

Memorandum

To: ISO Board of Governors

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

Date: November 5, 2024

Re: Regulatory update (since September 27, 2024)

This memorandum does not require ISO Board of Governors action.

Highlights

- *FERC accepts reforms to allow the ISO to proceed with interconnection queue clusters 15 and 16.*
- *FERC provides relief from legacy reporting requirements.*

Federal Energy Regulatory Commission

- **Interconnection Process Enhancements 2023 Initiative (ER24-2671)**

On September 30, 2024, FERC issued an order on the ISO's August 1, 2024 tariff revisions to assess transmission availability and allocate deliverability for interconnection requests. The order accepts tariff rules to (1) prioritize interconnection requests by imposing a cap on studying interconnection requests seeking deliverability within zones identified in the generator interconnection process and (2) apply scoring criteria for selecting interconnection requests under that cap. FERC's order accepts the revisions subject its future action on the ISO's Order No. 2023 compliance filing and directs the ISO to file informational reports for clusters 15 and 16.

- **Queue Management: Interconnection Process Enhancements 2023 Track 2 (ER25-131)**

On October 17, 2024, the ISO filed a tariff amendment regarding generator interconnection agreements and interconnection procedures that apply after the completion of interconnection studies. These changes will help the ISO manage the large volume of interconnection requests already studied but awaiting execution of a

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generator interconnection agreement or the construction of network upgrades. The changes also help serve first-ready projects while incentivizing projects not to linger in queue. The proposed tariff revisions only affect queue clusters 14 and earlier and do not apply to interconnection customers that already have executed interconnection agreements.

- **Advanced Notice of Proposed Rulemaking – Implementation of Dynamic Line Ratings (RM24-6)**

On October 15, 2024, the ISO filed comments on an advance notice of proposed rulemaking, which preliminarily proposes to require transmission providers to implement dynamic line ratings on all transmission lines to reflect solar heating, based on the sun's position and forecastable cloud cover. The advance notice of proposed rulemaking also preliminarily proposes transmission providers implement dynamic line ratings on certain transmission lines to reflect forecasts of wind speed and wind direction. In comments, the ISO argued FERC should balance requirements with the ability to reduce congestion on constrained elements of the transmission system and allow time for implementation of Order No. 881, which requires the use of ambient adjusted ratings before directing implementation of dynamic line ratings. The ISO encouraged FERC to consider proposing an initial implementation period between three and five years starting no earlier than 2028 to allow transmission providers to identify transmission lines that may benefit most from dynamic line ratings before proposing to require uniform use of dynamic line ratings.

- **Inter-Scheduling Coordinator Trades in WEIM and EDAM Balancing Areas (ER25-94)**

On October 15, 2024, the ISO filed a tariff amendment to enable inter-scheduling coordinator trades of energy in balancing areas participating in the Western Energy Imbalance Market (WEIM) and the Extended Day-Ahead Market (EDAM). Inter-scheduling coordinator trades are an optional settlement feature that facilitate settlement between two scheduling coordinators and supports bilateral financial arrangements. Extending inter-scheduling coordinator trades of energy to WEIM and EDAM balancing areas will facilitate settlement of bilateral transactions between WEIM and EDAM market participants.

- **Billing, Credit and Payments (ER25-87)**

On October 11, 2024, the ISO filed a tariff amendment to enhance its tariff rules regarding billing, payment, and credit to reduce the risk of a financial default on market invoices, improve the ISO's ability to pay market participants after a default, and otherwise clarify and reorganize those rules.

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- **Rules of Conduct Enhancements (ER25-54)**

On October 8, 2024, the ISO filed a tariff amendment to (1) create a new penalty for failure to submit demand response monitoring data; (2) streamline the investigative process under the rules of conduct; (3) update the penalty tolling process when a market participant appeals a penalty to FERC; (4) create a materiality threshold in assessing penalties for inaccurate meter data submissions; and (5) eliminate a reporting requirement for cases when federal power marketing administrations have rules of conduct violations.

