

Memorandum

To: ISO Board of Governors

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

Date: July 16, 2025

Re: Regulatory update

This memorandum does not require ISO Board of Governors action.

Highlights

- *The ISO files a tariff amendment addressing congestion revenue allocation in the extended day-ahead market (EDAM)*
- *The ISO files notice of effective date of Pathways Step 1 tariff amendments*
- *Laura Swett nominated to serve as FERC Commissioner*
- *FERC issues an order approving interconnection process enhancements*

Federal Energy Regulatory Commission

- **Pathways Step 1 Initiative (ER25-542)**

On July 1, 2025, the ISO submitted an informational filing notifying FERC that the tariff amendments for Step 1 of the Pathways initiative will be implemented on July 8, 2025.

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

On June 26, 2025, the ISO filed a tariff amendment to implement a targeted enhancement to the methodology for allocating congestion revenue under the EDAM design. Specifically, the proposed enhancement modifies the allocation of congestion revenues among balancing areas participating in EDAM. This results in a portion of day-ahead parallel flow congestion revenues being allocated to the EDAM balancing area where market participants paid prices that include those congestion costs, rather than to the balancing area where the constraint occurs. The EDAM balancing area receiving the parallel flow congestion revenue will make it available to transmission providers in their balancing area, who in turn can use it to manage the cost of congestion by those customers exercising firm transmission service rights under the open access transmission tariffs of those transmission providers. This enhancement is intended to take effect on “day one” EDAM implementation, *i.e.*, May 1, 2026, and it is

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intended as a transitional measure while the ISO and its stakeholders consider and develop further enhancements to achieve the ultimate goal of developing a long-term framework for congestion revenue allocation.

- **Order No. 907 - Reliability Standard CIP-015-1 (RM24-7)**

On June 26, 2025, FERC issued a final rule approving proposed reliability standard CIP-015-1 (Cyber Security – Internal Network Security Monitoring). CIP-015-1 establishes requirements for Internal Network Security Monitoring for network traffic inside an electronic security perimeter. The final rule also directs NERC to develop certain modifications to proposed Reliability Standard CIP-015-1 to extend internal network security monitoring to include electronic access control or monitoring systems and physical access control systems outside of the electronic security perimeter and clarifies the term CIP-networked environment as it is used in proposed Reliability Standard CIP-015-1.

- **Interconnection Process Enhancements (ER25-2044)**

On June 24, 2025, FERC issued an order accepting the ISO's tariff amendment to clarify and enhance interconnection procedures to help serve first-ready projects, especially those projects from cluster 14 that recently received their final interconnection study results. The proposed enhancements include: (1) extending the cluster 14 interconnection financial security posting deadline to allow parked customers to receive their deliverability allocation results first, consistent with previous clusters; (2) clarifying acceptable power purchase agreements for energy only projects; (3) reducing the energy only deliverability study deposit from \$60,000 to a \$5,000 flat fee; (4) removing an unnecessary administrative step in the deliverability retention process; (5) creating an intra-cluster prioritization process for reliability network upgrades with long lead-times; and (6) providing more transparency regarding the transmission planning and deliverability allocation processes for public policy upgrades.

- **North American Energy Standards Board (NAESB) standards (v.4) (ER25-2603)**

On June 24, 2025, the ISO submitted a filing in compliance with Order No. 676-K to incorporate by reference the latest version of the Standards for Business Practices and Communication Protocols of the Wholesale Electric Quadrant (WEQ) adopted by NAESB and as incorporated by reference into the Commission's regulations in Order No. 676-K.

- **Sentinel Energy Center, LLC – Black Start (ER24-366/ER25-58)**

On June 10, 2025, the ISO, Sentinel Energy Center and Southern California Edison filed a joint offer of settlement to resolve all issues in this proceeding involving an

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agreement to obtain black start service from the Sentinel Energy Center.

- **Greenleaf Energy Unit 2, LLC – Reliability Must-Run (RMR) (ER25-1421)**

On June 13, 2025, FERC issued an order approving a settlement and accepting revisions to the reliability must-run agreement between the ISO and Greenleaf. The order also resolves issues surrounding the application of the resource adequacy availability mechanism to Greenleaf's unit while it experienced an extended outage.

