

# Memorandum

**To:** ISO Board of Governors

**From:** Roger Collanton, Vice President, General Counsel & Chief Compliance Officer

**Date:** April 24, 2017

**Re:** Regulatory report

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***This memorandum does not require Board action.***

## **Highlights**

- *FERC accepted the ISO's tariff amendment to enhance metering rules*
- *ISO filed a tariff amendment to extend participating intermittent resource program protective measures for one more year*
- *FERC accepted the ISO's compliance with Order No. 827 on reactive power requirements and Order No. 828 on requirements for frequency and voltage ride through capability*
- *FERC accepted the ISO's tariff amendment to implement NERC outages reliability standards*
- *ISO filed a tariff amendment to reflect the Board of Governor's oversight over the Department of Market Monitoring*
- *FERC accepted the ISO's tariff amendment to modify the settlement and billing timeline*
- *ISO filed a tariff amendment to clarify requirements related to market awards on inerties, the timeline for implementing customized negotiated default energy bids, and posting effective flexible capacity values and capacity categories*
- *FERC accepted the ISO's energy imbalance market implementation agreement with the City of Seattle*
- *ISO filed an energy imbalance market implementation agreement for the Balancing Authority of Northern California – Sacramento Municipal Utility District*
- *FERC accepted the amendment to modify the congestion revenue rights and virtual bid awards settlement rule*

## **Federal Energy Regulatory Commission and related Court of Appeals matters**

- **Notice of Proposed Rulemaking - reform of generator interconnection procedures and agreements (RM17-8)**

On April 13 2017, the ISO filed comments with FERC in response to the Notice of Proposed Rulemaking (NOPR) on the reform of generator interconnection procedures and agreements. The ISO commented that because the vast majority of FERC's proposed enhancements are modeled on the ISO's existing generator interconnection procedures, the ISO supports FERC's proposed rules. The ISO also made recommendations, based on its experience with these procedures, which may help FERC achieve the goal of an enhanced interconnection process.

- **Notice of Proposed Rulemaking - uplift cost allocation (RM17-2)**

On April 10, 2017, the ISO filed separate comments in response to FERC's NOPR. The ISO supports FERC's decision not to require ISO or RTOs to allocate real-time uplift costs based on deviations because doing so can create adverse market signals and result in unjust and unreasonable rates. The ISO, however, expressed concern over FERC's apparent pursuit of cost causation principles at the cost of infeasible and unduly burdensome allocation measures that may create conflicting market signals, which outweigh any benefits intended by the measures. The ISO also commented that FERC's proposal to require that ISOs and RTOs provide monthly reports on real-time uplift costs and on operator manual actions within four hours from the time such actions are taken, are overly burdensome, costly, and do not appear to provide any additional value relative to the monthly uplift and exceptional dispatch reports the ISO already produces.

The Department of Market Monitoring also filed comments in response to the NOPR. The DMM strongly supports FERC's position to not impose a requirement on ISOs and RTOs to allocate real-time bid cost recovery to deviations. However, the DMM believes the definition of "deviations" and allocation criteria specified in the proposed rulemaking could discourage the ISO from attempting to allocate any real-time bid cost recovery to deviations. Therefore, DMM recommends that FERC allow individual ISOs and RTOs discretion in how they may allocate bid cost recovery to deviations.

- **FERC Order accepting the ISO's tariff amendment to enhance metering rules (ER17-949)**

On March 31, 2017, FERC accepted the ISO's tariff amendment to expand the scheduling coordinator metered entities option to more entities, including participating generators. This will enable market participants to forego certain costs associated with ISO metered entity status, and it provides that existing metered entities, regardless of type, will retain current metering requirements and maintain their *status quo*. These enhancements went into effect April 10, 2017.

- **Tariff amendment to extend participating intermittent resource program protective measures (ER17-1337)**

On March 29, 2017, the ISO filed a proposed tariff amendment to extend the protective measures for qualifying variable energy resources that FERC approved in 2014, which are set to expire on April 30, 2017. The amendment will allow qualifying variable energy resources to remain under imbalance energy settlement rules that existed prior to the ISO's implementation of the fifteen minute market for one more year. The protective measures would expire on April 30, 2018. The ISO requested an effective date of May 1, 2017.

