for exceptional dispatches occurring during the month of June. On October 15, the ISO also submitted a report in this docket pursuant to FERC directive to submit a status report every 120 days that summarizes the ISO efforts to reduce reliance on exceptional dispatch.

Responsible attorney: Sidney Davies

Rulemakings and policy statements

- **Credit policy rulemaking (RM10-13)**

FERC issued its final rule on credit reforms to reduce risk of participating in organized electricity markets. The final rule requires organized wholesale power markets to: (1) reduced the billing cycle to now more than seven days; (2) limit unsecured credit to \$50 million per market participant, and no more than \$100 million per corporate family; (3) eliminate unsecured credit in congestion revenue rights markets; (4) establish minimum criteria for market participation following a stakeholder process; (5) clarify tariff provisions that would trigger demand for additional collateral from a market participant; and (6) reduce the time period from three days to two days for complying with collateral calls. In addition, FERC is requiring ISOs and RTOs to take some further action to minimize the risk to market participants in the event of a bankruptcy.

Responsible attorneys: Sidney Davies and Grace Arupo

- **Transmission Planning and Cost Allocation rulemaking (RM10-23)**

On September 29, 2010, the ISO filed its initial comments in response to FERC's Notice of Proposed Rulemaking regarding transmission planning and cost allocation. The ISO urged FERC to eliminate the following proposed rules that would: (1) allow transmission developers to propose an unlimited number of transmission projects that are unrelated to previously identified system needs; (2) provide a priority/property right to the first entity that proposes a particular project; (3) mandate prescriptive and unduly burdensome requirements for inter-regional coordination agreements, and (4) require regions to develop ex ante rules for the allocation of the costs of potential categories of interregional transmission projects. The ISO also objected to FERC's proposal to eliminate a right-of-first refusal for existing transmission owners to build transmission upgrades and additions needed to maintain reliability on their existing transmission facilities. On the other hand, the ISO supported FERC's proposal that public policy objectives be considered in the transmission planning process. In addition, the ISO requested that FERC not take any actions in the final rule that would preclude the ISO from implementing the revised transmission planning process that it has proposed in Docket No. ER10-1401

The ISO also joined in the ISO-RTO Council ("IRC") comments. The IRC proposed that FERC eliminate the five-year property right for submitted transmission projects because such proposal would work against the goals of efficient and effective transmission infrastructure development. The IRC

requested that FERC clarify that ISO/RTO regions will continue to be considered “regions” for purposes of the final rule. The IRC further urged FERC to allow flexibility in establishing processes for identifying public policy objectives to be considered in the planning process. Finally, the IRC requested that, to the extent the final rule requires submission of interregional planning cost allocation agreements, FERC modify the requirement that transmission planning entities submit such agreements within one year of the final rule.

Responsible attorneys: Anthony Ivancovich and Judi Sanders

- **Demand response compensation proposed rulemaking (RM10-17)**

On October 13, 2010, the ISO filed supplemental comments in this rulemaking proceeding on demand response compensation in organized markets. FERC initiated the rulemaking in March 2010 to consider its proposal that all demand response resources that successfully bid into wholesale electricity markets for energy should be compensated at the full locational marginal price. In its supplemental comments, the ISO reiterated its support for payment of the locational marginal price, but commented that FERC should not attempt to prohibit local regulatory authorities from determining how load serving entities should be compensated for the cost of procuring the energy that is being offered as demand response. The ISO also noted that the ISO’s proxy demand response (PDR) product, which was developed through a robust stakeholder process, allows the load serving entity and the demand response provider to determine how PDR compensation should be shared outside of the ISO’s market mechanisms, under rules that would be developed by the local regulatory authority, if applicable.