- **Subscriber Participating Transmission Owner – Market Scheduling Options (ER25-2442)**

On June 6, 2025, the ISO filed a tariff amendment to enhance the Subscriber Participating Transmission Owner (TO) tariff provisions and address potential implementation challenges identified since the Commission approved those tariff provisions in March 2024. The ISO proposes two enhancements: (1) to provide an option for subscribers of Subscriber Participating TOs' transmission facilities to convert their subscriber rights to congestion revenue rights; and (2) to suspend for two years the collection and allocation of amounts that result from non-subscribers' scheduling of import transactions on Subscriber Participating TO transmission facilities. This temporary suspension will allow time for the ISO to gather and analyze information about non-subscriber use of such transmission facilities following implementation, which is necessary for a reasonable assessment and evaluation of the results.

- **Spring Tariff Clarifications (ER25-1875)**

On May 28, 2025, FERC issued an order accepting the ISO's April 3, 2025, tariff revisions to (1) treat information exchanged with an entity that has executed an EDAM implementation agreement as confidential information, if labeled as such, and (2) confirm temporary eligibility for maximum import capability for resources interconnecting to a subscriber participating transmission owner facility.

- **DCR Transmission, LLC Rate Filing (ER23-2309/ER24-1394)**

On May 15, 2025, the ISO filed a brief on Federal Power Act section 205 and section 206 issues and related burden of proof issues raised during the prehearing conference held on May 8, 2025.

On May 22, 2025, the presiding administrative law judge issued an order confirming bench rulings that DCRT's rate filing constituted an initial rate and that parties challenging DCRT's rates had the burden of proof that they are unjust and unreasonable. The order permitted interlocutory appeal of the decision.

On May 27, 2025, the ISO filed comments addressing its pending interlocutory appeal,

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urging FERC to accept the appeal and overturn the May 22, 2025, order.

On June 20, 2025, FERC issued an order granting interlocutory appeal of the Presiding Judge's ruling and finding that the Presiding Judge's ruling was in error. FERC ruled that DCRT's filed transmission revenue requirement should be treated as a change in rates and that DCRT should bear the burden of proof that such rates were just and reasonable.

- **Portland General Electric (PGE) – Extended Day-Ahead Market (EDAM) Implementation (ER25-1868)**

On May 19, 2025, the ISO filed an answer to comments and protests filed in response to PGE's tariff amendment to facilitate its participation in EDAM, encouraging approval of PGE's tariff amendment and also acknowledging questions raised and concerns expressed by parties to this proceeding.

- **PacifiCorp - Extended Day-Ahead Market (EDAM) (ER25-951)**

On May 19, 2025, the ISO filed comments regarding PacifiCorp's response to FERC's March 27, 2025, deficiency letter and to respond to arguments made in other answers submitted in this proceeding.

On June 17, 2025, the ISO filed a limited answer to an inaccurate claim made by Powerex in its June 11, 2025, answer concerning participation in EDAM.

- **FERC Order Nos. 2023 and 2023-A – Revised Pro Forma LGIA/SGIA (ER24-2042)**

On May 15, 2025, FERC issued an order accepting the ISO's May 16, 2024, compliance filing, as partially complying with Order numbers 2023 and 2023-A, and directing the ISO to submit a further compliance filing.

- **NERC: Proposed Reliability Standard EOP-012-3 (RD25-7)**

On May 12, 2025, the ISO joined the ISO-RTO Council in comments on the proposed cold-weather reliability standard, seeking clarification of the criteria, described in Attachment 1 of the standard, by which Generator Owners and Compliance Enforcement Authorities will determine the applicability and validity of a Generator Cold Weather Constraint under the proposed reliability standard.

Non-conforming regulatory agreements

- **SunZia Transmission LLC (ER25-2541)**

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On June 18, 2025, SunZia filed an amended and restated generation interconnection agreement re SunZia Wind PowerCo LLC.

- **SunZia Transmission LLC (ER25-2542)**

On June 18, 2025, SunZia filed an amended and restated generation interconnection agreement re SunZia Wind South LLC.

- **SunZia Transmission LLC (ER25-2543)**

On June 18, 2025, SunZia filed an amended and restated generation interconnection agreement re SunZia Wind North LLC.

- **Dynamic Transfer Balancing Authority Operating Agreement – Salt River Project Agricultural Improvement and Power District (SRP) (ER25-2387)**

On May 30, 2025, the ISO filed an agreement with SRP to replace the dynamic transfer arrangements included in the existing Interconnected Control Area Operating Agreement (“ICAOA”) between the ISO and SRP, which it separately noticed to be terminated. Replacing these arrangements is necessary to continue dynamic transfers between the ISO and SRP consistent with the dynamic transfer provisions of the ISO tariff.