- **FERC order accepting the ISO's compliance with Order No. 827 and Order No. 828 (ER17-114)**

On March 29, 2017, FERC issued an order accepting the ISO's compliance with Order No. 827 and Order No. 828. Order No. 827 imposed new reactive power requirements for non-synchronous generation. Order No. 828 imposed new requirements for frequency and voltage ride-through capability of small generating facilities. Under these requirements, the ISO amended the applicable interconnection agreements and procedures. These provisions are effective September 21, 2016, and October 5, 2016.

- **FERC order accepting the ISO's tariff amendment to implement NERC outage reliability standards (ER17-879)**

On March 28, 2017, FERC issued an order accepting the ISO's tariff amendment to conform the ISO's outage coordination tariff provisions to Peak Reliability's implementation of NERC Reliability Standard IRO-017-1. This mandatory standard went into effect April 1, 2017.

- **Tariff amendment to transfer administrative oversight of the DMM to the Board from the Chief Executive Officer (ER17-1312)**

On March 27, 2017, the ISO filed a tariff amendment with FERC to reflect that the DMM will now report directly to the Board for administrative purposes. These changes were made to comport with FERC's most recent guidance on best practices for ensuring the independence of an internal market monitoring unit. The revised oversight structure also follows Order No. 719 and will eliminate any appearance that DMM could be subject to inappropriate ISO management influence. The ISO requested an effective date of April 1, 2017.

- **FERC order accepting tariff amendment modifying the settlement and billing timeline (ER17-847)**

On March 24, 2017, FERC issued an order accepting the ISO's tariff amendment to adjust the timing of the second-to-last recalculation settlement statement, which is issued at 35 months after the trading day, to 33 months after the trading day. This change will allow market participants more time to review the second-to-last recalculation settlement

statement and submit disputes, as several market participants had requested in a FERC proceeding. This change will be effective May 3, 2017.

- **Comments on Shell Energy North America (US), L.P.'s motion to quash the subpoena of Dr. Eric Hildebrandt (EL02-71)**

On March 20, 2017, the ISO filed comments with FERC protesting Shell Energy's position that the testimony of Dr. Eric Hildebrandt would undermine the independence and impartiality of the ISO's market monitoring unit. The ISO explained that Dr. Hildebrandt is a percipient witness to the events at issue, and that Commission-approved ethics rules for the ISO's market monitoring unit expressly contemplate that he would be permitted to testify in these circumstances.

- **Tariff amendment to clarify certain tariff provisions (ER17-1132)**

On March 9, 2017, the ISO filed a tariff amendment with FERC to clarify three areas related to: (1) deeming market awards on the interties as accepted if the scheduling coordinator does not affirmatively accept or decline an ISO dispatch instruction within the timeframe established in the Business Practice Manual; (2) lengthening the timeline for implementing customized negotiated default energy bids from three business days to 11 business days, consistent with the Master File change timeline; and (3) posting effective flexible capacity values and flexible capacity categories for resources under construction.

- **FERC order accepting modification to congestion revenue rights and virtual bids settlement rule (ER17-853)**

On March 7, 2017, FERC accepted the ISO's tariff amendment filed January 25, 2017, to tailor its tariff rules regarding what transactions constitute implicit virtual awards at the interties to settle congestion revenue rights. The ISO received the requested effective date of April 1, 2017.

### **Regulatory Agreements**

- **Energy imbalance market implementation agreement for the Balancing Authority of Northern California – Sacramento Municipal Utility District (ER17-1300)**

On March 24, 2017, the ISO filed with FERC an energy imbalance market implementation agreement for the Balancing Authority of Northern California (BANC). The ISO requested an effective date of June 1, 2017. This will allow the ISO to move forward with extension of the real-time energy market to one of BANC's members, the Sacramento Municipal Utility District, with a target for implementation on April 1, 2019.

- **Planning coordinator agreement for Southern California Edison (ER17-1222)**

On March 16, 2017, the ISO filed with FERC a planning coordinator agreement for

Southern California Edison Company. The ISO requested an effective date of May 16, 2017. This will allow the ISO to be the planning coordinator for the Southern California Edison Company's bulk electric system facilities within the ISO's balancing authority area.