Responsible attorney: Bill Di Capo

- **Version One Regional Reliability Standard for Resource and Demand Balancing (RM09-15-000)**

October 21, 2010, FERC issued a Final Rule (Order 740) remanding to NERC a revised WECC regional reliability standard (BAL-002-WECC-1 – Contingency Reserves). FERC directed that WECC modify the revised standard consistent with its order. WECC’s revised standard requires each reserve sharing group or balancing authority to maintain minimum contingency reserves and maintain at least half as spinning reserve. FERC remanded the standard on the grounds that WECC did not provide sufficient technical support to demonstrate that extending the current reserve restoration period from 60 to 90 minutes. NERC has developed a continent-wide standard that allows a reserve restoration period of 90 minutes. But FERC determined this proposal presents an unreasonable risk in the Western Interconnection that another contingency could occur before reserves are restored after an initial contingency. FERC’s order distinguishes WECC by the number of transmission paths that are voltage or frequency limited in contrast to other regions of the bulk power system. FERC concluded that disturbances on these paths require shorter response times. FERC’s order also found that WECC’s revised reliability standard does not provide that demand side management that is technically qualified may be used as a resource to provide contingency reserves. The order directs WECC to develop modifications that provide that demand side management that is technically capable may be used as a resource to provide both spinning and non-spinning contingency reserve. The order is effective 30 days after publication in the Federal Register.

Responsible attorney: Andrew Ulmer

Other FERC matters

- **Default loss allocation complaint proceeding (ER09-62)**

On October 1, 2010, the ISO filed a settlement agreement that would, if approved, modify the ISO tariff provisions relating to how a loss is allocated to the market in the event of a payment default. The settlement proposed a two step process whereby net sellers are initially allocated the loss as part of the market clearing process but then the loss is reallocated across the entire market using an allocation methodology that combines three different approaches: net creditor status for 20%; the absolute value of net invoices for 30% and a methodology that measures, in MWhs, the market participant's participation in the ISO's markets.

Responsible attorney: Sidney Davies

- **Southern California Edison Pisgah-Lugo transmission project and Red Bluff substation incentive rate filing (EL10-81)**

On September 3, 2010, the ISO submitted comments on SCE's August 4 filing requesting recovery of any costs of abandoned plant and other rate incentives for the proposed Pisgah-Lugo transmission project and Red Bluff substation. The ISO's comments propose that FERC condition approval of any recovery by SCE of costs of abandoned plant for the Pisgah-Lugo project and Red Bluff substation on the incorporation of those facilities as network upgrades for generator interconnection projects in interconnection agreements executed by the ISO.

Responsible attorney: Mike Dozier

- **Waiver of economic project submission process (ER10-2191-000)**

An important element of the ISO's proposed revised transmission planning process is the elimination of the request window submission process for economic projects. Instead, under the new process the ISO will determine the need for both economic and policy-driven transmission elements and conduct a competitive solicitation for project developers to bid on financing, constructing and owning the needed facilities. With FERC's suspension of the revised planning process, the ISO was faced with conducting its 2010/2011 transmission planning cycle in accordance with the current tariff, including the request window submission process. On August 10, 2010, the ISO filed a petition for waiver of this tariff requirement for the 2010/2011 planning cycle, arguing that submitting economic projects would require an expenditure of resources by both potential project developers and ISO staff that likely will be rendered moot when the revised transmission planning process goes into effect. FERC granted an interim waiver of the tariff requirement on October 8, 2010, agreeing with the ISO that the requested waiver would promote efficiency and eliminate uncertainty with respect to the current cycle. The request window for the 2010/2011 cycle is currently open for all projects described in the tariff except for economic projects.

Responsible attorneys: Anthony Ivancovich and Judi Sanders

California Public Utilities Commission (CPUC) matters

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

On July 30, 2010, the CPUC released a ruling that establishes a framework and timeline for addressing two topics left unresolved in its June 28, 2010 smart grid order (CPUC D.10-06-047). The first issue deals with proposing metrics to be used in measuring the smart grid deployment efforts of California's IOUs. The second issue deals with what actions the Commission should undertake to protect the privacy of consumer energy usage data while also providing timely access to that information. With respect to smart grid metrics, the July 30 ruling publishes over 80 proposed metrics and invites parties to comment on them. The ISO's comments suggested four principles in reviewing the metrics:

1. Limit number of metrics to ensure focus on goals;
2. Provide direct "line of sight" for each metric to smart grid objectives;
3. Ensure metrics measure factors that are within the control of the IOUs; and
4. Consider how the metric will be quantified.

With respect to consumer privacy, the ISO agreed that protecting individual customers' privacy is a critical goal but that any rules adopted to further that goal should ensure that third-party demand response aggregators would still have the opportunity to be part of a robust and broad demand response capability.