- **Adjacent Balancing Authority Operating Agreement – Salt River Project Agricultural Improvement and Power District (SRP) (ER25-2384)**

On May 30, 2025, the ISO filed (1) an Adjacent Balancing Authority Operating Agreement (“ABAOA”) between ISO and the SRP; and (2) a notice of termination of the existing Interconnected Control Area Operating Agreement (“ICAOA”) between the ISO and SRP. The filing replaces the ICAOA with the ABAOA.

California Public Utilities Commission

- **Resource Adequacy (R.23-10-011)**

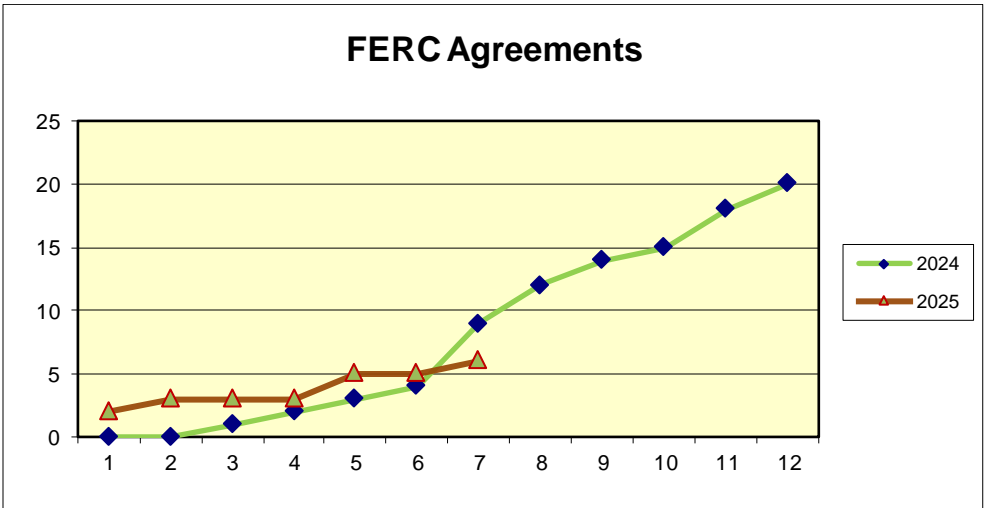
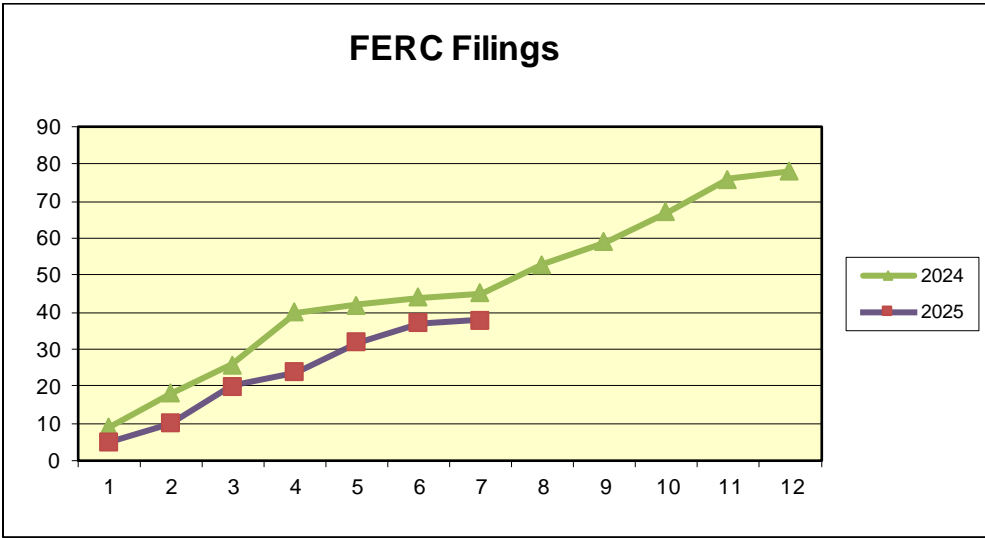
On June 11, 2025, the ISO filed opening comments on the proposed decision adopting local capacity obligations for 2026-2028, flexible capacity obligations for 2026, and program refinement. The ISO comments focused on aspects of the proposed decision that ensure resource adequacy program requirements meet a 0.1 loss of load expectation, including a planning reserve margin needed to meet a .01 loss of load expectation in 2026. The ISO also urged the CPUC not to adopt a planning reserve margin for 2027, and monitor supply and demand conditions and resource adequacy

