

Memorandum

To: ISO Board of Governors

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

Date: May 14, 2024

Re: Regulatory Update (since March 13, 2024)

This memorandum does not require ISO Board of Governors action.

Highlights

- *FERC issued an order accepting the ISO's compliance with the directives in FERC's December 2023 order on DAME and EDAM*
- *FERC issued an order accepting the ISO's February 9, 2024, tariff amendment to increase the capacity procurement mechanism soft offer cap to align with new costs studies*
- *The ISO filed a tariff amendment proposing to establish an EDAM access charge to provide the opportunity for transmission owners to recover transmission revenues comparable to their historical cost recovery prior to their participation in EDAM*

Federal Energy Regulatory Commission

- **Extended day-ahead market and day-ahead market enhancements (ER23-2686)**

On April 30, 2024, FERC issued an order accepting the ISO's February 16, 2024, filing in compliance with the directives in FERC's December 20, 2023 order on DAME and EDAM. The compliance filing added tariff language relating to the parameters for deployment scenarios to procure imbalance reserves, removed language related to

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transmission revenue recovery and EDAM access charge provisions, and clarified EDAM market power mitigation procedures.

- **NOPR: Standards for business practices and communication protocols for public utilities - NAESB (RM05-5)**

On April 25, 2024, FERC issued a notice of proposed rulemaking to incorporate by reference version 004 of the standards and communication protocols adopted by the Wholesale Electric Quadrant of the North American Energy Standards Board (NAESB).

- **Non-generator resource bidding in residual unit commitment (ER24-1837)**

On April 25, 2024, the ISO filed a tariff amendment to remove language in the tariff that states non-generator resources with resource adequacy capacity have a requirement to submit \$0/MW availability bids in the residual unit commitment (RUC) process. This language is not consistent with the ISO's current practices, which do not support the submission of RUC availability bids by non-generator resources.

- **Capacity Procurement Mechanism (CPM) – Track 2 (ER24-1225)**

On April 25, 2024, FERC issued an order accepting the ISO's February 9, 2024, tariff amendment to update the capacity procurement mechanism soft offer cap to align with new costs studies. The higher cap reflects inflation, labor rates, and higher bilateral capacity prices in recent years.

- **Existing day-ahead market access charge (ER24-1746)**

On April 12, 2024, the ISO filed a tariff amendment to implement the EDAM access charge, which FERC rejected without prejudice in its December 20, 2023 order. The EDAM access charge provides EDAM transmission service providers an opportunity to recover transmission revenues comparable to their historical cost recovery prior to their participation in EDAM. The EDAM access charge also ensures cost allocation across the wider footprint of EDAM beneficiaries, *i.e.*, from those who historically paid and benefited from transmission service to those who will pay and benefit as a result of the change to transmission service under EDAM.

- **Transmission service and market scheduling priorities- wheeling through (ER23-2510)**

On April 12, 2024, the ISO filed a petition for limited waiver to extend the effective date for resales or assignments of monthly wheeling through priority, in order to allow the

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ISO to complete testing of its systems to accommodate resale or assignment of monthly wheeling through priority.

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

On March 20, 2024, Cometa Energia, *et al* (“Saavi”) filed a complaint against the ISO regarding the ISO’s termination of Saavi’s full capacity deliverability status. On April 9, 2024, the ISO filed an answer to the complaint asserting Saavi failed to satisfy its burden of proof or demonstrate the ISO has administered its tariff in a manner that is unjust and reasonable or unduly discriminatory or preferential. On April 24, 2024, Saavi responded to the ISO’s answer, reiterating its position that it has a right to hold and transfer deliverability. And, on May 5, 2024, the ISO filed a response to Saavi’s April 24 response to correct Saavi’s mischaracterizations regarding how deliverability works in the ISO.

- **EDF application to recover fuel procurement costs – CXA La Paloma (ER21-2579)**

On April 8, 2024, the ISO filed a request for rehearing of FERC’s March 7, 2024 order, which determined CXA LA Paloma could seek after-market cost recovery for fuel related cost under the ISO tariff without first submitting a before-market request to reflect its fuel related costs in its bids. The ISO argues this interpretation of its tariff harms the efficiency of ISO market clearing process and creates incentives for generators to engage in strategic bidding to the detriment of the overall market.

