

Memorandum

To: ISO Board of Governors

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

Date: October 22, 2025

Re: Regulatory update

This memorandum does not require ISO Board of Governors action.

Highlights

- *President Trump designates Commissioner David Rosner to serve as FERC Chairman.*
- *Congress confirmed Laura Swett and David LeCerte to serve as FERC Commissioners.*
- *The ISO responded to Chairman Rosner's request for information relating to large load forecasting.*
- *FERC issued orders accepting PacifiCorp and Portland General Electric tariffs to implement the extended day-ahead market as well as the ISO's tariff changes related to congestion revenue allocation in the extended day-ahead market.*
- *The ISO filed a tariff amendment to extend the use of the Assistance Energy Transfer feature offered to participants in the western energy imbalance market, which otherwise would have expired at the end of 2025.*

Federal Energy Regulatory Commission

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

On October 16, 2025, FERC issued an order accepting the ISO's March 28, 2025, filing in compliance with FERC's final rule (Order No. 904) requiring 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's existing tariff rules do not compensate generators for providing reactive power within a standard range, and, thus, already comply with the order.

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- **Saavi v. CAISO (EL24-92)**

On October 16, 2025, FERC issued an order addressing arguments on rehearing and continuing to decline Saavi's request to reinstate the deliverability for Unit C at its generating facility, which currently participates in CENACE, the National Center for Energy Control in Mexico. Saavi previously filed a complaint against the ISO on March 20, 2024, challenging the ISO's termination of full capacity deliverability status at Saavi's unit. FERC denied Saavi's complaint even though it determined the ISO could not rely on Business Practice Manual provisions to remove deliverability at Saavi's unit. In its rehearing order, FERC finds that Saavi's requested remedy is not warranted under the Federal Power Act.

- **Western Energy Imbalance Market: MATL, LLP – Power Watch (ER25-3481)**

On October 14, 2025, the ISO filed comments in support of MATL's September 22, 2025, tariff revisions to enable MATL, its transmission customers, and affiliated balancing authority, Power Watch, LLC, to participate in the WEIM.

- **Response to Information Request on Large Load Forecasting**

On October 13, 2025, the ISO responded to Chairman Rosner's request for information related to large load forecasting. Among other things, the ISO's response highlights the close collaboration with the California Energy Commission (CEC) in the development of the CEC's demand forecast that covers a 15-year horizon as well as other activities the ISO is taking to prepare for large load additions.

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

On September 25, 2025, FERC issued an order approving the ISO's June 24, 2025, 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 adopted by NAESB.

- **Western Energy Imbalance Market: Assistance Energy Transfer Feature (ER25-3491)**

On September 23, 2025, the ISO filed a tariff amendment to extend the use of its approved assistance energy transfer feature offered to balancing authority areas participating in the WEIM. The assistance energy transfer feature is a part of the WEIM's resource sufficiency evaluation, which ensures each entity can adequately balance its own supply and demand prior to participating in the real time market. The assistance energy transfer feature allows for energy transfers to a balancing authority that does not pass the resource sufficiency evaluation subject to an applicable

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surcharge.

- **Reliability Standard EOP-012 (Extreme Cold Weather Preparedness and Operations) (RD25-7)**

On September 18, 2025, FERC issued an order approving the reliability standard to improve communications requirements and help ensure that needed power is available during extreme cold weather events. The order directs NERC to file comprehensive biennial informational filings starting in October 2026 through October 2034 to assess whether the standard adequately addresses reliability concerns and guides potential future modifications.

- **Reliability Standard CIP-003-11 (Cyber Security – Security Management Controls) (RM25-8)**

On September 18, 2025, FERC issued a notice of proposed rulemaking to approve a revised reliability standard to enhance the cybersecurity of low-impact Bulk Electric System (BES) Cyber Systems against the threat of a coordinated cyber-attack by establishing new security requirements for communications and system management. FERC's notice of proposed rulemaking also seeks comment on the evolution of threats to low-impact BES Cyber Systems and whether NERC should perform a study or develop a whitepaper addressing these evolving threats.

