Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel, Chief Compliance Officer, and Corporate Secretary

Date: August 19, 2026

Re: **Regulatory update**

This memorandum does not require ISO Board of Governors action.

Highlights

- *FERC accepts ISO tariff revisions to support start-up funding for Regional Organization for Western Energy*
- *FERC directs the ISO and Southwest Power Pool to file informational report on market seams coordination*
- *The ISO files informational report in response to Order to Show Cause and requests FERC hold its proceeding in abeyance to permit the ISO and participating transmissions owners to revise their tariffs.*
- *FERC accepts ISO Interconnection Process Enhancements tariff revisions*
- *The CPUC adopts bidding rules and revenue restrictions for resource adequacy resources selling imbalance reserve and reliability capacity products in the ISO-administered markets*

Federal Energy Regulatory Commission

- **Large Loads Order Instituting Proceeding under Section 206 of the Federal Power Act (EL26-71)**

On June 18, 2026, FERC issued orders to show cause to jurisdictional ISOs/RTOs requiring demonstrations within 60 days as to why their tariffs remain just and reasonable with respect to the provision of transmission service to large loads.

On July 20, 2026, the ISO filed an informational report on how the ISO intends to ensure that adequate generation will be available to serve existing and new large loads. The informational report detailed ISO, CPUC, and CEC coordination, generation adequacy projections, and current stakeholder initiatives.

On August 3, 2026, the ISO filed a motion to hold the instant proceeding in abeyance for 90 days from the deadline to respond, *i.e.,* until November 16, 2026. This motion explains that the abeyance period would provide the ISO sufficient time to work with stakeholders to develop all policies necessary to address FERC's preliminary findings in the order to show cause, and to submit a filing to the Commission under Section 205 of the Federal Power Act.

- **Delaney-Colorado River Transmission, LLC/Ten West (DCRT) Rate Filing (ER23-2309/ER24-1394/EL26-34)**

On June 4, 2026, FERC issued an order to modify aspects of its January 30, 2026 Order, which determined that DCRT's rate filing was an initial rate and shifted the burden of proof to intervenors under section 206 of the Federal Power Act. The June 4 Order upheld these findings.

On July 30, 2026, the ISO filed an initial post-hearing brief arguing that the Presiding Judge should disallow most of the costs for which DCRT seeks recovery above the agreed-to, binding cost cap in DCRT's Approved Project Sponsor Agreement.

- **Day-Ahead Market Enhancements/Extended Day-Ahead Market Tariff Revisions (ER26-1294)**

On April 8, 2026, FERC issued an order accepting tariff revisions to support implementation of the day-ahead market enhancements and extended day-ahead market design. The revisions address various implementation issues that have arisen since FERC accepted the initial market design, including proposed transitional measures for scheduling and modeling of ISO intertie transactions. On April 24, 2026, the ISO submitted a compliance filing to update the effective date of tariff records, which FERC accepted on July 2, 2026.

- **Extended Day-Ahead Market Congestion Revenue Allocation (ER25-2637)**

On July 2, 2026, FERC issued a letter order accepting the ISO's filing to make effective tariff revisions previously accepted by FERC to implement the Extended Day-Ahead Market congestion revenue allocation design.

- **TransAlta Centralia Generation LLC - Application for Cost Recovery (ER26-2422)**

On May 21, 2026, the ISO filed a protest in response to the application of TransAlta Centralia Generation LLC seeking acceptance of a tariff and approval to allocate specified costs to the ISO in connection with making Unit 2 at the Centralia Generating Station available during the past period December 16, 2025 up to and including March 13, 2026 pursuant to an emergency order issued by the Department of Energy under section 202(c) of the Federal Power Act.

On August 5, 2026, the ISO filed an answer to the July 21, 2026 answer of Centralia to rebut Centralia's arguments concerning cost causation and the application of the rule against retroactive ratemaking. The ISO's answer also explains that Centralia did not comply with the Department of Energy's order by not taking all necessary measures to make Unit 2 available to the ISO.