- **FERC order accepting the energy imbalance market implementation agreement for City of Seattle (ER17-868)**

On March 14, 2017, FERC issued an order accepting the ISO's energy imbalance market implementation agreement for the City of Seattle. The implementation agreement is effective April 1, 2017, and it allows the ISO to move forward with extension of the real-time energy market to include City of Seattle participation, with a target for implementation on April 1, 2019.

### **Reports filed**

- **Informational report on transition period for first six months of new energy imbalance market participants (ER15-2565)**

When a transmission or power balance constraint is binding, the ISO calculates energy prices based on penalty factors pegged to the bid caps. During the first six month transition period of the start of a new energy imbalance market participant, the ISO will not apply the penalty factors when a transmission or power-balance constraint is binding and will instead calculate energy price based on the last economic price signal. FERC required that the ISO and the DMM file monthly reports on the performance of these measures during the transition period. The ISO and DMM have filed these reports: (1) on April 4, 2017, the ISO filed an informational report for Arizona Public Service, for January 2017; (2) on April 4, 2017, the ISO filed an informational report for Arizona Public Service, for December 2016; (3) on April 4, 2017, DMM filed an informational report for Arizona Public Service, for November 2016; (4) on March 14, 2017, DMM filed an informational report for Puget Sound Energy, for January 2017; (5) on March 14, 2017, DMM filed an informational report for Puget Sound Energy, for December 2016; (6) on March 13, 2017, the ISO filed an informational report for Arizona Public Service, for November 2016; (7) on March 2, 2017, the ISO filed an information report for Puget Sound Energy, for January 2017; and (8) on March 2, 2017, the ISO filed an informational report for Puget Sound Energy, for December 2016.

- **Market disruption reports (ER06-615 and ER07-1257)**

On March 15, 2017, the ISO submitted to FERC its monthly market disruption report for the period of January 16, 2017 to February 15, 2017. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

- **Exceptional dispatch reports (ER08-1178 and EL08-88)**

On March 15, 2017, the ISO submitted exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as required by FERC in its September 2, 2009 order in this proceeding; and (2) an analysis of mitigation as required by tariff section 34.9.4. The reports covered January 2017. On March 30, 2017, the ISO submitted an exceptional dispatch informational report for December 2016. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside the operation of the ISO market to address operational needs that cannot be addressed by the ISO market.

- **Negotiated default energy bids, major maintenance adders, and customer operations and maintenance (ER06-615)**

On March 7, 2017 and April 7, 2017, the ISO submitted to FERC informational filings containing the rates or formulas used to calculate negotiated default energy bids, custom operations and maintenance adders, and major maintenance adders, that were implemented, modified or terminated in February and March 2017, respectively.

- **Informational report: Development of market-based payments for frequency response (ER16-1483)**

On March 15, 2017, the ISO submitted an informational report to FERC providing an update of the ISO's examination of market-based payments for frequency response. On September 16, 2016, FERC accepted, subject to condition, the ISO's tariff amendment to procure transferred frequency response from other balancing authority areas to comply with NERC reliability standard BAL-003-1.1. The ISO committed to examining a mechanism for market-based payments for frequency response in a stakeholder initiative.

- **Informational report: energy imbalance market – enforcement of transmission constraints in the PacifiCorp balancing authority area (ER15-2281)**

On March 29, 2017, the ISO submitted an informational report to FERC explaining the enforcement of transmission constraints in the PacifiCorp balancing authority area included in the energy imbalance market. Under FERC's November 19, 2015 order, the ISO and PacifiCorp have been coordinating the enforcement of transmission constraints in the PacifiCorp balancing authority area. The report, which is filed confidentially with FERC, provides the list of all constraints PacifiCorp has modeled in its system and whether each constraint is enforced or not, with a classification of the reason for the constraints not enforced.

- **AES Huntington Beach – hours of operation (ER13-351)**

On March 9, 2017, the ISO filed an informational report on hours of operation for AES Huntington Beach for the months of December 2016, January 2017, and February 2017, under FERC's January 4, 2013 and May 1, 2014 orders

## **California Public Utilities Commission matters**

- **Comments on order instituting investigation to determine the feasibility of minimizing or eliminating the use of Aliso Canyon natural gas storage facility (I.17-02-002)**

On March 13, 2017, the ISO filed comments supporting the CPUC's approach to developing the Phase 1 study to study Aliso Canyon's potential impact on electric reliability.