- **PacifiCorp (EL24-98)**

On April 3, 2024, the ISO filed a petition for approval of a settlement with PacifiCorp, resolving billing disputes PacifiCorp lodged with the ISO regarding the market impacts of certain unscheduled flows, and any other claims related to the billing disputes.

- **Meter Data Penalties (EL24-87 *et al.*)**

In March and April, the ISO filed answers to numerous complaints seeking relief from tariff based penalties arising from the submission of late meter data values. The ISO is not opposing these requests in light of its proposed enhancements to the penalty structure for the submission of late meter data.

- **Order No. 676-J compliance – NAESB standards (ER23-426)**

On April 1, 2024, FERC issued an order accepting the ISO’s November 23, 2023, filing in compliance with directives in FERC’s order issued on October 26, 2023, to incorporate the latest version (3.3) of NAESB business practice standards into the ISO’s tariff.

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- **Postpone 2024 Interconnection Request Window (ER24-1213)**

On March 29, 2024, FERC issued an order accepting the ISO's February 8, 2024, tariff amendment to forgo an interconnection request window in 2024, thereby postponing interconnection queue cluster 16. FERC previously approved schedule and procedural changes to address the unprecedented volume of new interconnection requests the ISO received in clusters 14 and 15.

- **Rules of Conduct enhancements – phase 1 (ER24-872)**

On March 22, 2024, FERC issued an order accepting the ISO's January 12, 2024, tariff amendment to (1) update the penalty formula for inaccurate submissions of meter data; (2) eliminate the calculation of a market adjustment charge for meter data reporting errors when the entity responsible for the error is the only entity in the relevant utility service area; (3) remove the requirement for the ISO to seek FERC approval before distributing annual penalty proceeds to eligible market participants; and (4) clarify that entities exempt from rules of conduct sanctions are not eligible market participants for distributing penalty proceeds.

- **Order No. 2023-A: Improvements to Generator Interconnection Procedures and Agreements (RM22-14)**

On March 21, 2024, FERC issued an order addressing requests for clarification and rehearing of FERC's generator interconnection final rule (Order No. 2023). Compliance with Order Nos. 2023 and 2023-A are due by May 16, 2024.

- **NOPR: Compensation for Reactive Power Within the Standard Power Factor Range (RM22-2)**

On March 21, 2024, FERC issued a notice of proposed rulemaking to prohibit charges related to the provision of reactive power within the standard power factor range by generating facilities. The ISO does not compensate resources for the provision of reactive power within a standard power factor range.

- **NERC Registration of Inverter-Based Resources (RR24-2)**

On March 19, 2024, NERC filed a petition for approval to revisions to NERC rules of procedure to identify and register owners and operators of inverter based resources that are interconnected to the bulk-power system, but are not currently required to register with NERC under the bulk electric system definition and can in aggregate materially impact reliability of the bulk-power system.

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Non-conforming regulatory agreements

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

On May 6, 2024, FERC issued an order accepting the February 2, 2024, joint offer of settlement and settlement agreement among the ISO, CPUC, Pacific Gas & Electric, Company and Southern California Edison, resolving all issues relating to Oakland Power's revenue requirement for providing reliability must-run service during contract year 2023.

- **Planning Coordinator Agreements (ER24-1395)**

On April 25, 2024, FERC issued an order accepting the March 1, 2024, revisions to Planning Coordinator Agreements to extend the terms of these agreements and make other minor edits.

- **DCR Transmission, LLC (ER24-1701)**

On April 4, 2024, the ISO filed revisions to the Transmission Control Agreement adding DCR Transmission, LLC as a participating transmission owner and requesting an effective date of June 5, 2024, to align with the projected in-service date for the Delaney–Colorado River 500 kV transmission line project, also known as Ten West Link 500 kV transmission line project.

