

Memorandum

To: ISO Board of Governors

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

Date: August 24, 2022

Re: Regulatory update since last report dated July 13, 2022

This memorandum does not require ISO Board of Governors action.

Highlights

- *FERC issues an Order to Show Cause regarding the ISO's (and other ISOs'/RTOs') credit risk practices related to financial transmission rights*
- *FERC issues a Notice of Proposed Rulemaking (NOPR) regarding the Duty of Candor*
- *FERC issues a NOPR regarding Credit-Related Information Sharing in Organized Wholesale Electric Markets*
- *The ISO files a revision to the Transmission Control Agreement to remove the City of Vernon as a participating transmission owner*

Federal Energy Regulatory Commission

- **Notice of Proposed Rulemaking – Duty of Candor (RM22-20)**

On July 28, 2022, FERC issued a NOPR regarding the duty of candor. The proposed rule would require that all entities communicating with FERC and other specified organizations regarding a matter subject to FERC's jurisdiction submit accurate and factual information and not submit false or misleading information or omit material information.

- **Order to Show Cause – Credit Risk Management (EL22-62)**

Only July 28, 2022, FERC issued an order to show cause for the ISO, the Southwest Power Pool, New England-ISO, and New York ISO to demonstrate why their tariffs continue to be just and reasonable in the absence of (1) mark-to-auction mechanisms for calculating financial transmission right (FTR) market participants' collateral requirements and/or (2) volumetric minimum collateral requirements for FTR market participants. FERC's actions are intended to ensure that market participants in FTR markets administered by ISOs and RTOs maintain sufficient collateral to reduce mutualized default risk, *i.e.*, the risk that a default by one market participant is unsupported by collateral and therefore must be socialized among all market participants. The order directs each named RTO/ISO within 90

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days to (1) show cause why its tariff remains just and reasonable or (2) explain what tariff changes it believes would remedy the concerns identified in the show cause order.

- **Notice of Proposed Rulemaking – Credit-Related Information Sharing in Organized Wholesale Electric Markets (RM22-13)**

On July 28, 2022, FERC issued a NOPR to require each RTO/ISO to adopt tariff provisions that permit the sharing of its market participants' credit-related information with other RTOs/ISOs to enhance credit risk assessment efforts. The NOPR states that sharing credit-related information among ISOs/RTOs could improve their ability to assess more accurately market participants' credit exposure and the risks related to their activities across organized wholesale electric markets.

- **Order No. 881– Improve Accuracy and Transparency of Electric Transmission Line Ratings (ER22-2362)**

On July 12, 2022, the ISO submitted tariff revisions to comply with Order No. 881, which requires transmission providers to use ambient adjusted line ratings and seasonal ratings in connection with the transmission services they provide. Order No. 881 requires ISOs/RTOs to implement systems and procedures necessary to allow transmission owners to update transmission line ratings hourly.

- **Capacity Procurement Mechanism–Offers Above Soft Offer Cap (ER20-1075)**

On July 11, 2022, FERC approved the ISO's May 23, 2022 compliance filing to remove a 20 percent adder from the calculation of a resource's compensation for offers above the capacity procurement mechanism soft offer cap.

Non-Conforming Regulatory Agreements

- **City of Vernon – Removal as Participating Transmission Owner (ER22-2612)**

On August 5, 2022, the ISO filed a revision to the Transmission Control Agreement to remove the City of Vernon as a Participating Transmission Owner, effective October 7, 2022. After Vernon terminates certain contracts, it will no longer have transmission assets or entitlements under the ISO's operational control.

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- **Midway Sunset Cogeneration Company - Reliability Must Run (ER21-998)**

On July 28, 2022, FERC approved the April 29, 2022, uncontested and certified Joint Offer of Settlement among Midway, Southern California Edison Company, San Diego Gas & Electric Company, Pacific Gas and Electric Company, and the ISO. The settlement addresses all matters and claims set for hearing and settlement judge procedures in the proceeding pertaining to a Reliability Must-Run Service Agreement between Midway and the ISO.

California Public Utilities Commission and other State Agencies

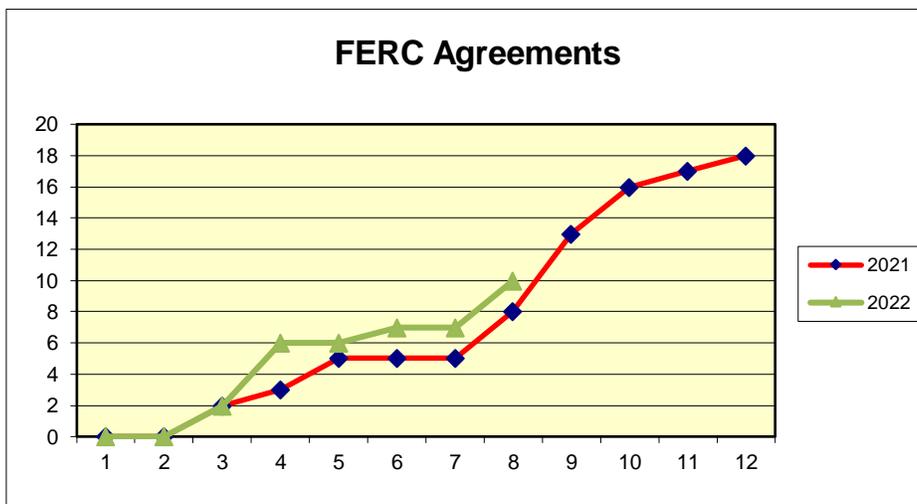
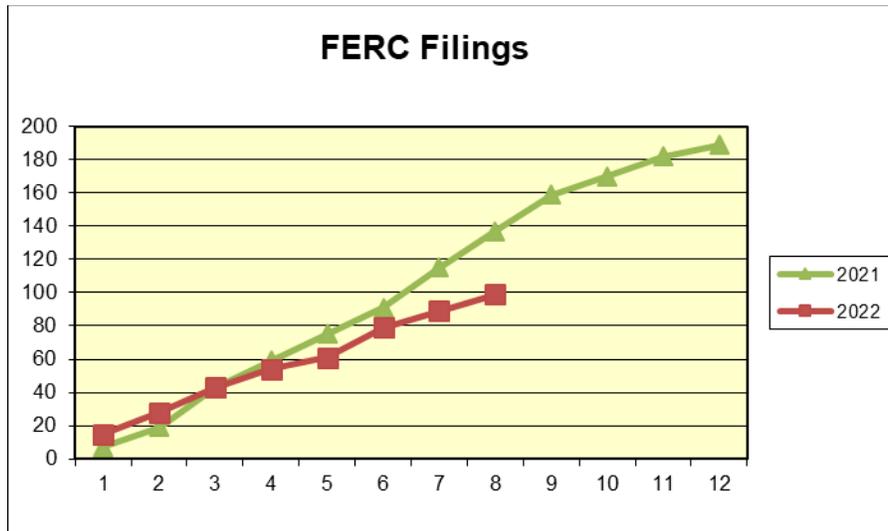
- **Development of Rates and Infrastructure for Vehicle Electrification (R.18-12-006)**