- **Administrative Law Judge DeAngelis' proposed decision in Phase 2 on results of Southern California Edison Company local capacity requirements request for offers for Moorpark sub-area (A.14-11-016)**

On April 7, 2017, Administrative Law Judge Regina DeAngelis issued a Proposed Decision in Phase 2 on results of Southern California Edison Company local capacity requirements request for offers for Moorpark sub-area, where the CPUC rejects the Ellwood contracts between Southern California Edison Company and NRG California South LP.

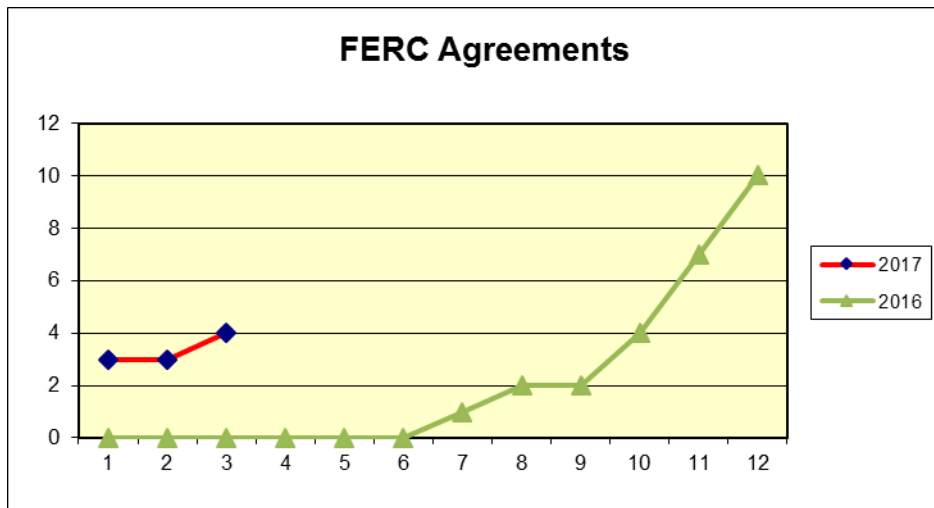
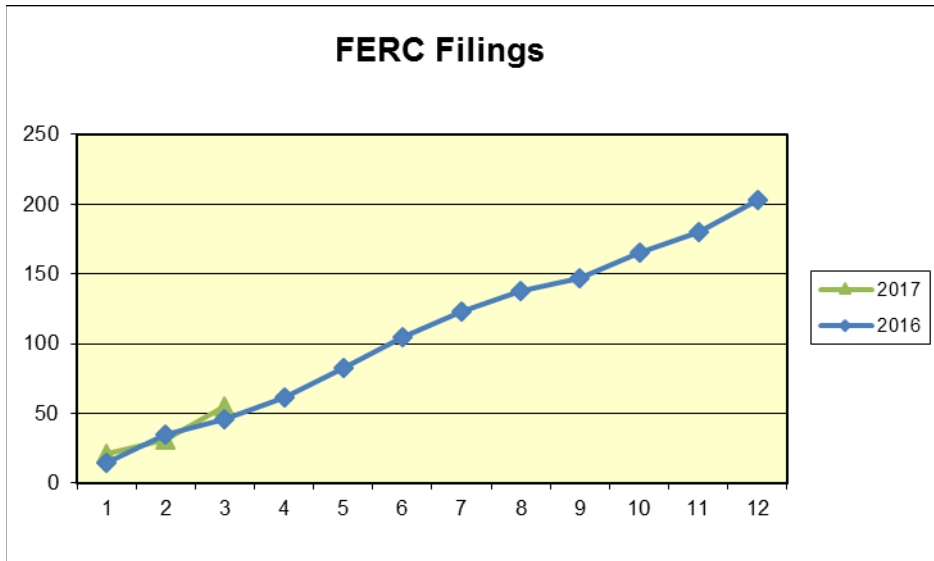
- **Response to City of Montebello's application for request for rehearing on the application of Southern California Edison Company to construct the Mesa 500 kV substation (A.15-03-003)**

On April 3, 2017, the ISO filed a response in opposition to the City of Montebello's application for rehearing of CPUC Decision (D.) 17-02-015, which granted Southern California Edison Company's application to build the Mesa 500 kV substation project.