- **Western Energy Imbalance Market: Implementation Agreement: BHE Montana, LLC (ER24-1628)**

On March 27, 2024, the ISO filed an agreement setting forth the terms under which the ISO will extend its existing real-time energy market systems to provide imbalance energy service to generation-only balancing authority BHE Montana, pursuant to the WEIM tariff.

- **CSU Channel Islands Site Authority – Reliability Must-Run (ER24-1585)**

On March 20, 2024, Channel Islands filed an offer of settlement reflecting a resolution of disputed issues, negotiated among the ISO, CPUC and Channel Islands, pertaining to penalties incurred during an extended unplanned outage.

California Public Utilities Commission

- **Resource Adequacy (R.23-10-011)**

On March 22, 2024, the ISO filed reply comments in the CPUC's resource adequacy proceeding supporting the proposal to stress test and calculate resource adequacy planning reserve margin for 2025, or, in the alternative, not adopting a planning reserve margin lower than 17% and retaining the effective planning reserve margin for 2025. The ISO discouraged the adoption of any proposals that could erode the ability of the

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resource adequacy program to ensure reliability.

On April 4, 2024, the ISO filed its draft 2025 Local Capacity Technical Report.

On April 2, 2024, the ISO filed comments on inputs and assumptions in the resource adequacy loss of load expectation study.

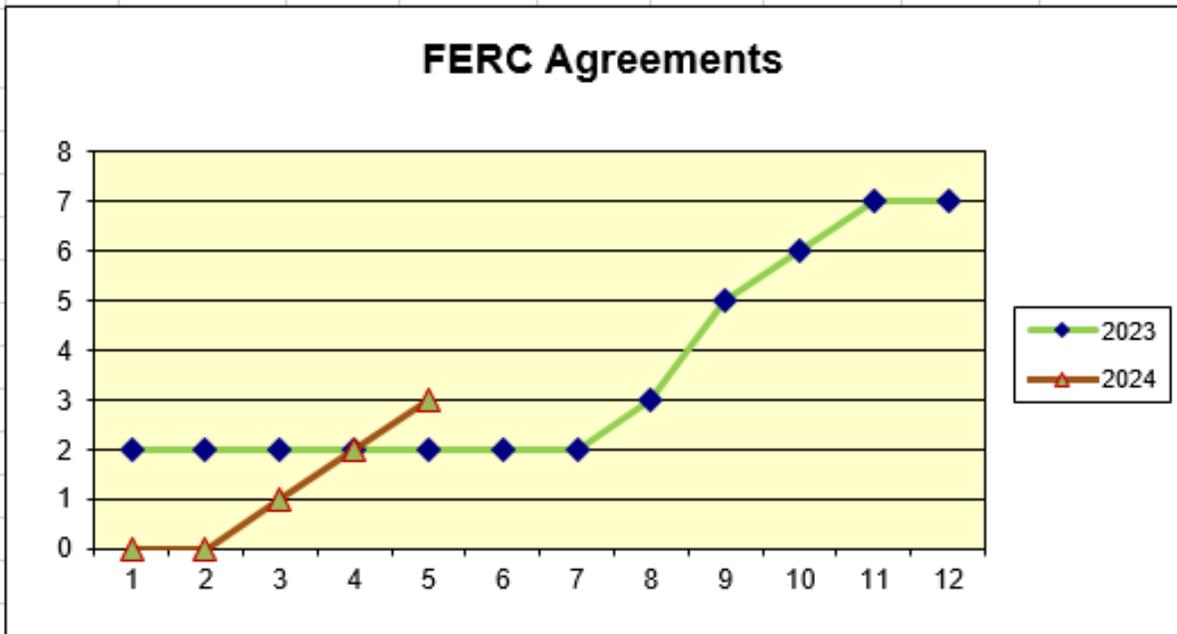
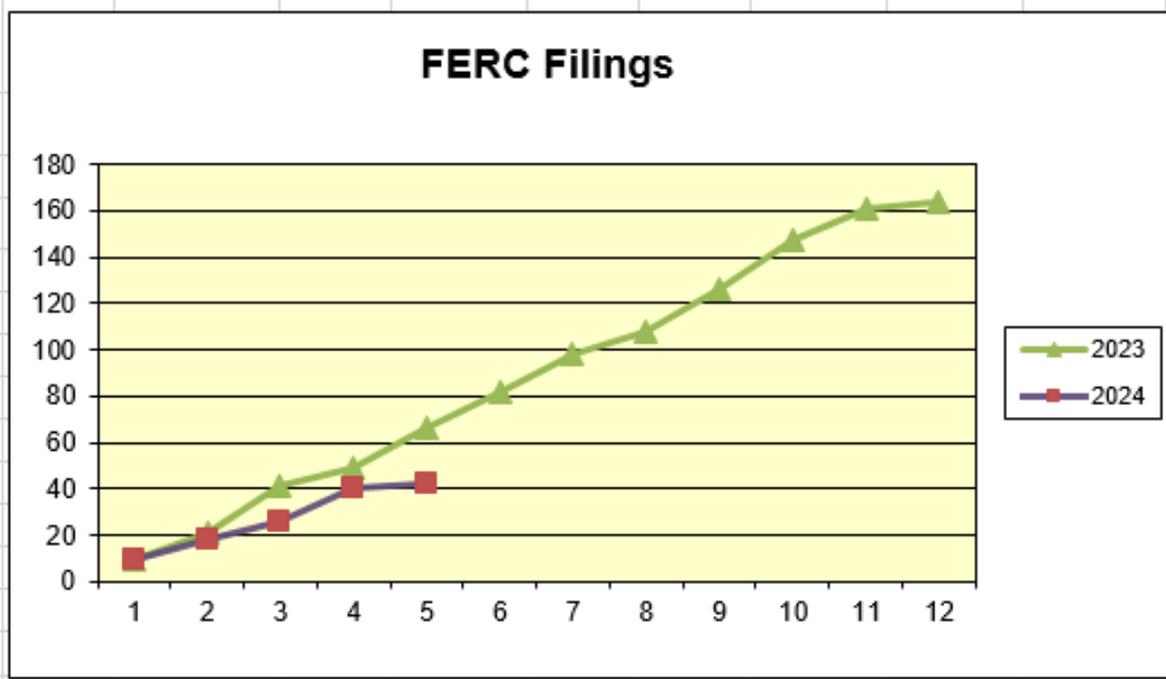
On May 1, 2024, the ISO filed the final 2025 Local Capacity Technical Report and an update regarding the 2025 Flexible Needs Assessment.