Responsible attorney: David Zlotlow

CPUC Long Term Procurement Plans (LTPP) (Docket No. 10-05-006)

At workshops that took place on August 24 and 25, 2010, the ISO presented the "Step 1" results of its 33% renewable integration study. "Step 1" encompasses the study methodology and modeling details for the 33% Renewable Portfolio Standard in 2020 reference case. PG&E also presented information about its renewable integration model at the same workshop. The ISO submitted initial comments on September 21 and reply comments on October 8. Another workshop is scheduled for October 22 at which the ISO will present additional information about "Step 2" validation and sensitivity modeling. The CPUC is considering the use of the ISO and PG&E renewable integration studies to inform long-term procurement decisions in the current two year LTPP cycle

Responsible attorney: Judi Sanders.

Sunrise Powerlink Transmission Project Court of Appeal Decision

On August 17, 2010, the Court of Appeal denied the Utility Consumer Advocate Network's (UCAN's) petition for review of the CPUC decision granting SDG&E a certificate of public convenience and need (CPCN) for the Sunrise Powerlink transmission project. The ISO was not named as a real party in interest in the appeal but filed a short brief in support of the decision. UCAN argued that the CPUC erred by, among other reasons, failing to evaluate cost effective alternatives to Sunrise as required by Section 1002.3 of the California Public Utilities Code. The Court of Appeal dismissed UCAN's arguments, noting that the CPUC identified over 100 possible alternatives to Sunrise and that the statute does not require the evaluation of "every possible permutation of every alternative" in order to grant a CPCN. In addition, the Court found that the CPUC did consider—and reject—the specific alternatives proposed by UCAN, contrary to the arguments set forth in the petition.

The Sunrise decision was appealed to both the Court of Appeal, for non-environmental issues, and to the California Supreme Court, which has exclusive jurisdiction over environmental challenges. The

ISO was named as a real party in interest in the latter appeal. The Supreme Court held its consideration of the appeal in abeyance pending a decision from the Court of Appeal, but has now established a briefing schedule for the environmental appeal with opening briefs due on November 5, 2010 and reply briefs due on December 17, 2010.

Responsible attorney: Judi Sanders

Rulemaking proceedings regarding qualifying facility (QF) policy (R.04-04-003, etc.)

On October 8, 2010, PG&E, SCE, SDG&E, the CPUC Division of Ratepayer Advocates, TURN, and representatives of qualifying facilities (QFs) filed a proposed settlement intended to resolve issues among the utilities, QFs, and ratepayer advocates in multiple CPUC proceedings. The settlement includes four proposed versions of standard power purchase agreements between the utilities and QFs, all of which would require QFs to comply with the ISO tariff as advocated by the ISO in these proceedings. In addition, the settlement includes a separate letter agreement between the utilities and the ISO in which the ISO agrees to provide temporary exemptions, which the ISO may grant under its tariff, from its revenue metering and telemetry requirements for QFs that are transitioning from a grandfathered existing power purchase agreement to a new standard power purchase agreement. On October 25, 2010, the ISO filed comments supporting the proposed settlement.

Responsible attorneys: Mike Dozier and Sidney Davies

Other State regulatory matters

Dynegy South Bay Application for NPDES permit (State Water Resources Control Board NPDES No. CA0001368)

On June 14, 2010, Dynegy filed an application for a National Pollutant Discharge Elimination System (NPDES) permit for the South Bay Power Plant in anticipation that the ISO would extend the Reliability Must-Run contract for South Bay in 2011. Dynegy's current NPDES permit is scheduled to expire on December 31, 2010. The State Water Resources Control Board issued a draft permit order that, if adopted, would grant Dynegy an NPDES permit that would allow Dynegy to discharge at existing levels at South Bay through the date on which the ISO removes its RMR designation or the final compliance date for South Bay in the State Water Board's once-through cooling policy (December 31, 2011). The ISO has filed comments on the draft permit order notifying State Water Board that the ISO will not need South Bay to meet San Diego local reliability requirements beyond December 31, 2010. The ISO expects Dynegy will withdraw its pending NPDES permit application.

Responsible attorneys: Andrew Ulmer and Sidney Davies

Regulatory Filings September 2010 Charts