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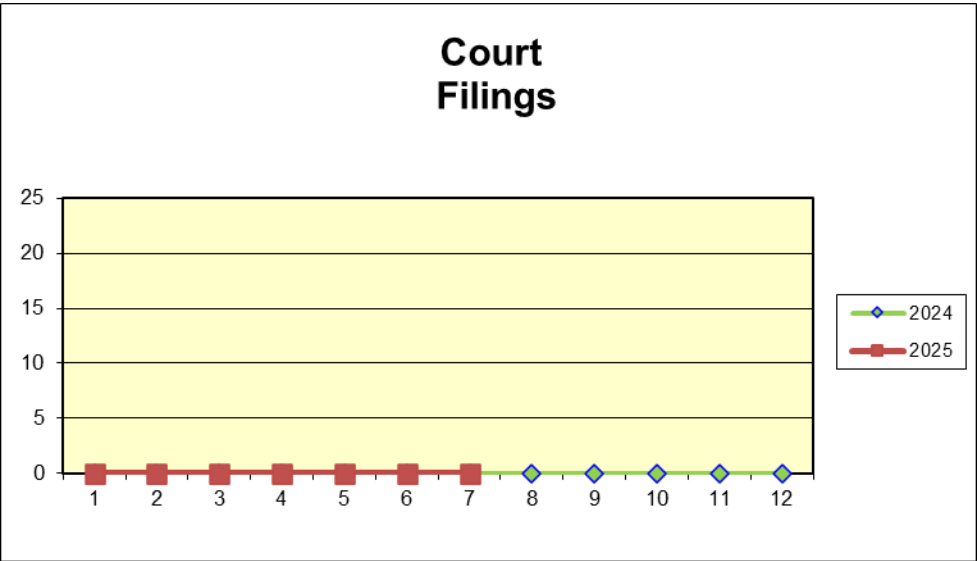
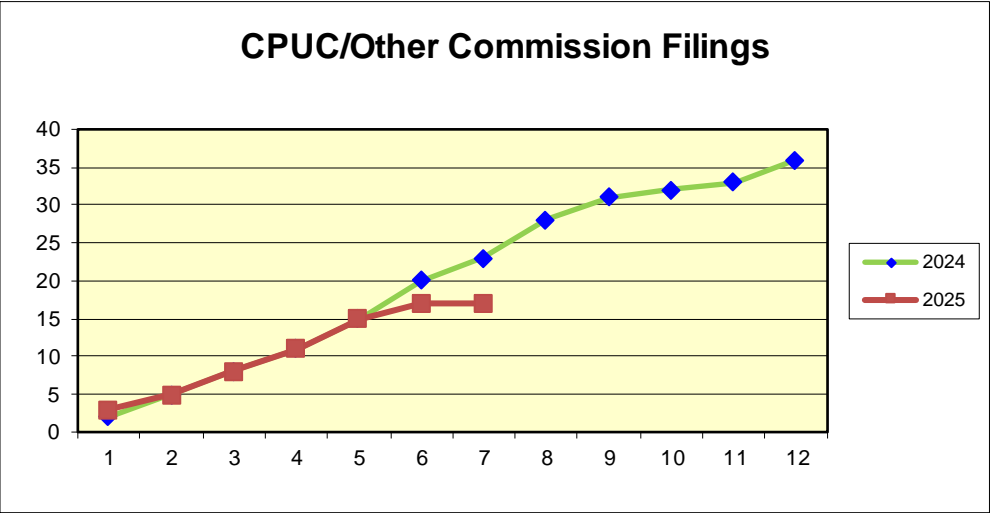
prices for 2025 and 2026 and use that information to determine whether to adopt a binding planning reserve margin for 2027. The ISO also supported further development of an unforced capacity framework and encouraged the CPUC to adopt the 2026-2028 local requirements, 2026 flexible capacity requirements, and resource adequacy measurement hours identified in ISO's Final Flexible Capacity Needs Assessment for 2026.

On June 16, 2025, the ISO filed reply comments on the proposed decision urging the CPUC not to adopt an allocation approach for reliability capacity up, reliability capacity down, and imbalance reserve revenues to load-serving entities at this time. The ISO encouraged the CPUC to provide future opportunities to discuss resource accreditation, alignment of integrated resource planning and resource adequacy, and interoperability with the ISO's processes.

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