

Memorandum

To: ISO Board of Governors

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

Date: July 12, 2023

Re: Regulatory update since last report dated May 10, 2023

This memorandum does not require ISO Board of Governors action.

Highlights

- *FERC issues final rule (Order No. 895) re Credit-related Information Sharing Among ISOs/RTOs*
- *FERC issues final rule (Order No.896) re Reliability Standard for Transmission Planning for Extreme Heat and Cold Weather Events*
- *FERC issues final rule (Order No.897) re Informational Reports on Extreme Weather Vulnerability Assessments*
- *FERC issues an order accepting the first phase of the ISO's energy storage enhancements*
- *FERC issues an order approving the Resource Sufficiency Evaluation Phase 2 tariff amendments*
- *FERC issues an order extending the ISO's minimum state of charge requirement for resource adequacy storage resources for a limited period*

Federal Energy Regulatory Commission

- **Order No. 895: Credit-related Information Sharing Among ISOs/RTOs (RM22-13)**

On June 15, 2023, FERC issued its final rule revising regulations to require that ISOs/RTOs have tariff provisions that permit them to share credit-related information regarding market

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participants among themselves.

- **Order No. 896: Reliability Standard for Transmission Planning for Extreme Heat and Cold Weather Events (RM22-10)**

On June 15, 2023, FERC issued its final rule directing NERC to develop a new or modified reliability standard to address reliability concerns regarding transmission planning for extreme heat and cold weather events affecting the bulk electric system.

- **Order No. 897: Informational Reports on Extreme Weather Vulnerability Assessments (RM22-16)**

On June 15, 2023, FERC issued its final rule directing transmission providers to file one-time informational reports on how they establish a scope, develop inputs, identify vulnerabilities and exposure to extreme weather hazards, and estimate the costs of impacts in their extreme weather vulnerability assessments. FERC also required transmission providers to describe in the report how they use the results of those assessments to develop risk mitigation measures. In addition, the report must respond to a series of questions provided in the order. This report is due October 25, 2023.

- **Interconnection Process Enhancements – Track 1 (ER23-2058)**

On June 2, 2023, the ISO filed a tariff amendment to pause the interconnection study process for cluster 15, which commenced in April with a record 541 interconnection requests. Pausing cluster 15 will allow the ISO and its transmission owners to finish cluster 14 interconnection studies and develop enhanced procedures in 2023 to address the new reality of voluminous cluster studies, including cluster 15. Rather than rely on the ISO's tariff authority to extend interconnection study deadlines on an ad-hoc basis, the ISO conducted an expedited stakeholder initiative to amend its tariff in this filing and address the most pressing study timelines for clusters 14 and 15.

- **Western EIM: Washington State Greenhouse Gas Initiative (ER23-2062)**

On June 2, 2023, the ISO filed a petition for limited waiver to excuse the ISO temporarily from utilizing the average of two vendor indices to reflect the greenhouse gas allowance price in reference levels for resources in Washington State.

- **Energy Storage Enhancements (ER23-1533)**

On June 1, 2023, FERC issued an order accepting the first phase of the ISO's energy storage enhancements, which include four distinct changes: (1) providing storage resources with opportunity costs when they receive an exceptional dispatch to hold a state of charge; (2) enhancing storage resources' day-ahead default energy bids to include opportunity costs; (3) requiring storage resources to submit real-time energy bids to cover day-ahead ancillary service awards; and (4) clarifying that the ISO will consider the impact

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that regulation awards have on energy storage resources' state of charge.

- **Market Parameters Enhancements (ER23-2020)**

On May 31, 2023, the ISO filed a tariff amendment to implement two sets of changes to market processes: (1) an adjustment to the threshold the market applies for considering the effectiveness of a resource in managing congestion, and (2) a new process to permit temporary changes to parameter values the ISO market uses to reflect relative scheduling priorities and constraints.