- **Cost-of-Service Study Deferral and Cost Cap Update Tariff Amendment (ER26-2612)**

On May 22, 2026, the ISO submitted a tariff amendment to align its triennial cost-of-service study and administrative revenue cost cap with the launch of the Extended Day-Ahead Market. The amendment seeks authority to (1) defer the 2026 cost-of-service study by two years, and (2) update the ISO's Grid Management Charge revenue requirement cap for 2027 and 2028. On July 16, 2026, the FERC issued an order accepting this tariff amendment.

- **Interconnection Process Enhancements – 5.0 (ER26-2747)**

On June 5, 2026, the ISO submitted tariff revisions arising from the most recent iteration of the ISO's interconnection process enhancement initiative. On July 9, 2026, the ISO submitted an answer to protests, including concerns regarding the removal of language that provides for reimbursement of network upgrade costs for interconnection customers that do not achieve commercial operation after construction proceeds. The ISO agreed that FERC could reject this change.

On August 4, 2026, FERC issued an order accepting in part and rejecting in part the ISO's tariff revisions. FERC's order accepts each of our changes except for the proposal to remove the requirement to reimburse for constructed network upgrades where an interconnection customer does not achieve commercial operation but the interconnection customer or another generating facility in the future makes use of the upgrades.

- **Startup Funding for the Regional Organization for Western Energy (ER26-2789)**

On June 11, 2026, the ISO submitted a tariff amendment to implement two new settlement charges as part of a plan to enable startup debt financing for the Regional Organization for Western Energy. On August 10, 2026, FERC issued an order accepting the tariff amendment.

- **Extended Day-Ahead Market Settlement Dispute Deadlines (ER26-3104)**

On July 7, 2026, the ISO filed a petition for limited waiver to extend the dispute deadline for T+70B recalculation settlement statements for the first two months of the Day-Ahead Market Enhancements and Extended Day-Ahead Market.

On August 4, 2026, the ISO filed an answer to joint comments. The answer reiterates the ISO's commitment to: (a) continued dialogue with market participants on settlement configuration issues; and (b) seek further relief beyond what was requested in the July 7 waiver, if warranted.

- **Model Loop Flow in Congestion Revenue Rights Process (ER26-3305)**

On July 28, 2026, the ISO filed a tariff amendment seeking authority to model the expected impact of loop flow in the year-ahead congestion revenue rights process. The ISO already holds such authority for the month-ahead congestion revenue rights processes. This amendment seeks that same authority in the annual process.

- **Western Seams Coordination (AD26-10)**

On July 16, 2026, FERC issued an order directing the ISO and Southwest Power Pool, Inc.(SPP) to submit a joint report by September 30, 2026, on the status of the work to coordinate operations along their seams in the Western Interconnection. This joint report will provide the Commission, states, market participants, and interested stakeholders with information about the ISO and SPP's ongoing efforts to ensure reliable and efficient operations between and among ISO, Southwest Power Pool, Inc., and affected balancing authorities in the West, including those that elect to participate in organized markets and those that do not.

<u>Non-conforming regulatory agreements</u>

- **Ironwood Pseudo-Tie Export Agreement (ER26-2829)**

On June 12, 2026, the ISO filed an agreement that sets forth the terms under which the ISO will support the pseudo-tie export of Arizona Public Service's Ironwood resource from the ISO balancing authority area into the Arizona Public Service balancing authority area. The agreement supplements the ISO tariff and the pro forma Western Energy Imbalance Market (WEIM) participation agreement to address the specifics necessary to facilitate the pseudo-tie export. On July 23, 2026, FERC accepted the agreement.

- **Multilateral Variable Energy Resource Agreement between ISO and SunZia (ER26-2595)**

On May 21, 2026, the ISO filed an agreement with SunZia wind entities that sets forth the terms under which the ISO will provide a Single-Tier Forecasting Pilot to facilitate market participation in the ISO balancing authority area by two aggregations of variable energy resources through "logical shares" from these resources and a pseudo-tie export of a portion of generation from these resource aggregations to an attaining balancing authority area participating in the WEIM. On July 23, 2026, FERC accepted this agreement.

California Public Utilities Commission (CPUC)

- **Resource Adequacy Program (R.25-10-003)**

On April 3, 2026, the ISO filed its Draft 2027 Local Capacity Technical Report in the CPUC's Resource Adequacy proceeding. On May 1, 2026, the ISO filed its Final 2027 Local Capacity Technical Report and Update regarding Flexible Capacity Needs Assessment. On May 13, 2026, the ISO filed its Final 2027 Flexible Capacity Needs Assessment and Final 2027 Availability Assessment Hours.