- **Modernize Legacy Reporting Requirements (ER24-2778)**

On October 11, 2024, FERC issued an order accepting the ISO's August 14, 2024 tariff revisions and granting a motion to eliminate legacy informational reports the ISO files periodically. FERC's order authorizes ending the submission of informational reports regarding market disruptions, exceptional dispatches, use of the maximum gas burn constraint, available balancing capacity held by WEIM entities, and an annual report on demand response providers. FERC's order emphasizes the ISO's commitment to make information available to stakeholders through different mechanisms, including the ISO's market performance and planning forum and monthly market performance reports posted on the ISO's website.

- **2024 Tariff Clarifications (ER24-2687)**

On September 20, 2024, FERC issued a deficiency letter in connection with the ISO's August 2, 2024 revisions to clarify several areas of the tariff. FERC's letter requests an additional explanation for a proposed tariff change related to processing merchant congestion revenue rights in connection with a merchant transmission facility and the effective date of those merchant congestion revenue rights. On October 8, 2024, the ISO filed additional information regarding the ISO's proposed revision to Section 36.11.2 of the tariff to clarify any ambiguities.

Non-conforming regulatory agreements

- **Congestion Revenue Rights Exchange Agreement: Transmission Agency of Northern California (TANC) (ER24-2979)**

On October 28, 2024, FERC issued an order accepting revisions to the ISO's Congestion Revenue Rights (CRRs) Exchange Agreement with the Transmission Agency of Northern California, to extend the term of the agreement by five years. The agreement provides the Transmission Agency of Northern California the opportunity to exchange transmission capacity on the California-Oregon Transmission Project for option congestion revenue rights.

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- **WEIM Implementation Agreement: Black Hills Service Company, LLC – WEIM (ER24-2917)**

On October 25, 2024 FERC issued an order accepting the WEIM Implementation Agreement between the ISO and Black Hills Service Company, LLC to facilitate Black Hills joining the WEIM in 2026.

- **Generator Scheduling Agreement: Western Area Power Administration (WAPA) (ER24-2626)**

On October 25, 2024, FERC issued an order accepting an amended and restated generator scheduling agreement between the ISO and Western Area Power Administration, extending the term of agreement to support schedules from the O'Neill Pump-Generating Plant.

- **Transmission Control Agreement: SunZia Transmission, LLC and LS Power Grid California, LLC (ER25-169)**

On October 21, 2024, the ISO filed an amendment to the Transmission Control Agreement to (1) update the Transmission Control Agreement to reflect the Subscriber Participating Transmission Owner (Subscriber PTO) provisions of the ISO tariff previously approved by FERC; (2) include SunZia Transmission, LLC as a new Subscriber PTO; (3) include LS Power Grid California, LLC as a new PTO; and (4) make minor clean-up changes.

- **Large Generator Interconnection Agreement: APS/IID/SDG&E/Elizabeth Solar/ISO (ER24-2789)**

On October 10, 2024, FERC issued an order accepting the ISO's August 16, 2024 certificate of concurrence in support of a non-conforming agreement to facilitate interconnecting a 350 MW solar generation project and battery energy storage system into the Arizona Public Service and ISO systems at the Hoodoo Wash 500kV Switchyard (co-owned by APS, SDG&E, and IID).

- **Transmission Exchange Agreement (ER24-3101/ER24-3087)**

On September 24, 2024, the ISO filed a certificate of concurrence in support of the amended and extended Transmission Exchange Agreement among Western Area Power Administration, Pacific Gas & Electric Company and the ISO. The amended and extended Transmission Exchange Agreement establishes a new 20-year term with an adjusted quantity of transmission capacity on the Pacific AC Intertie and additional service rights.