On July 20, 2022, the ISO filed comments supporting the June 30, 2022, decision adopting plug-in electric vehicle sub-metering protocols and an electric vehicle supply equipment communication protocol.

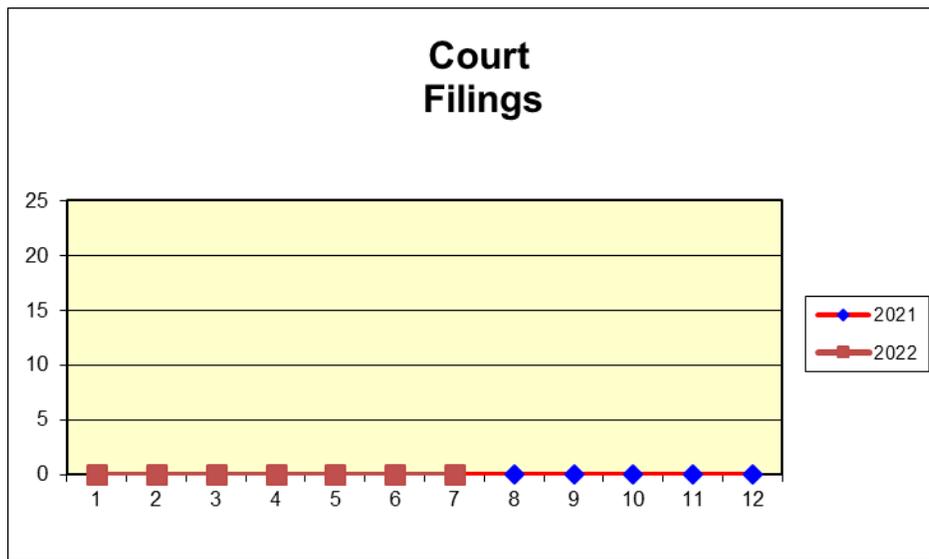
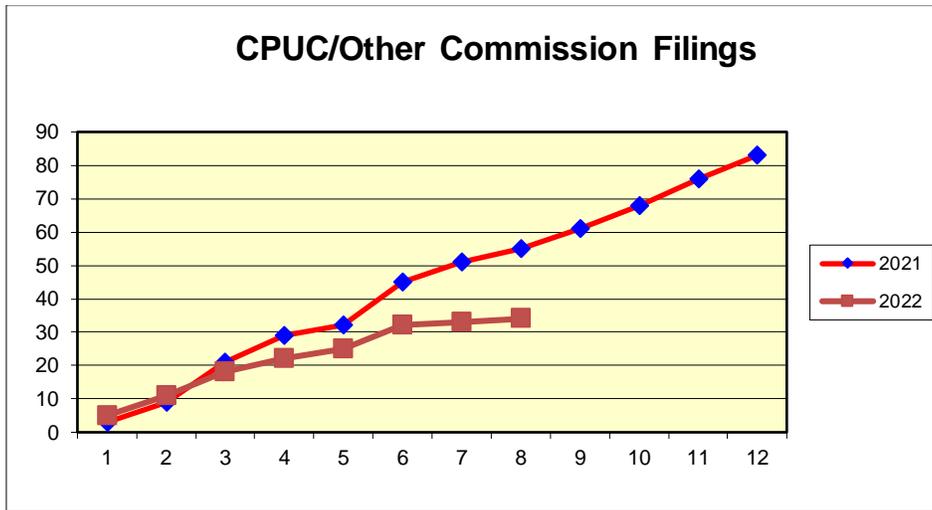
- **Washington State: Proposed Rulemaking – Climate Commitment Act program (Chapter 173-446 WAC)**

On July 15, 2022, the ISO filed comments to explain (1) how it can support reporting requirements for WEIM transactions under Washington's Climate Commitment Act for emission year 2022, and (2) the scope and schedule of an ISO stakeholder initiative to identify market rule changes to recognize Washington's cap-and-invest program to support compliance with the program by first jurisdictional deliverers. The ISO recommended the State of Washington not impose compliance obligations on WEIM transactions used to serve load within Washington until mechanisms are in place to identify the first jurisdictional deliverer for these transactions.

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