On June 22, 2026, the ISO filed comments on the CPUC's resource adequacy proposed decision. In these comments, the ISO raised concerns with the proposal to impose zero-dollar bidding requirements and revenue restrictions for resource adequacy resources selling imbalance reserve and reliability capacity products in the ISO markets. In its comments, the ISO recommends the CPUC allow resource adequacy resources to bid imbalance reserve and reliability capacity economically, consistent with the ISO tariff, and permit load-serving entities and counterparties to address any allocation of associated revenues through bilateral arrangements. The comments also express support for other key elements of the proposed decision.

On June 29, 2026, the ISO filed reply comments on the CPUC's resource adequacy proposed decision. In these comments, the ISO agreed with parties on the appropriate characterization of imbalance reserves as a reserve product rather than a capacity product, the risks associated with imposing zero-dollar bid requirements for imbalance reserves and reliability capacity, and concern for administratively prescribed allocation of associated revenues.

On July 10, 2026, the CPUC issued Decision 26-07-008, which adopts Local Capacity Requirements for 2027-2029, Flexible Capacity Requirements for 2027, and program refinements to the Resource Adequacy program. The refinements include adopting an Unforced Capacity framework for implementation in the 2028 resource adequacy compliance year and clarifying zero-dollar bidding requirements and the revenue allocation prohibition for resource adequacy contracts for reliability capacity and imbalance reserve products in the ISO's market. The CPUC's decision establishes zero-dollar bidding requirements and a revenue allocation prohibition for resource adequacy contracts for reliability capacity. The CPUC's decision states the CPUC will reconsider proposals to modify these bidding requirements and revenue allocation rules once the Commission can evaluate the pricing data for reliability capacity products and better

understand the impact of removing the zero-dollar bid requirement and prohibition on revenue allocation. The CPUC 's decision does not adopt a zero-dollar bidding requirement for imbalance reserve product but does apply revenue allocation rules. The CPUC's decision states that resource adequacy contracts executed after the effective date of the decisions must specify that the resource owner is not eligible for capacity-related revenue payments. This does not apply to the opportunity cost portion of the revenue
payment for imbalance reserves. The decision directs load serving entities to use the ISO day-ahead market enhancements transitional measures, or other equally effective means, to effectuate this requirement. As with reliability capacity, the CPUC decision states the CPUC will consider proposals to modify the imbalance reserve revenue allocation rules once the Commission can evaluate the pricing data for imbalance reserves and better understand the impact of removing the prohibition on revenue allocation.

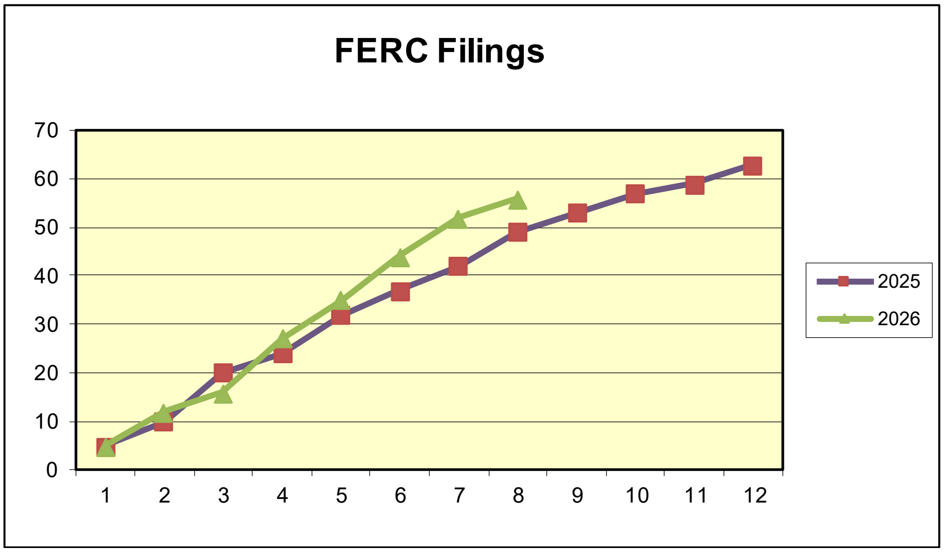
- **Collinsville 500/230 kV Substation Project (A.24-07-018)**

