

Memorandum

To: ISO Board of Governors

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

Date: November 1, 2023

Re: Regulatory update since last report dated September 13, 2023

This memorandum does not require ISO Board of Governors action.

Highlights

- *The ISO filed a tariff amendment to revise its grid management charge approved by the ISO Board of Governors in September*
- *The ISO filed a tariff amendment in compliance with FERC Order No. 895 to allow for sharing of credit-related information with other ISOs/RTOs*
- *The ISO filed a tariff amendment regarding its variable operations and maintenance (VOM) cost adder changes approved by the ISO Board of Governors in September*
- *The ISO filed a tariff amendment to implement the subscriber participating transmission owner model approved by the ISO Board of Governors in July*
- *The ISO filed an informational report related to extreme weather vulnerabilities*
- *FERC issued a final rule (Order No. 901) to require NERC to submit new or modified Reliability Standards related to inverter-based resources over the next three years*
- *FERC issued an order terminating its order to show cause regarding ISO's credit policies related to congestion revenue rights holders*
- *FERC issued an order accepting the ISO's energy storage enhancements*
- *FERC issued an order accepting the ISO's wheeling-through priorities tariff amendment*

Federal Energy Regulatory Commission

- **Wheeling through priorities (ER23-2510)**

On October 30, 2023, FERC issued an order accepting the ISO's July 28, 2023, tariff amendment, subject to a compliance filing, to (1) implement a durable framework for external load serving entities and suppliers serving them to obtain in advance on a monthly and daily basis, wheeling through self-schedule priorities equal to the scheduling priority of ISO demand, and (2) update the ISO's calculation of available transfer capacity.

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- **City of Tacoma complaint - meter data penalties (EL23- 103)**

On October 30, 2023, the ISO answered the City of Tacoma's September 28, 2023, complaint appealing penalties for the late submission of meter data. The ISO's answer supports the City of Tacoma's request to excuse the penalties because Tacoma provided a reasonable explanation for FERC to conclude the penalties were excessive in their circumstances.

- **Order No. 897: Extreme Weather Vulnerability Assessments (RM22-16; AD21-13)**

On October 25, 2023, the ISO filed a one-time informational report on its efforts to identify vulnerabilities and exposure to extreme weather hazards. The report explains how the State of California's efforts to model climate change inform our annual transmission planning process and the steps we take to assess extreme weather events in infrastructure and operations planning.

- **Order No. 901: Reliability standards to address inverter-based resources (RM22-12)**

On October 20, 2023, FERC issued an order directing NERC to develop new or modified reliability standards to address reliability gaps related to inverter-based resources regarding data sharing, model validation, planning and operational studies, and performance requirements. The final rule directs NERC to submit an informational filing within 90 days that includes a standards development plan that provides for the staged submission over the next three years of new or modified Reliability Standards identified in the final rule.

- **Order No. 895: Credit-related information sharing in organized wholesale markets (ER24-155)**

On October 19, 2023, the ISO filed proposed tariff revisions in compliance with FERC's June 15, 2023, order to permit the ISO to share market participants' credit-related information with other ISOs/RTOs for the purpose of credit risk management and mitigation. The tariff provisions also allow the ISO to receive similar information from other ISOs/RTOs with FERC-jurisdictional tariffs that address sharing of market participants' credit-related information.

- **Day-ahead market enhancements (DAME) and extended day-ahead market (EDAM) (ER23-2686)**

On October 11, 2023, the ISO filed an answer to comments and limited protests submitted in response to the ISO's August 22, 2023, tariff amendment to enhance and extend its day-ahead market. The DAME initiative proposes critical enhancements to the ISO's day-ahead market to address challenges caused by increasing system

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variability and uncertainty to improve market efficiency and reliability. It proposes two new products, imbalance reserves and reliability capacity, to address growing imbalances in supply and load forecast between the day-ahead and real-time markets. The EDAM initiative proposes tariff revisions to extend access to its day-ahead market to balancing authority areas that participate in the WEIM. WEIM participants can join EDAM and settle all balancing authority area loads and resources in the day-ahead timeframe in addition to all imbalances between day-ahead positions and the real-time market. We have requested that FERC issue an order accepting these tariff revisions by December 21, 2023.