- **Order No. 912: Supply Chain Risk Management Reliability Standards Revisions; Equipment and Services Produced or Provided by Certain Entities Identified as Risks to National Security (RM24-4, RM20-19)**

On September 18, 2025, FERC issued a final rule (Order No. 912) directing NERC to develop new or modified reliability standards that address the sufficiency of responsible entities' supply chain risk management plans related to identifying and responding to supply chain risks. The final rule would also extend existing Supply Chain Risk Management Standards to specified network-connected equipment to further protect the electric grid from outside threats.

- **Virtualization Reliability Standards (RM24-8)**

On September 18, 2025, FERC issued a notice of proposed rulemaking for approval of changes to definitions and Critical Infrastructure Protection reliability standards to enable the application of virtualization and other new technologies. The changes are intended to protect virtual and cloud-based technologies applied within the Bulk Power System. The notice of proposed rulemaking also seeks comments on NERC's proposal to require responsible entities to document an identified limit to a system capability in lieu of following a technical feasibility exception process.

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

On August 29, 2025, FERC issued an order accepting, subject to condition, PGE's tariff revisions to enable PGE to schedule on behalf of generation resources and load-serving entities in the day-ahead market and process EDAM-related settlements.

- **PacifiCorp – EDAM Implementation (ER25-951)**

On August 29, 2025, FERC issued an order accepting, subject to condition, PacifiCorp's tariff revisions to enable PacifiCorp to schedule on behalf of generation resources and load-serving entities in the day-ahead market and process EDAM-related settlements.

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

On August 29, 2025, FERC issued an order accepting the ISO's June 26, 2025, tariff amendment to implement an enhancement to the methodology for allocating congestion revenue under the EDAM design among balancing areas participating in EDAM. The tariff changes modify the methodology for allocating congestion revenue in EDAM so that the day-ahead congestion revenues attributable to parallel flows arising from long-term firm and monthly firm point-to-point and network integration transmission service rights, including conditional firm service, are allocated to the EDAM balancing authority area where market participants paid prices that include those congestion costs, rather than to the balancing authority area where the constraint occurs. FERC's order accepts the ISO's commitment to submit informational reports on the performance and impacts of the congestion revenue allocation methodology during parallel operations and after EDAM goes live until the ISO and stakeholders develop a long-term design for congestion revenue allocation.

- **Summer Tariff Clarifications (ER25-3255)**

On August 21, 2025, the ISO filed tariff revisions to clarify several areas of the ISO tariff. The tariff revisions proposed in this filing do not change established practices or materially affect the rights and obligations of the ISO or its market participants. Instead, they seek to correct errors, clarify the description of existing practices, and resolve ambiguities.

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

On August 21, 2025, FERC issued Order No. 907-A clarifying its June 26, 2025, Order No. 907 related to the scope of the term *CIP-networked environment*. Order No. 907 approves proposed reliability standard CIP-015-1 (Cyber Security – Internal Network

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Security Monitoring). CIP-015-1 establishes requirements for Internal Network Security Monitoring for network traffic inside an electronic security perimeter. FERC's order also directs NERC to modify 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.

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

On August 5, 2025, FERC issued an order accepting the ISO's June 6, 2025, tariff amendment to enhance the Subscriber PTO tariff provisions. The enhancements provide an option for subscribers of Subscriber PTOs' transmission facilities to convert their subscriber rights to congestion revenue rights; and suspend for two years the collection and allocation of amounts that result from non-subscribers' scheduling of import transactions on Subscriber PTO 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.