- **Resource Sufficiency Evaluation Enhancements – Phase 2 (ER23-1534)**

On May 31, 2023, FERC issued an order accepting the ISO's tariff revisions to the resource sufficiency evaluation rules in the Western Energy Imbalance Market. The revisions include providing participants an option to access assistance energy transfers by paying a surcharge if they fail the resource sufficiency evaluation. The new rules also exclude real-time lower priority exports from the ISO's own resource sufficiency evaluation and clarify scheduling priorities and e-tagging requirements for lower-priority exports.

- **Petition for Approval of Disposition of Penalty Assessment Proceeds/Non-Refundable Interconnection Financial Security (ER23-1209)**

On May 25, 2023, FERC issued a letter order approving the ISO's March 1, 2023, petition seeking approval of a corrected allocation of penalty proceeds the ISO had collected for violations of the ISO's Rules of Conduct, as well as certain nonrefundable study deposits from interconnection projects.

- **Minimum State of Charge Constraint Extension (ER23-1485)**

On May 25, 2023, FERC issued a letter order accepting the ISO's March 28, 2023, tariff amendment proposing to extend the minimum state of charge requirement for resource adequacy storage resources until the earlier of September 30, 2023, or the implementation of the ISO's planned exceptional dispatch state of charge enhancements.

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

On May 18, 2023, FERC issued an order accepting the ISO's August 15, 2022, filing, as amended on January 10, 2023, to comply with the requirements of Order No. 2222. The ISO's compliance filing provides a formal mechanism for interested parties to attempt to resolve any issues related to the distribution utility review process, where appropriate. Order No. 2222 removes barriers to the participation of distributed energy resource

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aggregations in the capacity, energy and ancillary service markets operated by ISOs and RTOs.

- **Inverter-based Resources (RD22-4)**

On May 18, 2023, FERC issued an order approving NERC's registration work plan describing how it will identify and register owners and operators of inverter-based resources that are connected to the bulk power system and are not otherwise required to register with NERC under its bulk electric system definition.

- **Interregional Transfer Capability Transmission Planning and Cost Allocation Requirements (AD23-3)**

On May 15, 2023, the ISO filed post-workshop comments to explain that the ISO's existing processes already provide an effective avenue to increase interregional transfer capability. The ISO's comments recognized the need to increase interregional transfer capability between planning regions in the West and encouraged regional flexibility in any action the Commission considers regarding minimum interregional transfer capability.

- **San Diego Gas & Electric Co. - Application to Recover Fuel Cost (ER21-2193)**

On May 4, 2023, FERC issued a letter order approving SDG&E's March 3, 2023, Offer of Settlement and Settlement Agreement. Under the offer of settlement, SDG&E will receive \$5 million as reimbursement for fuel costs incurred in February 2021.

Non-Conforming Regulatory Agreements

- **Oakland Power Company LLC – Reliability Must Run (RMR) Agreement (ER22-290)**

On May 10, 2023, Oakland Power Company submitted a Joint Offer of Settlement and Settlement Agreement. On June 21, 2023, FERC issued a Certification of Uncontested Settlement resolving all issues.

California Public Utilities Commission

- **OIR: Update and Amend Commission General Order 131D (R.23-05-018)**

On June 22, 2023, the ISO filed opening comments on the CPUC's order instituting rulemaking to update and amend order 131-D regarding permitting for utility infrastructure. The ISO agreed there have been significant changes to the electric grid since adoption of general order 131-D and supported the CPUC's inquiry into whether extensive changes are required to the existing permitting rules. Due to the expected rapid growth in demand and new resource development needed to serve that load, the ISO encouraged the Commission

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to find solutions to expedite the permitting process in a way that both promotes efficient development and transparency.

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

On June 14, 2023, the ISO filed opening comments on the proposed decision adopting local capacity obligations for 2024-2026, flexible capacity obligations for 2024, and program refinements. The ISO urged the CPUC not to adopt the planning reserve margin (PRM) for 2025 at this time and, instead, to defer this part of the proposed decision until after parties have had an opportunity to review the results of the PRM calibration process under the Slice of Day framework. Also, the ISO argued that the CPUC not to require ISO import resource IDs to include the name of the load serving entity counterparty contracted for resource adequacy. It currently is infeasible for the ISO to implement this requirement, and a simpler approach can effectively resolve the issue the CPUC seeks to address.