- **City of Corona complaint – meter data penalties (EL23-99)**

On October 10, 2023, the ISO filed an answer to the City of Corona's September 19, 2023, complaint appealing penalties for the late submission of meter data. The ISO's answer supports the City of Corona's request to excuse the penalties because the penalty assessed under the tariff is excessive for a relatively minor and inadvertent but long-lasting metering error.

- **CAlifornians for Renewable Energy (CARE) (EL23-90)**

On October 6, 2023, FERC issued a notice of intent not to act on CARE's August 7, 2023, complaint against the ISO requesting FERC to enforce the requirements of Public Utility Regulatory Policies Act of 1978 (PURPA) based on the 2022-2023 transmission plan's treatment of behind-the meter generation as negative load instead of generation. The ISO's September 6, 2023, answer to the petition noted that PURPA does not provide FERC jurisdiction to pursue a petition for enforcement against the ISO, and even if it did, the ISO has not violated PURPA.

- **Petition for capacity accreditation technical conference (AD23-10)**

On October 2, 2023, the ISO joined the ISO/RTO Council (IRC) in comments responding to American Clean Power's request that FERC hold a technical conference to discuss the accreditation of resources' capacity value in ISO/RTO regions as well as in non-ISO/RTO regions. The IRC recommended FERC not convene the technical conference at this time because regional differences between resource adequacy constructs makes a technical conference applicable to all regions of limited value.

- **Scout Clean Energy – petition for limited waiver (ER23-2817)**

On October 2, 2023, the ISO filed comments in response to Scout's September 11, 2023, petition for limited waiver relating to Scout's interconnection request for the Oat Valley Wind Project in cluster 15. Scout's interconnection request was not complete by the April 17, 2023, submission deadline therefore the ISO did not include it in cluster 15. The ISO's comments argue after-the-fact waivers defeat the purpose of the interconnection request window.

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On October 18, 2023, Scout answered the ISO's comments reiterating its request to cure its interconnection request deficiency and enter cluster 15.

- **Energy storage enhancements – phase 2 (ER23-2537)**

On September 29, 2023, FERC issued an order accepting the ISO's August 1, 2023, tariff amendment consisting of two sets of tariff revisions for storage resources that are co-located with other generation technologies: (1) extending the aggregate capability constraint functionality to pseudo-tie resources; and (2) establishing biddable parameters that allow storage resources to avoid charging schedules that would exceed the energy output of co-located intermittent resources.

- **Grid management charge tariff amendment and cost of service study update (ER23-2974)**

On September 29, 2023, the ISO filed a tariff amendment to revise its grid management charge to implement results from the ISO's latest 2023 cost of service study and to accommodate participation in the ISO's EDAM initiative.

- **Variable Operations and Maintenance (VOM) cost adder tariff amendment (ER23-2956)**

On September 28, 2023, the ISO filed a tariff amendment to implement tariff revisions arising from its triennial variable operations and maintenance initiative. The ISO proposes to revise default VOM adder values to account for inflation since the last update, which used the 2019 reference year.

- **Subscriber Participating Transmission Owner Model (ER23-2917)**

On September 22, 2023, the ISO filed a tariff amendment to implement the subscriber participating transmission owner model to establish a new opportunity for building transmission facility projects in the western interconnection to meet public policy goals, including future resource needs in California. These new transmission facilities will be under the ISO's operational control, while the costs to construct these new transmission facilities will be paid by subscribers of the projects, instead of being incorporated into the ISO's transmission access charge funded by ratepayers.

- **Order to show cause re credit policies (EL22-62)**

On September 21, 2023, FERC issued an order terminating its July 28, 2022, order to show cause into whether the ISO's tariff remains just and reasonable and not unduly discriminatory or preferential in the absence of a mark-to-auction collateral requirement or comparable alternative for financial transmission rights within its credit policies. FERC's order finds the ISO's currently effective tariff addresses these concerns and remains just and reasonable.