- **WECC-Wide Soft Price Cap Framework (EL10-56)**

On July 15, 2025, FERC issued an order instituting a section 206 proceeding proposing to eliminate the WECC soft price cap framework in light of developments in the western wholesale electricity markets, improvements in the Commission's oversight and enforcement capabilities, and the United States Court of Appeals for D.C. Circuit opinion holding that FERC must conduct a Mobile-Sierra public interest analysis prior to ordering refunds for sales that exceed the WECC soft price cap of \$1,000 MWh. FERC also issued a notice instituting investigation to establish a refund effective date in the proceeding. On August 14, 2025, the ISO filed comments in response to the proposal to eliminate the soft offer cap, recommending FERC provide for additional process, including but not limited to soliciting reply comments, to develop the record prior to reaching a determination whether to retain, modify or eliminate the WECC soft price cap.

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

On July 14, 2025, the ISO submitted a second filing in compliance with FERC's May 15, 2025, order regarding Order numbers 2023 and 2023-A.

On October 3, 2025, the ISO filed a supplement to the July 14, 2025, compliance filing,

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requesting, if necessary, an independent entity variation from two compliance requirements associated with the study of network upgrades.

Non-conforming regulatory agreements

- **Market Efficiency Enhancement Agreement – Sacramento Municipal Utility District (SMUD)/CAISO (ER25-3064)**

On October 2, 2025, FERC issued an order approving the ISO's July 31, 2025, amendment to extend its market efficiency enhancement agreement with SMUD and to allow the agreement to terminate when the Balancing Area of Northern California commences participation in the EDAM.

- **EIM Entity Agreement: Power Watch, LLC (ER25-3552)**

On September 29, 2025, the ISO filed an agreement between the ISO and Power Watch, LLC that will govern Power Watch's participation in the WEIM. Power Watch, LLC is a generator-only, transmission dependent balancing area authority located in the state of Montana.

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

On August 25, 2025, FERC issued an order approving a joint offer of settlement addressing rates, terms and conditions of the black start agreement among Sentinel, Southern California Edison and the ISO.

- **WEIM: CAISO and Imperial Irrigation District (IID) (ER25-2789)**

On August 25, 2025, FERC issued an order accepting the ISO's July 3, 2025, WEIM implementation agreement with IID.

- **Adjacent Balancing Authority Operating Agreement – Salt River Project Agricultural Improvement and Power District (SRP) (ER25-2384/ER25-2387)**

On July 23, 2025, FERC issued an order accepting the ISO's May 30, 2025, filing of (1) an Adjacent Balancing Authority Operating Agreement ("ABAOA") between the ISO and 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.

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- **Non-conforming LGIA: CAISO/San Diego Gas & Electric/Arlington Valley Solar Energy – Saddle Mountain Solar/Hassayampa)**

On July 16, 2025, the ISO filed a non-conforming LGIA which provides for the interconnection of Saddle Mountain Solar's photovoltaic generating facility located in Arlington, Maricopa County, Arizona. On September 3, 2025, FERC issued a deficiency letter requesting additional information about non-conforming definitions and provisions in the agreement. On September 25, 2025, the ISO submitted a response to FERC's deficiency letter.

California Public Utilities Commission (CPUC)

- **Enhancing Demand Response (R.25-09-004)**

On September 29, 2025, the CPUC issued an order instituting rulemaking to evaluate and enhance the consistency, predictability, reliability and cost-effectiveness of demand response resources, and to update its demand response guiding principles, policies and data system and process requirements.

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

On July 15, 2025, the ISO filed opening comments on the April 29, 2025, reliable and clean power procurement (RCPPP) staff proposal. The ISO supports the CPUC developing a predictable, programmatic, long-term procurement framework, establishing procurement requirements well ahead of the need for those requirements based on coordinated and proactive planning. In its comments, the ISO argued RCPMP is a key piece of the 2022 Memorandum of Understanding among the ISO, CPUC and the Energy Commission and critical to align procurement with coordinated planning processes, including the ISO's transmission planning and interconnection processes.

On August 5, 2025, the ISO filed reply comments reiterating the importance of the RCPMP and focusing on near-term needs assessment covering the 2028-2032 timeframe and a potential near-term procurement order, if a need arises. The ISO supports features in the RCPMP that will help ensure sufficient lead time to complete interconnection and project development activities.

