

Memorandum

To: ISO Board of Governors

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

Date: May 14, 2025

Re: Regulatory update

This memorandum does not require ISO Board of Governors action.

Highlights

- *Commissioner Willie Phillips resigns from Federal Energy Regulatory Commission (FERC)*
- *The ISO files a tariff amendment for interconnection process enhancements – track 3*
- *FERC issues an order approving Pathways Step 1 initiative*
- *FERC issues an order approving capacity procurement mechanism enhancements – track 1*
- *FERC issues an order approving a joint settlement agreement resolving issues regarding EDF Trading and CXA La Paloma's application for recovery of fuel costs*

Federal Energy Regulatory Commission

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

On May 1, 2025, the ISO filed comments indicating that Portland General Electric's tariff filing to implement EDAM is consistent with the ISO's EDAM tariff provisions approved by FERC.

- **Order No. 881 - Ambient-Adjusted Line Ratings (ER25-1236)**

On April 30, 2025, FERC issued a letter order accepting the ISO's February 6, 2025, tariff revisions clarifying rules for ambient-adjusted transmission line ratings, as required by Order No. 881. These tariff revisions pertained to: (1) communication protocols for the submission of transmission line ratings for use in the day-ahead and real-time markets; (2) access to ratings used in the markets, as well as participating

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transmission owners' transmission line rating methodologies; (3) the timing of when entities must submit ratings in advance of the day-ahead and real-time market; (4) use of hourly and seasonal ratings, if hourly ratings become unavailable; and (5) recognition that EDAM entities will submit hourly ratings for use in the day-ahead and real-time markets.

- **Order No. 881 Implementation (ER22-2362)**

On April 30, 2025, FERC issued a letter order granting an extension of time to implement the requirements of the Order Nos. 881 and 881-A until December 17, 2026, for software enhancements, and to October 15, 2027, as it relates to participating transmission owners' participation in ISO markets.

- **Saavi v. CAISO – Cometa Energia Complaint (EL24-92)**

On April 29, 2025, FERC issued an order addressing arguments raised on rehearing, and setting aside prior order, in part, regarding Saavi's complaint regarding the termination of deliverability status of Saavi's generating unit located in Mexico and currently interconnected to Comisión Federal de Electricidad. The ISO terminated Saavi's deliverability status based on a business practice manual (BPM) provision. The order upheld the denial of Saavi's deliverability status, but also indicated that the BPM provision in question should be included in ISO's tariff.

- **Interconnection Process Enhancements 2023 – Track 3 (ER25-2044)**

On April 25, 2025, the ISO filed a 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 a \$60,000 study deposit 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 on the transmission planning and deliverability allocation processes for public policy upgrades.

- **SunZia Transmission, LLC – Subscriber PTO (ER25-170)**

On April 17, 2025, FERC issued an order accepting, subject to refund, SunZia's transmission owner tariff. FERC's order establishes hearing and settlement judge procedures in connection with SunZia's calculation of a non-subscriber user rate for SunZia's transmission system and its Arizona entitlements.

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On May 1, 2025, FERC issued an order scheduling an initial settlement conference.

- **Long-Term Regional Transmission Planning (RM21-17)**

On April 11, 2025, FERC issued Order No. 1920-B addressing arguments on rehearing of Order No. 1920-A. Among other things, the order upheld requirements to include relevant state entities' agreed-upon long-term regional transmission cost allocation method(s) in compliance and sustained FERC's ability to consider these cost allocation approaches as well as the transmission providers' own cost allocation proposal - when setting any replacement rate under Section 206 of the Federal Power Act.

On April 25, 2025, FERC issued a notice granting the ISO an extension of time up to and including December 12, 2025, to submit its compliance filing with Order No. 1920. FERC also granted the ISO an extension of time up to and including February 12, 2025, to submit a compliance filing addressing inter-regional elements of Order No. 1920.

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

On April 3, 2025, the ISO filed tariff revisions to clarify two areas of the ISO's tariff 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.

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

On April 2, 2025, FERC issued an order accepting the ISO's November 22, 2024, tariff amendment to add a rule authorizing a "dual filing" in certain circumstances when no single proposed amendment is supported by both the ISO Board of Governors and the Western Energy Markets (WEM) Governing Body. A dual filing would include two alternative amendments from which the FERC can choose – one approved by the Board and the other approved by the WEM Governing Body.

- **Order No. 904: Reactive Power Compensation (ER25-1804)**

On March 28, 2025, the ISO submitted a filing in compliance with FERC's October 17, 2024, order that required jurisdictional transmission providers to change their tariffs to eliminate compensation to generators for providing reactive power within a standard power factor range or show how their tariff already meets these requirements. The ISO tariff's longstanding provisions on reactive power compensation foreclose payment to generators for providing reactive power within a standard range, and, thus, already comply with the order.