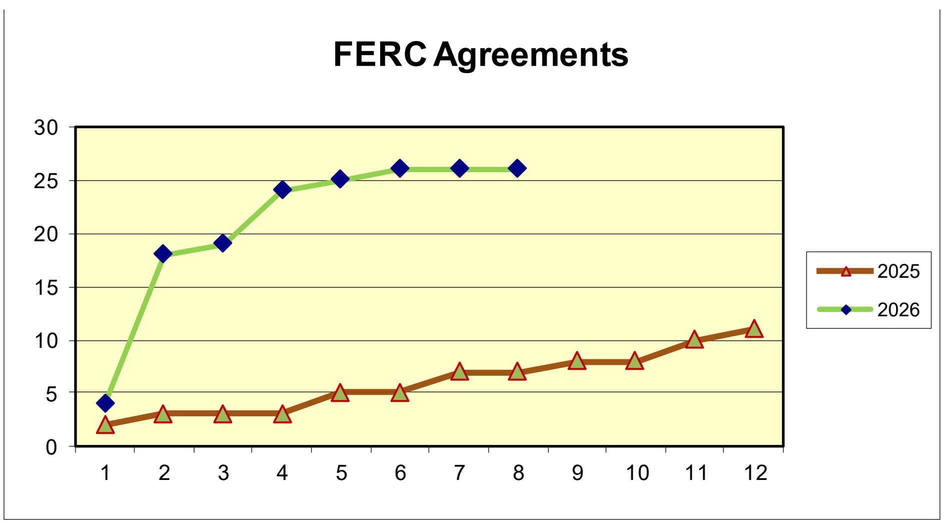
On July 10, 2026, the ISO submitted an opening brief in this proceeding arguing (1) that the conditions required for the rebuttable presumption of need in this proceeding have been met and (2) that the California Forever expert testimony has not sufficiently rebutted that presumption because it makes characterizes our transmission planning process and seeks to isolate inputs rather than looking at all the needs of the system as a whole. On July 24, 2026, the ISO filed a reply brief to recommend the Commission approve LS Power Grid California, LLC's application for a certificate of public convenience and necessity to construct the Collinsville 500/230 kV Substation Project, as the conditions have been met to establish the rebuttable presumption of need in favor of the ISO's findings, and no party has offered sufficient evidence to rebut that presumption.

- **High Distributed Energy Resources Grid (R.21-06-017)**

On July 27, 2026, the ISO filed comments on the distributed energy resources workshop reports. These comments focus on emphasizing that the "distributed energy resources orchestration frameworks" should include prioritization rules governing how distributed energy resources provide grid services at both the distribution and bulk electric system levels and requesting the CPUC lead semi-annual workshops focused on operational coordination.

Regulatory Orders and Filings Through August 10, 2026





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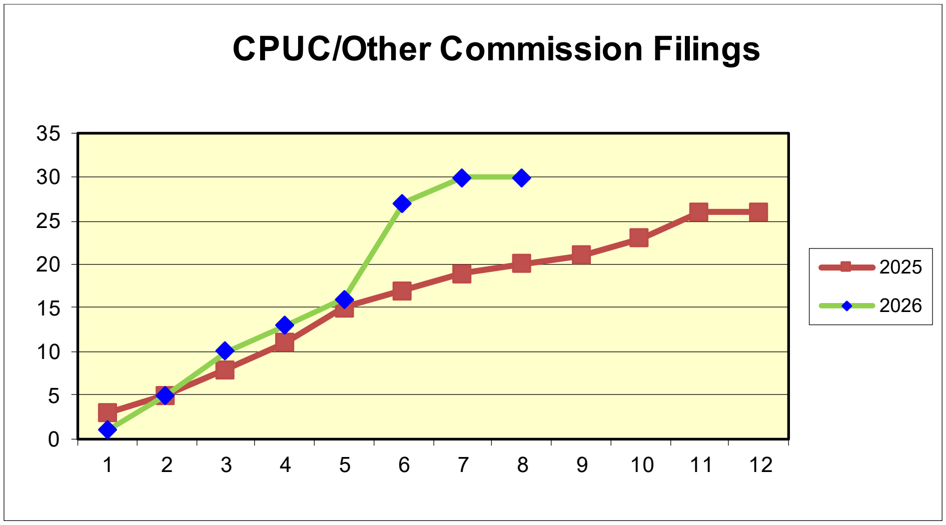