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California Public Utilities Commission

- **Integrated Resource Planning (R.20-05-003)**

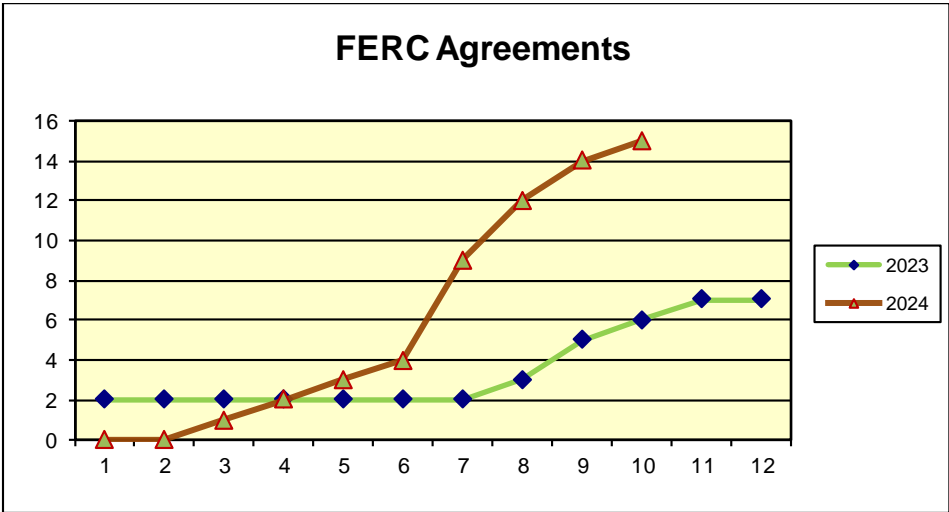
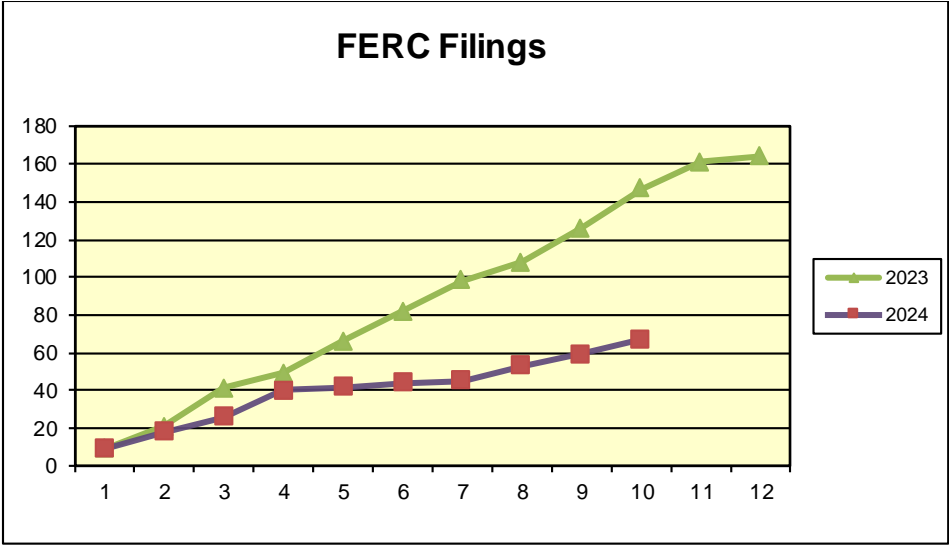
On September 30, 2024, the ISO filed comments on electricity resource portfolios for 2025-2026 Transmission Planning Process, supporting the Energy Division's proposed base case portfolio and including long lead-time resources in the sensitivity portfolio. The ISO encouraged the CPUC to continue working with the ISO on options to better align procurement of long lead-time resources with ISO transmission planning and interconnection processes. On October 7, 2024, the ISO filed reply comments on electricity resource portfolios for 2025-2026 Transmission Planning Process to respond to correct inaccurate statements regarding the roles of the ISO, CPUC, and CEC in long-term energy planning and the transmission planning process.