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- **San Diego Gas & Electric Company: Petition for Limited Waiver (ER25-1480)**

On March 28, 2025, the ISO filed comments in support of the San Diego Gas & Electric's petition for limited waiver requesting that it not be required to post funds to itself as the interconnection customer and transmission owner for interconnection projects.

On April 21, 2025, FERC issued an order granting San Diego's waiver request.

- **Capacity Procurement Mechanism Enhancements – Track 1 (ER25-968)**

On March 25, 2025, FERC issued a letter order approving the ISO's January 17, 2025, tariff amendment to make four operational and process enhancements to its capacity procurement mechanism (CPM), which permits the ISO to procure capacity when necessary to address certain types of reliability needs that resource adequacy capacity cannot meet. Among other changes, these enhancements included adjusting the MW volume of a significant event CPM designation based on pre-existing or new capacity obligations that arise during the term of the CPM designation and permitting a resource to elect a significant event CPM designation term of less than 30 days.

- **Notice of Proposed Rulemaking (NOPR): Reliability Standards for Frequency and Voltage Protection Settings and Ride-Through for Inverter-Based Resources (RM25-3)**

On March 24, 2025, the ISO joined ISO-New England, Midcontinent ISO, PJM Interconnection and Southwest Power Pool in filing comments on FERC's December 19, 2024, NOPR in support of a suite of new reliability standards to protect the grid as the nation transitions to expanded use of clean energy technologies. The NOPR ensures reliability of the grid by accommodating the rapid integration of inverter-based resources.

- **Consumers for Independent Regional Transmission Planning v. ISO, et al (EL25-44)**

On March 20, 2025, the ISO filed its answer to the December 19, 2024, complaint denying each of the complaint's material allegations as they apply to the ISO, transmission planning in the ISO region, and asset management or maintenance of transmission facilities undertaken by ISO participating transmission owners. The ISO urged FERC to reject the complaint. The complaint was filed against all ISOs/RTOs and FERC-jurisdictional public utility transmission providers with local planning tariffs alleging that provisions in their tariffs inappropriately authorize individual transmission owners to plan FERC-jurisdictional transmission facilities at 100 kilovolts ("kV") and above without regard to whether such local planning approach is the more efficient or cost-effective transmission project for the interconnected transmission grid. The complaint seeks to treat all transmission projects

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100 kV and above as regional projects and would require all such projects be approved in regional planning processes.

- **EDF Trading NALLC, CXA La Paloma, ISO (ER25-526 and ER21-2579)**

On March 20, 2025, FERC issued a letter order approving the November 22, 2024, joint settlement agreement resolving issues regarding EDF Trading and CXA La Paloma's application for recovery of fuel costs incurred on February 16, 2021, arising from the commitment of generating units in response to market dispatch from the ISO.

- **After-Market Fuel Cost Recovery Clarification (ER25-1035)**

On March 18, 2025, FERC issued a letter order accepting the ISO's January 23, 2025, tariff amendment to (1) clarify the process for scheduling coordinators to seek after-market fuel cost recovery and (2) help ensure the after-market fuel cost recovery process does not create inefficient market outcomes or subsidize and incentivize speculative market participation. Additional clarity will reduce the likelihood of extended administrative proceedings before FERC to resolve after-market requests.

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

On March 18, 2025, the ISO filed comments in support of the offer of settlement agreed to by the ISO, Greenleaf and the CPUC to revise the prior RMR agreement between the ISO and Greenleaf to address a dispute involving a prior outage at the facility.

Non-conforming regulatory agreements

- **Joint-Owned Unit Pilot Agreement: Public Service Company of New Mexico/ISO/Tucson Electric Power (ER25-1449)**

On April 23, 2025, FERC issued a letter order accepting the ISO's February 28, 2025, amended and restated agreement that extends the term of the agreement for an additional five years and includes targeted modifications to the technical requirements for the pilot program. The extension supports the pilot program's continued operation through a period of time when the ISO implements the EDAM, and Public Service Company of New Mexico and Tucson Electric Power individually evaluate potential participation in a day-ahead market. The modifications also account for minor issues and clarifications identified through experience with the pilot program to date.

- **Unexecuted Large Generator Interconnection Agreement (LGIA): Metcalf Energy Center, LLC (ER25-925)**

On March 11, 2025, FERC issued a letter order accepting the ISO's January 14, 2025, certificate of concurrence in support of Pacific Gas & Electric's (PG&E) November 27,

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2024, unexecuted first amended LGIA among the ISO, PG&E and Metcalf Energy Center, LLC. The Parties agreed upon all terms and conditions in the replacement agreement except for the updated monthly cost of ownership rate. To ensure continued service, PG&E filed this unexecuted replacement agreement to conform to the date that the current agreement terminates.