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- **Idaho Power Company complaint – meter data penalties (EL23-94)**

On September 18, 2023, the ISO answered Idaho Power Company's August 29, 2023, complaint appealing penalties assessed by the ISO for the late submission of meter data. The ISO supports Idaho Power's request to excuse the penalties because the penalty assessed under the tariff is excessive for a relatively minor and inadvertent but long-lasting metering error.

Non-conforming regulatory agreements

- **First amended and restated participating load agreement – CA Department of Water Resources (ER23-2711)**

On October 19, 2023, FERC issued an order accepting the ISO's August 25, 2023, amendment number 5 to the participating load agreement (PLA) to extend the termination date of the PLA from November 1, 2023, to November 1, 2028.

- **Oakland Power Company - reliability must-run agreement (ER23-574)**

On October 12, 2023, the ISO filed a statement of support for Oakland Power Company's September 25, 2023, amendment to the reliability must-run agreement for recovery of costs related to California Air Resources Board compliance.

- **Split resource participation agreement – CCFC Sutter Energy (ER23-2969)**

On September 29, 2023, the ISO filed a notice of termination of the split resource participation agreement between the ISO and CCFC Sutter Energy. The ISO tariff now contains the rules and procedures associated with shared pseudo-tie resources, and those rules will govern CCFC Sutter Energy's participation in the ISO's markets as a shared pseudo-tie resource.

- **Dynamic Transfer Balancing Authority Operating Agreement - Arizona Public Service Company (ER23-2851)**

On September 15, 2023, the ISO filed a Dynamic Transfer Balancing Authority Operating Agreement (DTBAOA), and a notice of termination of the existing Dynamic Scheduling Host Balancing Authority Operating Agreement (DSHBAOA), between the ISO and APS. The DTBAOA will supersede and replace the existing DSHBAOA. Both agreements address dynamic scheduling protocols between the ISO and APS. The DTBAOA also includes terms and conditions to facilitate pseudo-tie arrangements

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between the ISO and APS to support participation of a pseudo-tie facility planned for Q1 2024.

California Public Utilities Commission

- **Safe and reliable gas systems (R.20-01-007)**

On October 17, 2023, the ISO filed comments on a proposed decision regarding derating or decommissioning transmission pipelines and storage. The ISO supports the proposed decision's findings that natural gas and electric systems are interdependent and, as such, the CPUC should develop a structured process for balancing authority areas to provide input on assessments of electric reliability when gas utilities make decisions to derate or decommission gas pipelines. The ISO's comments also recommend the CPUC coordinate this proceeding with the integrated resource plan proceeding, which covers long-term planning for electric utilities.

