

# Memorandum

**To:** ISO Board of Governors

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

**Date:** December 7, 2022

**Re:** Regulatory update since last report dated October 19, 2022

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***This memorandum does not require ISO Board of Governors action.***

## Highlights

- *ISO files comments on the Notice of Proposed Rulemaking (NOPR) regarding improvements to generator interconnection procedures and agreements*
- *ISO responds to FERC's Order to Show Cause regarding credit policy*
- *ISO files a report on energy and ancillary services markets in response to FERC directive*
- *FERC accepts tariff revisions regarding reliability demand response resources*
- *FERC accepts tariff revisions regarding energy storage bid cost recovery*
- *FERC accepts tariff revisions regarding flexible ramping product enhancements*

## Federal Energy Regulatory Commission

- **Hybrid Resources - Phase 2 (ER21-2853)**

On November 29, 2022, the ISO filed an informational report describing the performance of hybrid resources providing resource adequacy capacity on the ISO system.

- **WEIM: State of Washington/Greenhouse Gas Compliance (ER23-474)**

On November 21, 2022, the ISO filed a tariff amendment to allow in-state Washington resources to reflect in their default energy bids and commitment costs the costs of greenhouse gas compliance associated with Washington's cap-and-invest program.

- **Price Correction and Cluster 14 (ER22-2956)**

On November 21, 2022, FERC accepted the ISO's tariff filing to clarify posting procedures for its price-correction report and deadlines associated with Phase I interconnection studies

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for queue Cluster 14.

- **North America Energy Standards Board (NAESB) Compliance and Waiver (ER23-426/ER23-427)**

On November 14, 2022, the ISO submitted a compliance filing to incorporate the latest version of business practice standards promulgated by NAESB applicable to the ISO. The NAESB standards adopted in Order No. 676-J do not require substantive tariff revisions for the ISO to implement. The ISO revised section 7.3.3 of its tariff to incorporate those NAESB standards by reference.

On November 14, 2022, the ISO also filed a petition for waiver from certain NAESB requirements because the ISO's ancillary services and imbalance energy markets and its transmission services differ significantly from the business model contemplated in FERC's *pro forma* open access transmission tariff. FERC has previously acknowledged these differences and granted the ISO a series of waivers from specific NAESB standards. This petition seeks to extend those waivers both to certain updated and new NAESB standards adopted in Order 676-J that are inapplicable to and incompatible with the ISO's markets and transmission services.

- **NOPR: Duty of Candor (RM22-20)**

On November 10, 2022, the ISO filed comments supporting the proposition that all participants in markets and commercial transactions under FERC's jurisdiction communicate with candor and not inject false information into those communications. The ISO also supported the proposed rule to the extent it would create a universal and broadly applicable duty of candor for all communications a market participant in an ISO/RTO region has with the ISO/RTO and its market monitoring unit.

- **NOPR: Credit-Related Information Sharing (RM22-13)**

On November 7, 2022, the ISO joined the ISO/RTO Council in reply comments supporting an ISO's/RTO's ability to share credit-related information with other ISOs/RTOs in order to identify and manage credit risks and protect market participants from credit defaults, without unnecessary legal standards and compliance obligations that could adversely affect the credit-information sharing the NOPR seeks to promote.

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

On October 26, 2022, the ISO filed a response to FERC's July 28, 2022, Order to Show Cause, indicating that the ISO's currently effective tariff is just and reasonable and does not require further changes to address the credit policy concerns identified in the Show Cause

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Order.

- **Modernizing Electricity Markets (AD21-10)**

On October 18, 2022, in response to a FERC directive, the ISO filed a report on the functioning of its energy and ancillary services markets in light of the changing resource mix and load profiles. The report responds to FERC's questions and describes some of the actions the ISO is taking to operate a reliable, cost-effective, and environmentally sustainable power system.

- **NOPR: Improvements to Generator Interconnection Procedures & Agreements (RM22-14)**

On October 13, 2022, the ISO filed comments on the June 16, 2022, NOPR supporting FERC's stated goals to address interconnection queue backlogs, improve uncertainty, and prevent undue discrimination against new technologies. However, the ISO stated that many of the individual proposals in the NOPR would not achieve FERC's goals and instead would slow down study processes and increase backlogs. The ISO urged FERC to engage further with stakeholders on these issues before issuing a final rule.

- **Energy Storage Bid Cost Recovery (ER22-2881)**

On November 18, 2022, FERC accepted a September 19, 2022, tariff amendment, which addressed a market design issue identified by the Department of Market Monitoring by preventing energy storage resources providing ancillary services from receiving unwarranted bid cost recovery payments in a narrowly-defined scenario.

- **Reliability Demand Response Resource (RDRR) (ER22-2700)**

On October 24, 2022, FERC accepted the ISO's August 22, 2022, tariff amendment to enhance the dispatch of RDRRs in the ISO's markets and recognize their operational constraints.