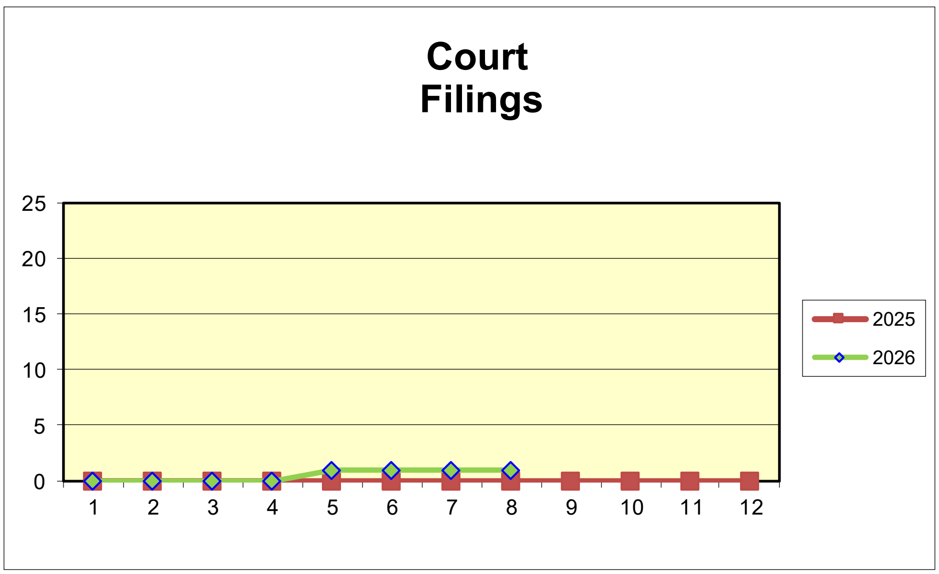

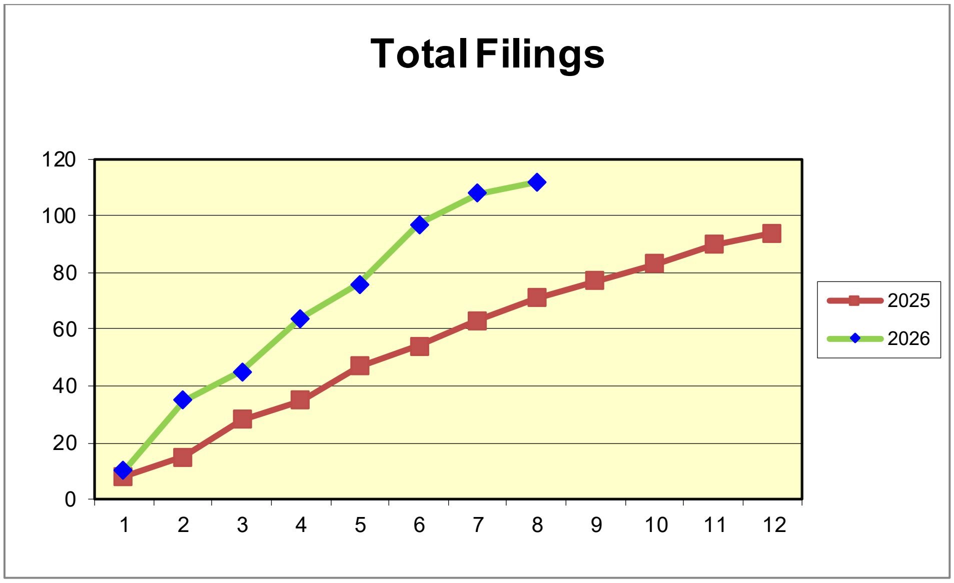
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2025
2026