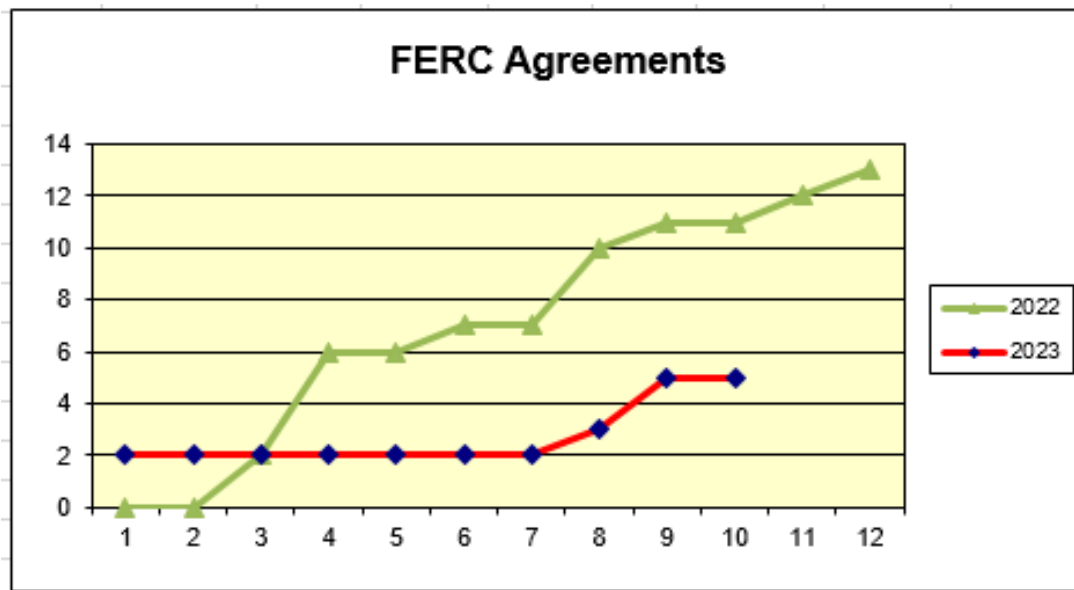
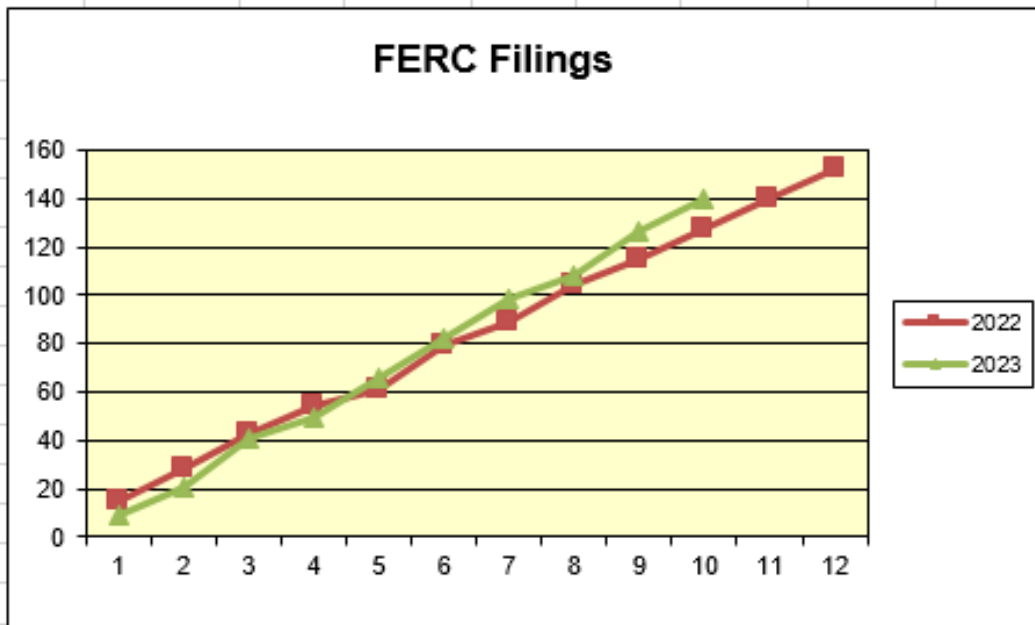
- **Resource adequacy (R.21-10-002)**

On September 25, 2023, the ISO filed a response to California Large Energy Consumers Association's August 24, 2023, petition for modification of Decision No. 23-06-029. The ISO's response clarifies the use of reliability demand response resources during the July 20, 2023, emergency energy alert 1 event.