On June 19, 2023, the ISO filed reply comments reiterating its request to defer establishing the PRM for 2025 at this time. The ISO also supported the CPUC's efforts to develop a programmatic procurement framework to help alleviate supply issues in the resource adequacy timeframe.

- **Improve Distribution Level Interconnection Rules & Regs - Electric Generators & Storage (R.11-09-011)**

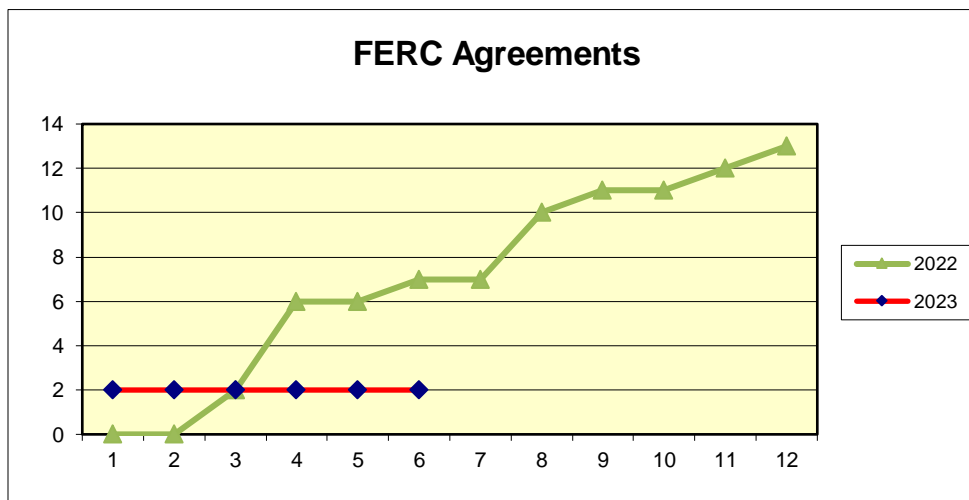
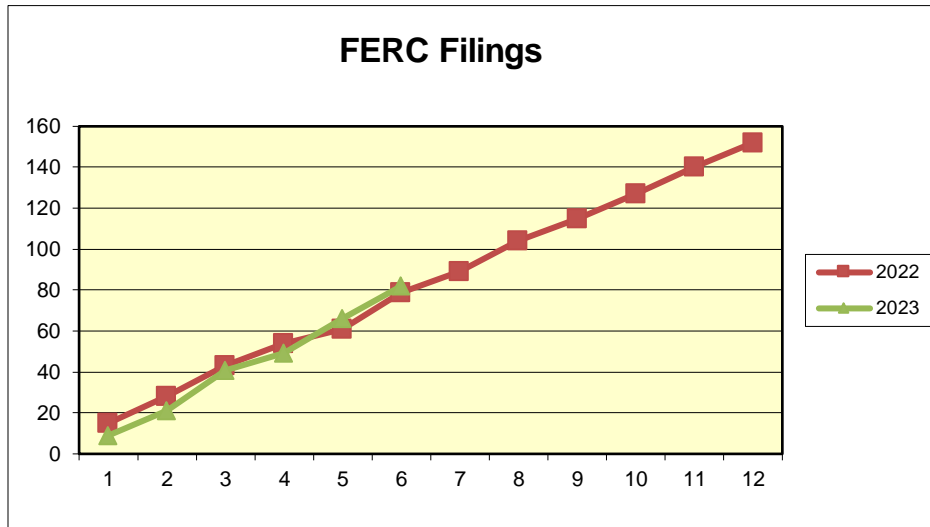
On May 24, 2023, the ISO filed comments supporting the Administrative Law Judge's (ALJ) proposed decision, which directs investor owned utilities to provide telemetry data to the ISO, to help mitigate safety and reliability risks on the transmission and distribution systems and negative impacts on the wholesale markets.