- **Comments on Southern California Gas Company providing additional funding for flex alert program (A.12-08-007)**

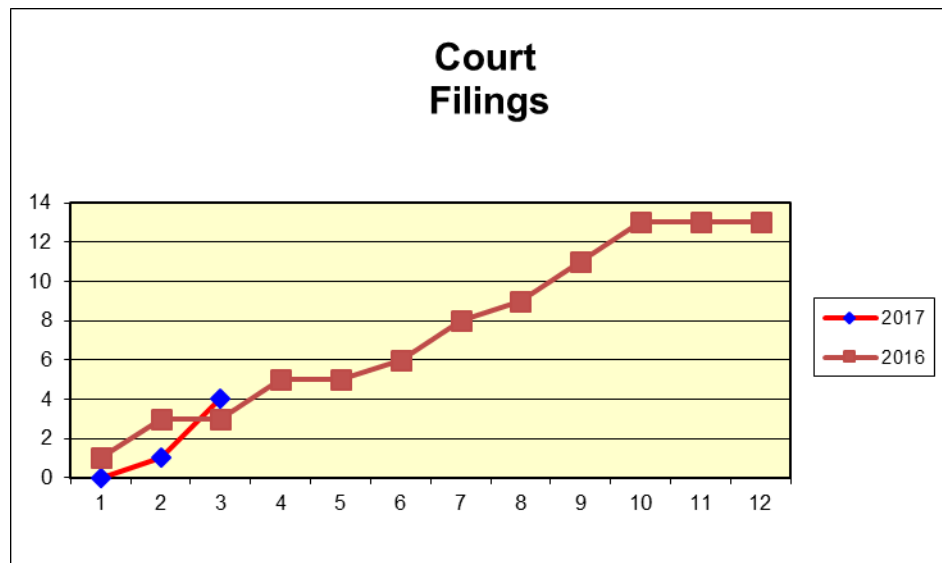
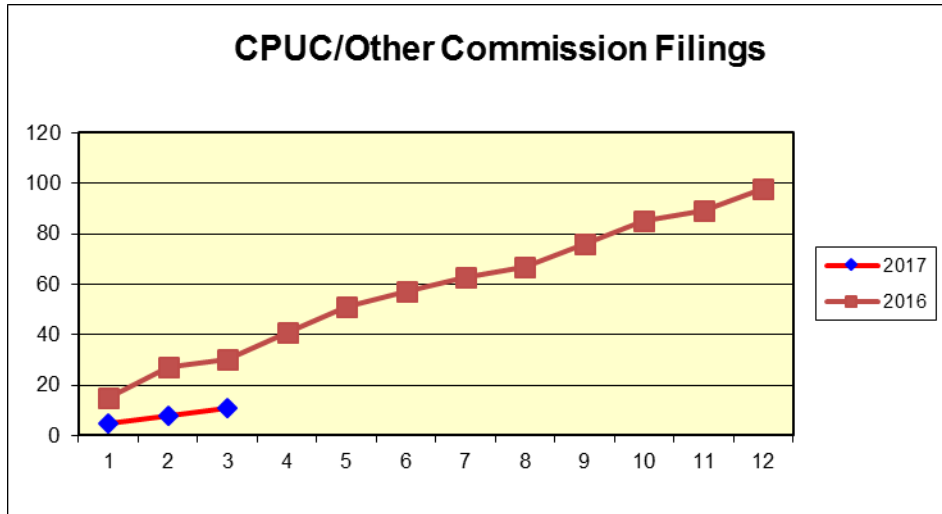
On April 7, 2017, the ISO filed comments in support of the Southern California Gas Company providing additional funding for the 2017 Flex Alert program for marketing, education, and outreach activities to reduce the risk of natural gas and electricity curtailments in the Los Angeles basin for the summer of 2017, due to the ongoing effects of the natural gas leak at the Aliso Canyon natural gas storage facility.

# Regulatory Filings Through March 2017





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