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Other Regulatory Filings

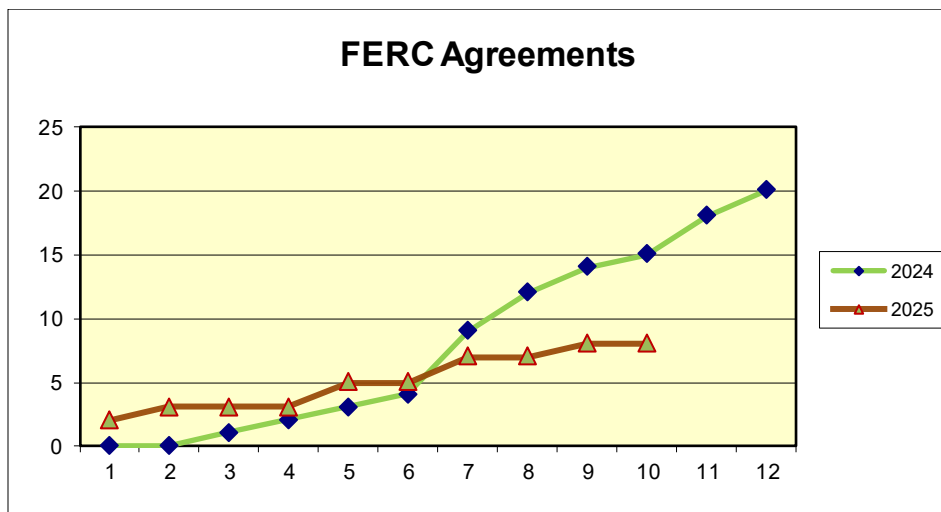
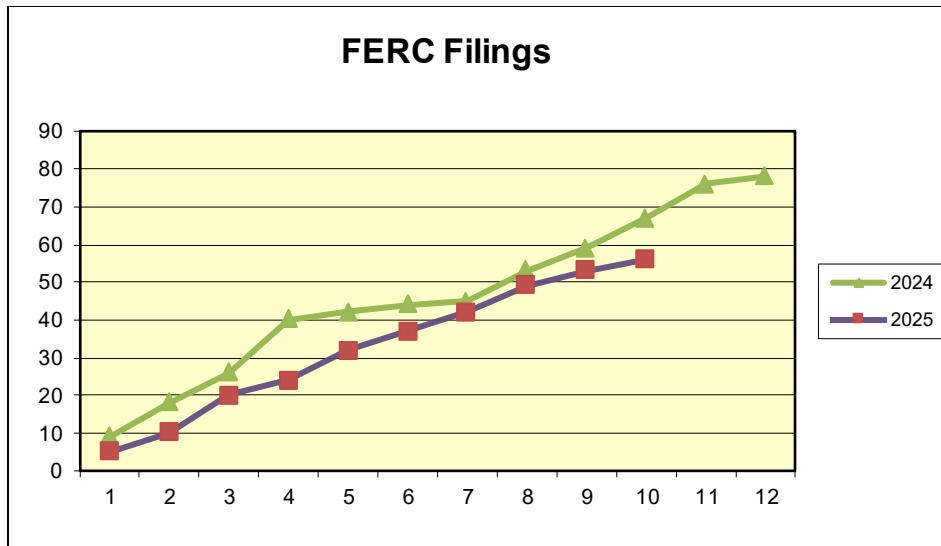
- **California Air Resources Board (CARB): Implementation of SB 253 and 261 (2023), as amended by SB 219 (2024); Corporate and Data Reporting and Financial Risk Programs**

On September 11, 2025, the ISO filed comments on CARB's August 21, 2025, workshop. The material presented by CARB staff at the workshop proposed reporting exemptions for the ISO and a business entity whose only activity within California consists of wholesale electricity transactions that occur in interstate commerce. In its comments, the ISO supported these proposed exceptions and recommended CARB include language in its proposed regulations to implement SB 253 and SB 261 that provide for these reporting exemptions.