- **Order No. 2222 - Distributed Energy Resource Aggregations (ER21-2455)**

On October 20, 2022, FERC issued an order addressing arguments raised on rehearing, (1) rejecting arguments that the ISO's Distributed Energy Resource (DER) Aggregation participation model precludes participation by DERs in retail programs, and (2) clarifying that FERC's order did not modify or reverse prior FERC orders that certain types of exchanges between utilities and net metering customers are not wholesale sales subject to FERC's jurisdiction.

- **Flexible Ramping Product Enhancements (ER22-2661)**

On October 18, 2022, FERC accepted the ISO's August 15, 2022, tariff amendment to

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refine its flexible ramping product, including allowing consideration of all transmission constraints as part of procuring the uncertainty component of the flexible ramping product.

### **Non-Conforming Regulatory Agreements**

- **Transferred Frequency Response Agreement – Seattle City Light/City of Seattle (ER22-2683)**

On November 28, 2022, FERC accepted the ISO's August 17, 2022, agreement to secure 10 megawatts (MW) per 0.1 Hertz (Hz) in transferred frequency response from the City of Seattle for the period December 1, 2022 through November 30, 2023. This will help mitigate the risk of the ISO having insufficient primary frequency response from its native resources to meet its obligations under North American Electric Reliability Corporation (NERC) Reliability Standard BAL-003.

- **Transferred Frequency Response Agreement – Tucson Electric Power (ER22-2684)**

On November 28, 2022, FERC accepted the ISO's August 17, 2022, agreement to secure 1 megawatt (MW) per 0.1 Hertz (Hz) in transferred frequency response from Tucson Electric for the period December 1, 2022 through November 30, 2023. This will help mitigate the risk of the ISO having in sufficient primary frequency response from its native resources to meet its obligations under NERC Reliability Standard BAL-003.

- **Scheduling Coordinator Agreement – Bia Capital Management, LLC (ER23-498)**

On November 23, 2022, the ISO filed a notice of termination of Bia Capital Management, LLC's Scheduling Coordinator Agreement, effective September 22, 2022. Bia Capital informed the ISO that it would not post additional security or pay additional invoices and would cease to participate in ISO markets. The ISO informed Bia Capital that it would execute its rights to terminate the agreement pursuant to its tariff authority, and the ISO also notified the market of this agreement termination via a public notice.

- **Oakland Power Company – Reliability Must Run (RMR) (ER23-254)**

On November 18, 2022, the ISO filed a protest to Oakland Power Company's RMR agreement because the parties have not had the opportunity to consult on certain cost elements of the 2023 RMR filing.

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- **Western Energy Imbalance Market Agreement – Western Area Power Administration (ER22-2786)**

On October 21, 2022, FERC accepted the ISO's September 2, 2022, WEIM entity agreement between the ISO and WAPA for WAPA's participation in the WEIM, which is expected to commence in April 2023.

### **California Energy Commission**

- **Supply Side Demand Response (21-DR-01)**

On October 17, 2022, the ISO filed comments on working group proposals regarding demand response qualifying capacity methodology proposals and demand response adders.

### **California Public Utilities Commission**

- **Resource Adequacy Program (R.21-10-002)**

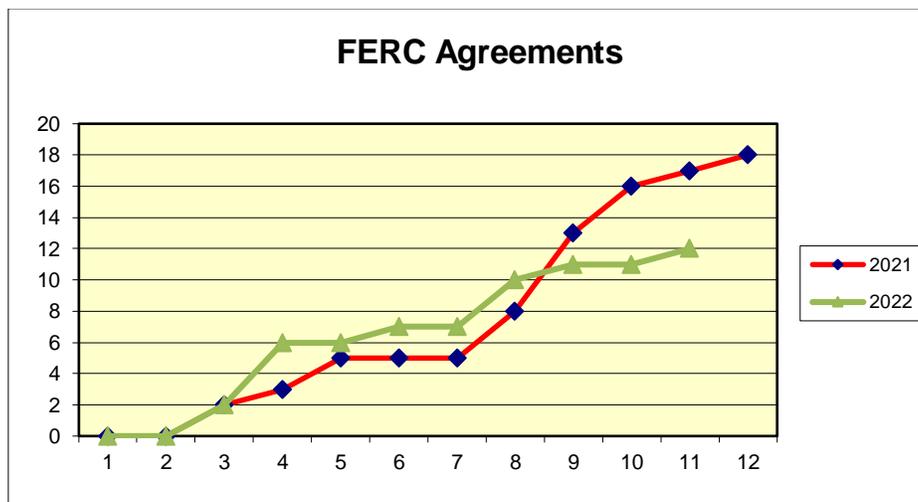
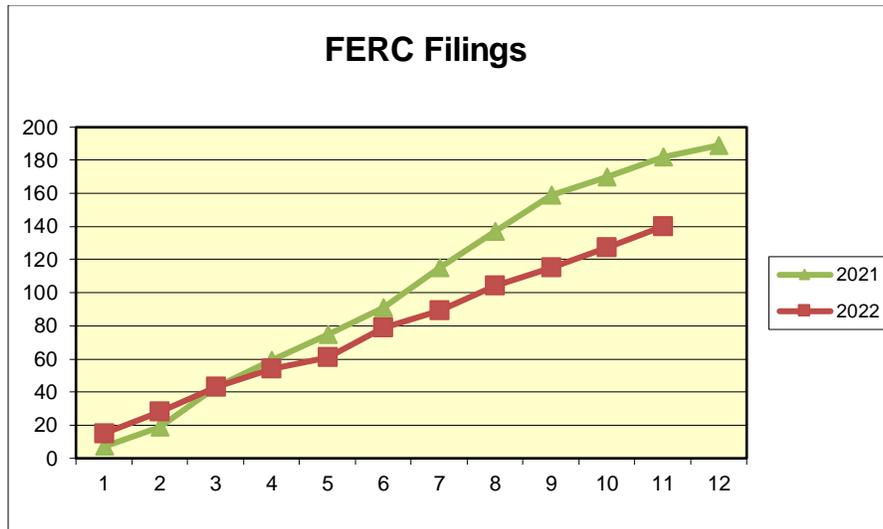
On November 29, 2022, the ISO filed comments in support of the Administrative Law Judge's November 9, 2022, proposed decision regarding Central Procurement Entity solicitation, participation and procurement.