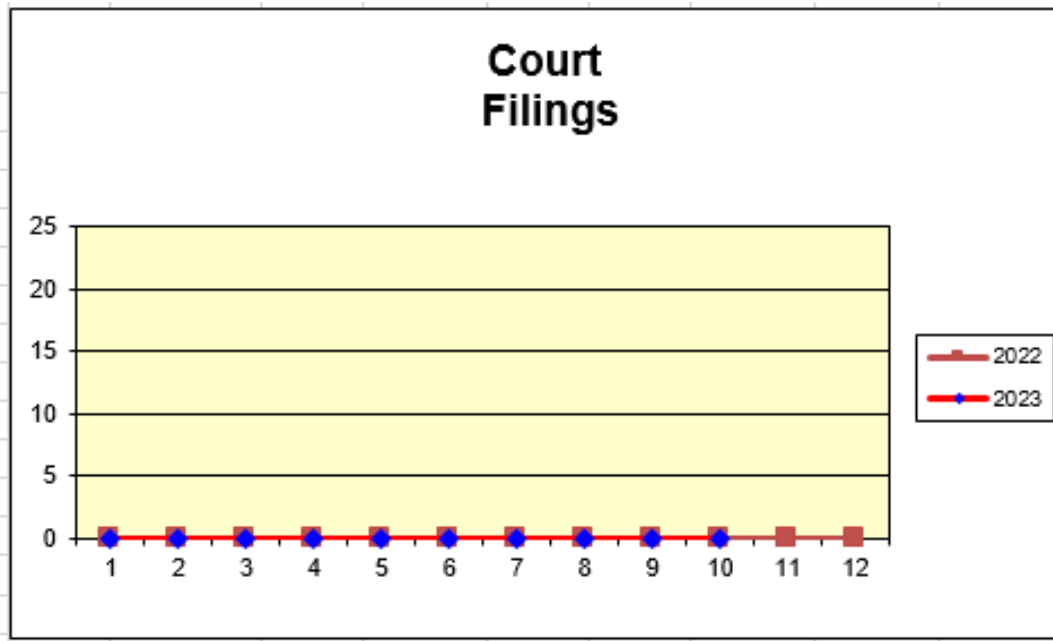
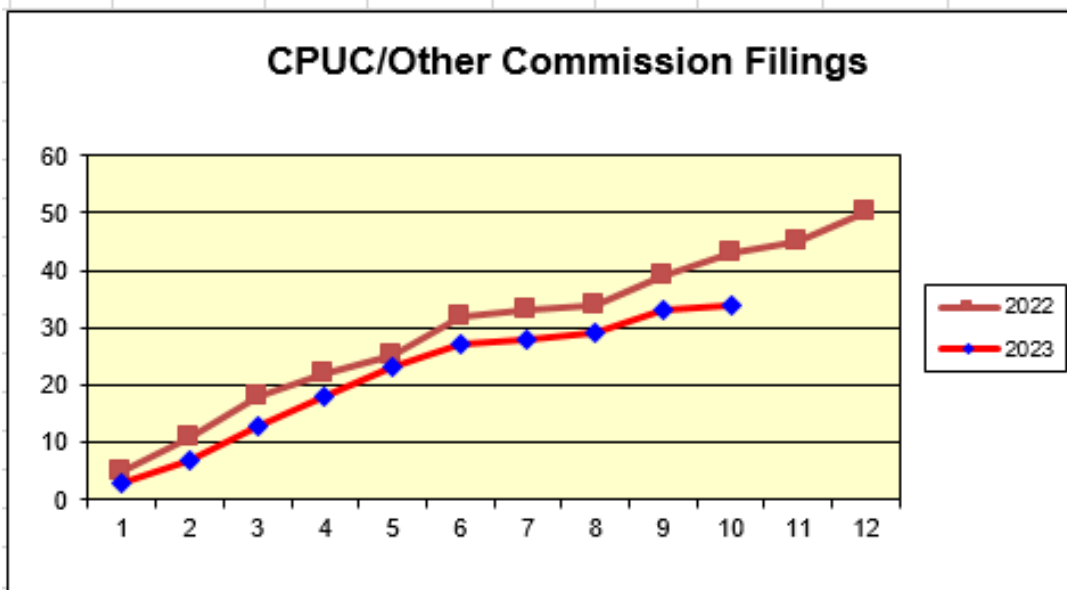
- **Energy storage station power (R.15-03-011)**

On September 19, 2023, the ISO filed comments supporting the August 30, 2023, proposed decision adopting station power rules for hybrid and co-located resources.

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