Other Regulatory Agencies

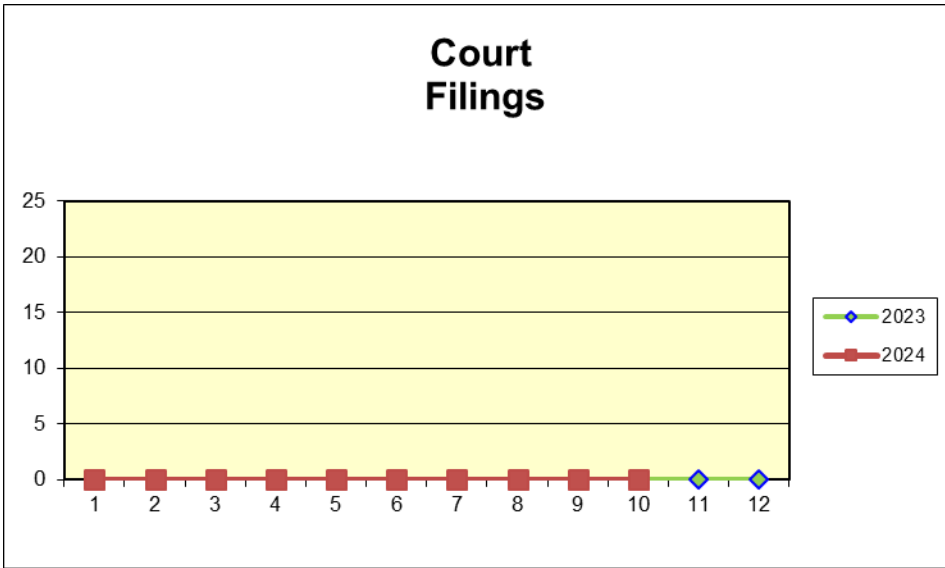
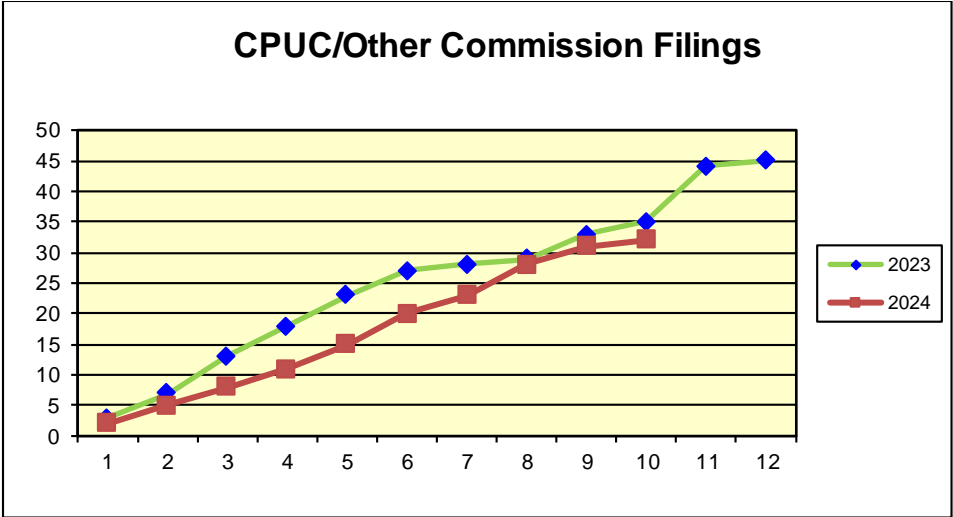
- **Cap and Invest and Organized Electricity Markets - Linkage Rulemaking; Washington State Department of Ecology (173-441 and 173-446 WAC)**

On September 27, 2024, the ISO filed comments on the Cap-and-Invest linkage rulemaking before the Washington State Department of Ecology. In comments, the ISO explained the greenhouse gas market design associated with its extended day ahead market. The ISO emphasized its market can accommodate linkage between the greenhouse gas emission reduction programs and the ISO will share data with states and compliance entities participating in the WEIM or EDAM as necessary.

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