California Public Utilities Commission

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

On May 1, 2025, the ISO filed its final 2026 Local Capacity Technical Report and update regarding 2026 Flexible Capacity Needs Assessment.

On March 17, 2025, the ISO filed reply comments on track 3 proposals, focusing on ensuring the resource adequacy program requirements meet 0.1 loss of load expectation across the year; increasing the planning reserve margin during summer months above the 17% adopted for 2024 and 2025; not adopting a system waiver process or planning reserve margin for 2027; and supporting the energy division's unforced capacity proposal.

State of Washington - Department of Ecology

On April 18, 2025, the ISO filed comments in response to questions from the March 6, 2025, Cap-and-Invest Electricity Forum on electricity imports and centralized electricity markets. The ISO's comments offer suggestions for when greenhouse gas attribution data, e-tag data, or market data would be helpful in tracking imported electricity under Washington's cap-and-invest program

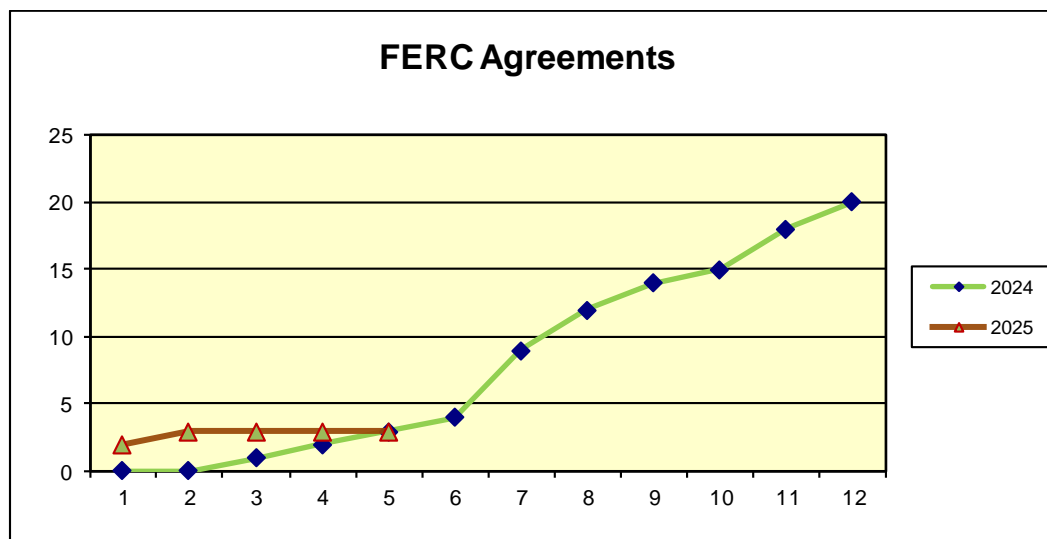
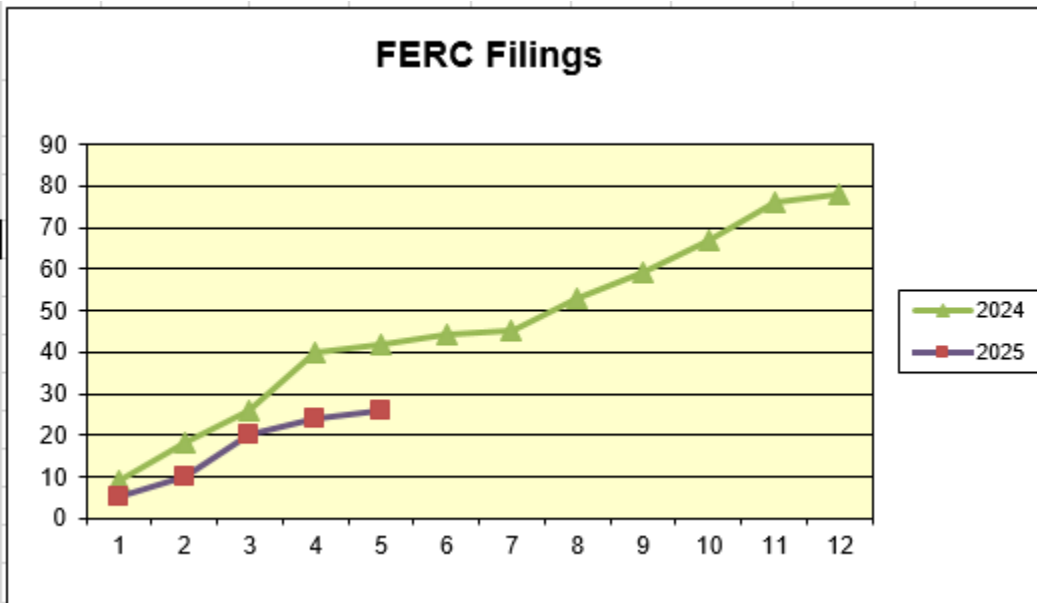
California Air Resources Board