Other Regulatory Agencies

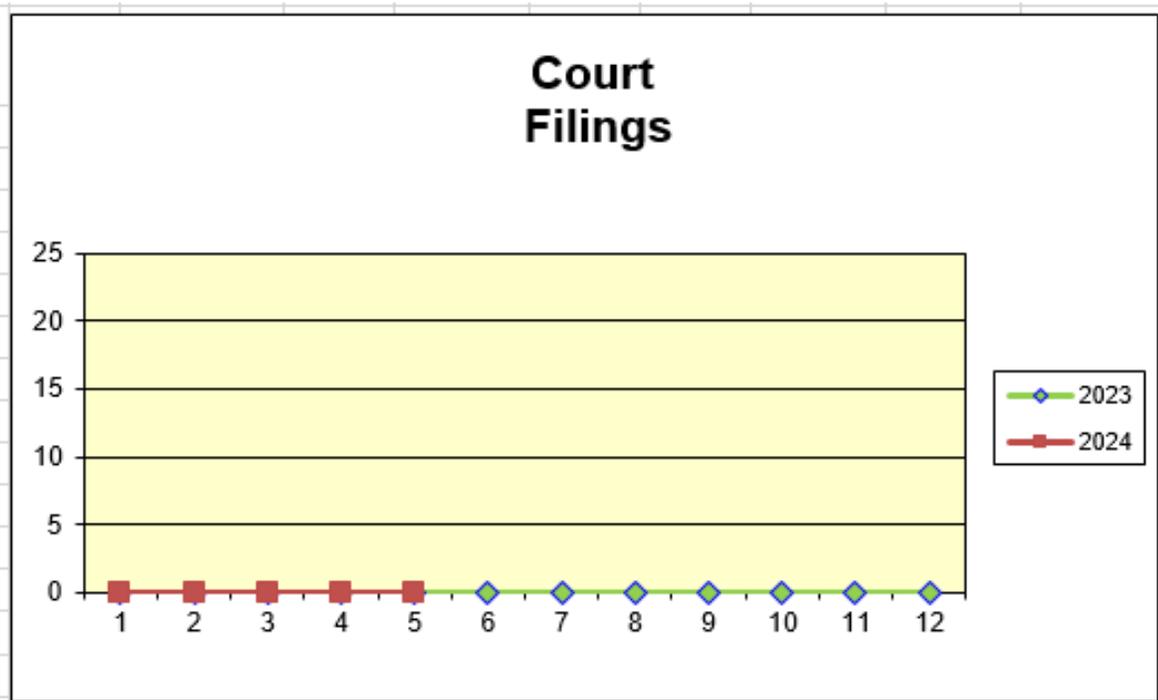
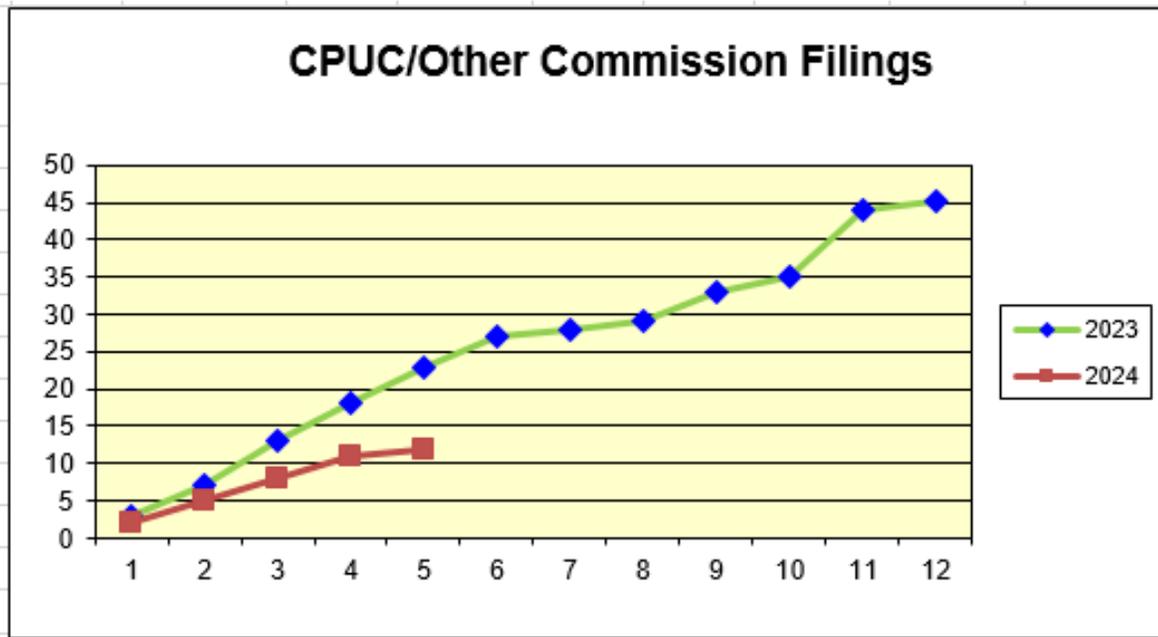
- **Environmental Protection Agency (EPA-HQ-OAR-2023-0072)**

On April 25, 2024, the EPA issued a final rule that adopts a best system of emission reduction for greenhouse gas emission from existing coal-fired and new natural gas-fired power plants. The final rule establishes emission control requirements based on the expected operation horizon and capacity factor of these resources.

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