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

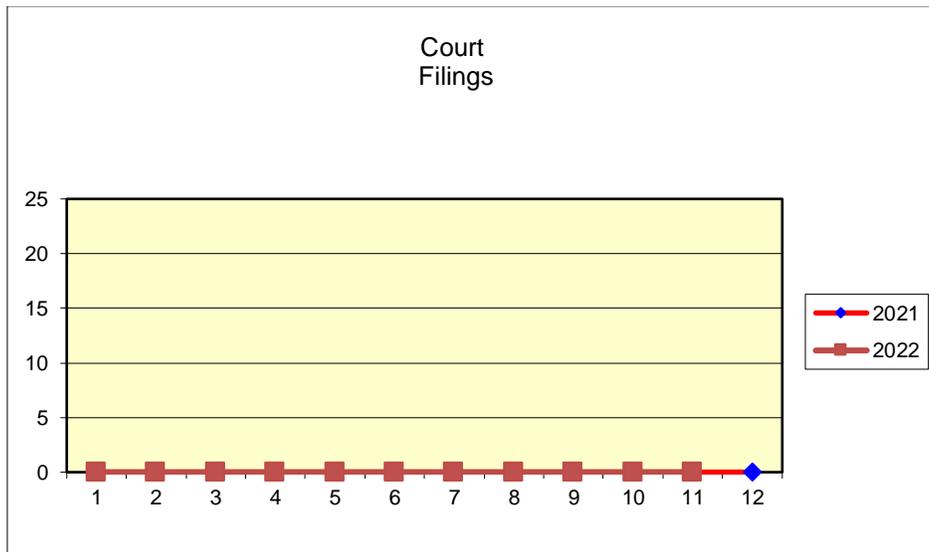
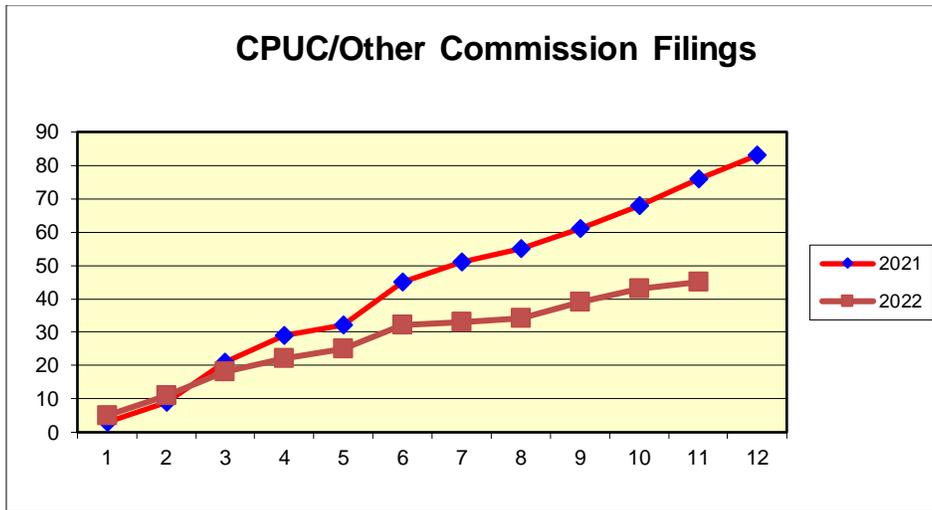
On October 31, 2022, the ISO filed comments on the Administrative Law Judge's ruling regarding the development of reliability and policy-driven base case portfolio and busbar mapping necessary for the ISO's annual transmission planning process.

On November 10, 2022, the ISO filed reply comments clarifying that the ISO tariff sets forth rules for project solicitation, supporting the use of higher load scenario reflected in the proposed base case portfolio, and supporting additional loss of load expectation analyses of base case and sensitivity portfolios to promote reliability.

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