- **High Distributed Energy Resources (DER) Grid (R.21-06-017)**

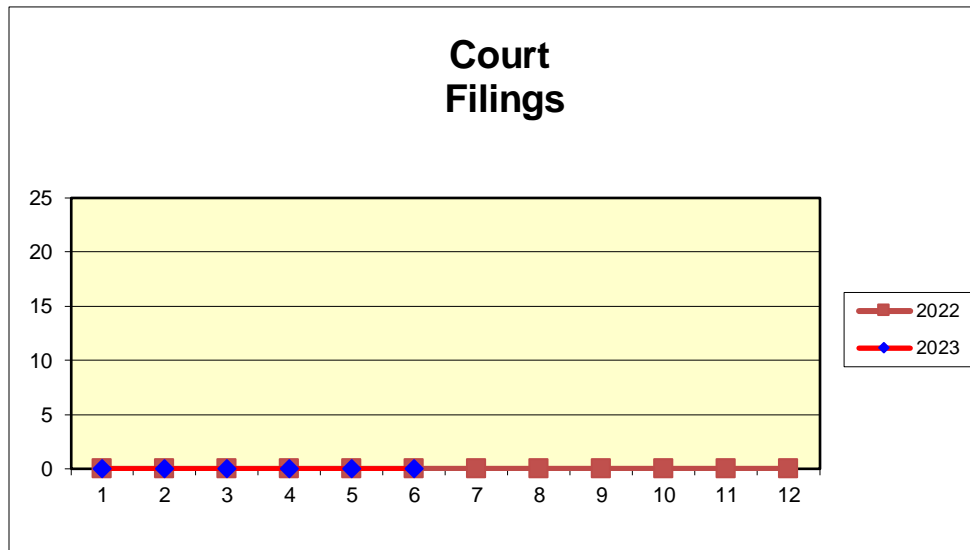
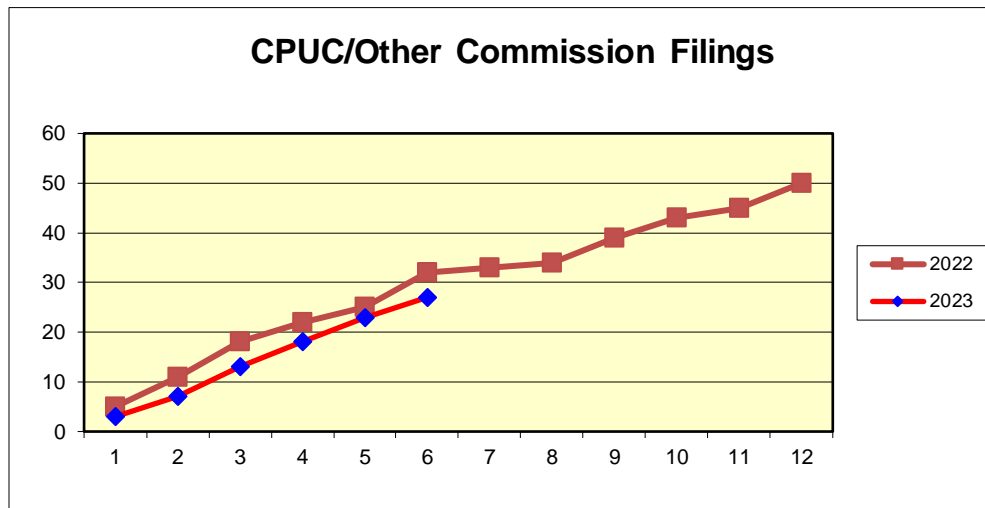
On May 22, 2023, the ISO filed comments on the ALJ ruling directing responses to questions on track 1, phase 1. The ISO's comments focused on the importance of coordination among the CPUC, Energy Commission, Air Resources Board, and the ISO as the CPUC considers changes to processes that affect distribution planning, including using a single forecast set of managed demand forecasts.

On June 5, 2023, the ISO filed reply comments reiterating the importance of agency alignment regarding the forecast used in distribution and infrastructure planning processes and avoiding potential conflicts between those planning processes.

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