- **Climate Disclosure Information**

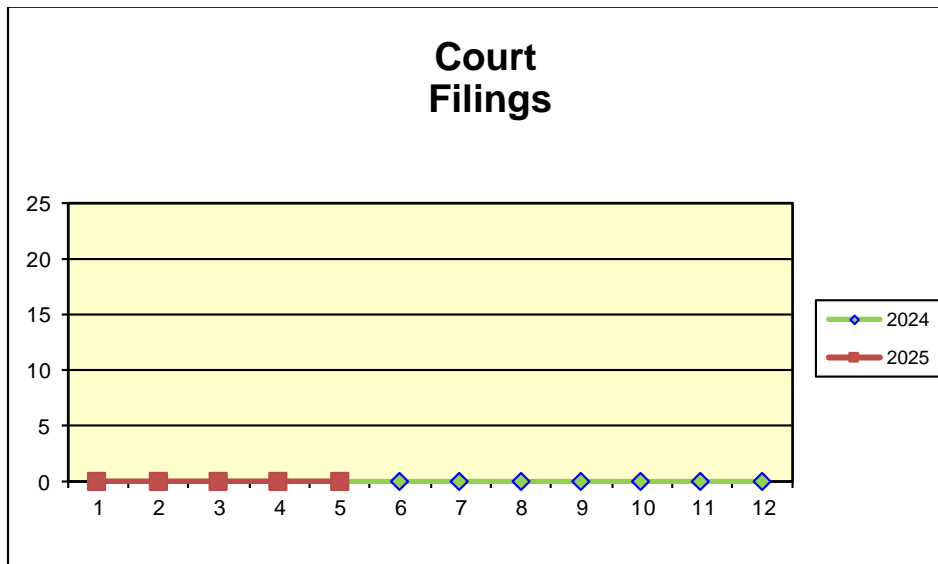
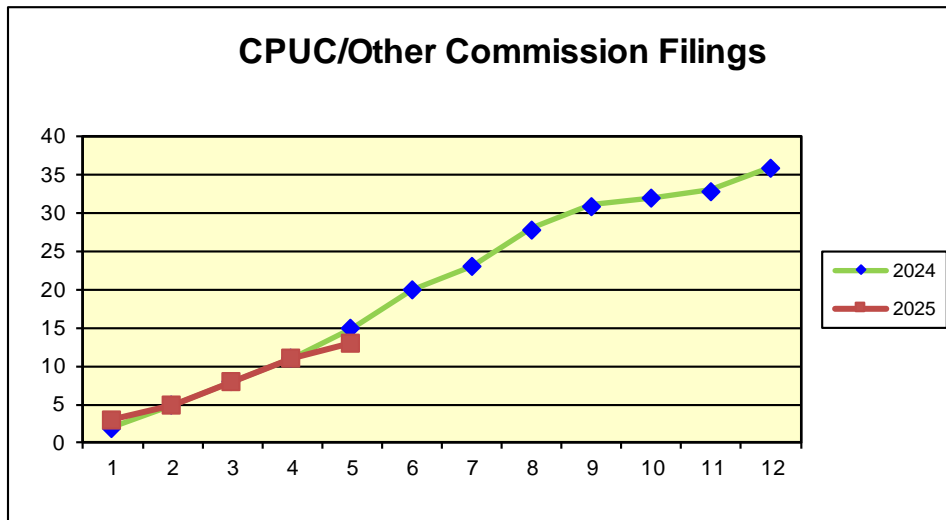
On March 21, 2025, the ISO filed comments on implementation of Senate Bill 253 and Senate Bill 261, as amended Senate Bill 219. The ISO strongly encouraged the Air Resources Board to clarify in any regulations implementing SB 253 and SB 261 that these measures do not extend to an entity that sells energy through a wholesale electricity market such as the western energy imbalance market (WEIM) or the extended day-ahead market (EDAM) solely by virtue of that entity's participation in those markets. The ISO requested the Air Resources Board clarify that an out-of-state business entity's sales of energy through WEIM or EDAM do not count toward the determination of whether it is considered a reporting entity/covered entity under SB 253 or SB 261. Instead, the ISO argued only retail sales of electricity to California consumers or sales by a generating resource located

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in California should count toward any definition of doing business in California under SB 253 and SB 261.



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