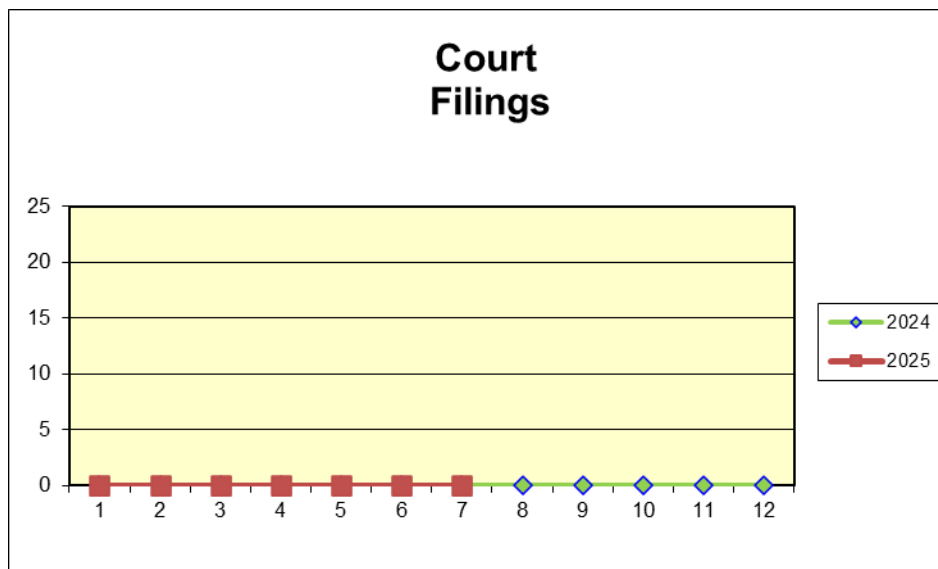
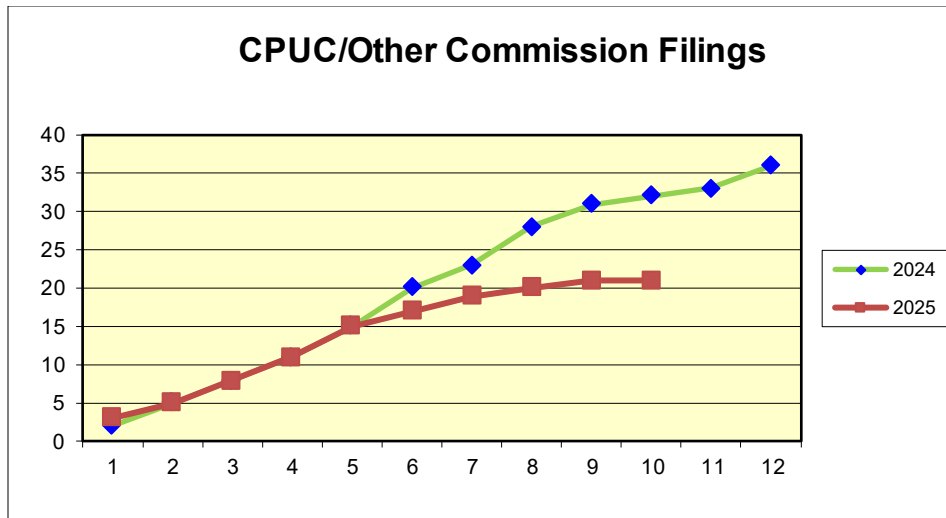
- **Washington State Department of Ecology (WAC 173-441/WAC 173-446)**

On July 30, 2025, the ISO filed comments on the Department of Ecology's July 26, 2025, workshop: Cap-and-Invest Electricity Forum: Electricity Imports and Centralized Electricity Markets. In the workshop, Ecology staff highlighted that there will not be a compliance obligation for electricity imports arising from centralized electricity markets, and thus it is unnecessary to reflect a greenhouse gas cost in the market and leverage the greenhouse gas attribution mechanism in 2026.

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