

Memorandum

To: ISO Board of Governors

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

Date: September 23, 2020

Re: **Regulatory update for the period July 10 – September 11, 2020**

This memorandum does not require Board action.

Highlights

- *FERC accepted the ISO's commitment cost default energy bid enhancements tariff amendment*
- *FERC accepted the ISO's filing in compliance with FERC Order No. 831 requiring in the increase in the bid cap to \$2000/MWh*
- *FERC accepted the ISO's intertie deviation settlement tariff amendment*
- *The Department of Energy granted the ISO's request for an emergency order under Section 202(c) of the Federal Power Act to allow certain generation resources to generate at maximum capacity notwithstanding their permit limitations*
- *The ISO filed comments with the ISO/RTO Council regarding FERC's proposed Critical Infrastructure Protection reliability standards enhancements*
- *FERC accepted the ISO's deliverability assessment tariff amendment*
- *FERC accepted the ISO's tariff clarifications filing*
- *FERC accepted an energy imbalance market implementation agreement for Public Service Company of Colorado*
- *FERC accepted the proxy demand resource tariff amendment filing*

Department of Energy

- **Request for Emergency Order under 202(c) of the Federal Power Act**

On September 6, 2020, the Department of Energy granted the ISO's request submitted the same day for an emergency order under section 202(c) of the Federal Power Act, to allow certain generating units to use their maximum generation output levels, notwithstanding air quality of other permit limitations. The order was necessary to ensure the ISO could access the additional available generation in its efforts to preserve the reliability of the bulk electricity system. The Department of Energy found that an emergency existed in California due to a shortage of electric energy and expected load stress due to extreme weather and wildfires.

- **Notice of request of information related to the supply chain for components of the bulk electric system**

On August 24, 2020, the ISO joined the ISO/RTO Council in providing comments regarding the Department of Energy's notice of request for information to understand the energy industry's current practices to identify and mitigate vulnerabilities in the supply chain for components of the bulk electric system.

Federal Energy Regulatory Commission

- **Order accepting commitment cost default energy bid enhancements (ER20-2360)**

On September 21, 2020, FERC accepted the ISO's July 9, 2020, tariff amendment to enhance ISO's market rules so suppliers can request adjustments to their ISO-calculated commitment costs (start-up and minimum load costs) and energy price reference levels to more accurately reflect their costs. FERC accepted these changes to be effective on the ISO's actual implementation date, as requested, subject to the condition that ISO submit a compliance filing within 30 days of the date of the order to include a clarification offered by the ISO. The ISO plans on implementing this enhancement on December 1, 2020.

- **Order accepting the ISO's filing in compliance with FERC Order No. 831 (ER19-2757)**

On September 21, 2020, FERC accepted the ISO's September 5, 2019, filing to comply with the requirements of Order No. 831. FERC found the tariff revisions comply with the requirements of Order No. 831, subject to a further compliance filing to update certain tariff records. The compliance filing is necessary to conform the tariff records submitted in this compliance filing to those submitted to implement the commitment cost default energy bid enhancements accepted by FERC on the same day in Docket ER20-2360. FERC recognized that the ISO will be submitting additional changes to its tariff to address the verification of inertia bids and the setting of certain pricing parameters in

light of the increase in the bid cap to \$2000/MWh as required under Order No. 831. Nevertheless, FERC directed the ISO to implement the Order No. 831 requirements by March 21, 2021.

- **Order accepting intertie deviation settlement (ER20-1890)**

On September 17, 2020, FERC accepted the ISO's May 22, 2020, tariff amendment to enhance its market rules regarding the treatment of energy transactions scheduled at interties. The changes will: (1) enhance the treatment of intertie schedules and related rules regarding E-Tags; (2) modify the non-delivery charge for deviations from awarded intertie transactions; and (3) clarify aspects of ISO's day-ahead intertie scheduling practices. FERC accepted the revisions effective October 1, 2020, as requested.

- **Deliverability assessment initiative (ER20-732)**

On September 11, 2020, FERC accepted the ISO's compliance filing regarding tariff revisions to remove from its previously proposed tariff, self-scheduling provisions associated with off-peak deliverability status that FERC denied in its May 19, 2020, order.

- **Pacific Gas & Electric Petition for declaratory order regarding the Gates/Round Mountain projects (EL20-60)**

On September 8, 2020, the ISO filed comments supporting PG&E's request for the abandoned plant rate incentive for the PG&E-owned components of two reliability-driven transmission projects the ISO approved in its 2018-2019 annual transmission planning process: (1) the Gates 500 kV Dynamic Reactive Support Project, and (2) the Round Mountain 500 kV Dynamic Reactive Support Project.

- **City of Alameda v. Pacific Gas & Electric (EL20-63)**

On September 9, 2020, the ISO filed comments to the City of Alameda's petition for declaratory order, which pertains to a project the ISO approved through its annual transmission planning process to meet an identified reliability need. Action on the filing could affect the status and efficacy of PG&E's proposed Oakland Clean Energy Initiative project to address reliability needs, and the ISO's ability to timely address reliability concerns.

- **Tariff clarifications (ER20-2374)**

On September 4, 2020, FERC accepted the ISO's July 10, 2020, tariff amendment to clarify parts of the tariff related to emergency procedures, day-ahead and real-time market rules, rules of conduct, and generator interconnection and deliverability allocation procedures. The revisions corrected typographical errors, realigned or removed erroneous cross-references, clarified the meaning of ambiguous tariff provisions, and ensured consistency throughout the tariff. The new tariff provisions are effective September 9, 2020.

- **Amendment 60 – adjustments to minimum load and start-up costs (ER20-2617)**

On August 25, 2020, FERC issued a deficiency letter, requiring further information regarding interest calculations that FERC found in 2019 was appropriate for the ISO to assess on refunds and settlements made in connection with this adjustments to minimum load and start-up costs going back to July 17, 2004.

- **ISO-RTO Council comments on Proposed Critical Infrastructure Protection Standards Enhancements (RM20-12)**

On August 24, 2020, the ISO joined the ISO/RTO Council in comments in response to FERC's Notice of Inquiry seeking comments on certain potential enhancements to the currently-effective Critical Infrastructure Protection (CIP) reliability standards. FERC asked for comments on whether the CIP reliability standards adequately address: (1) cybersecurity risks pertaining to data security, (2) detection of anomalies and events, and (3) mitigation of cybersecurity events. FERC also sought comments on the potential risk of a coordinated cyberattack on geographically distributed targets and whether FERC-action, including potential modifications to the CIP reliability standards, would be appropriate to address such risk.

- **Tariff amendment to modify the market settlement timeline (ER20-2617)**

On August 6, 2020, the ISO filed a tariff amendment to implement changes to its market settlement timeline to address market participants' concerns regarding the inaccuracy of initial settlement statements that the ISO currently issues three business days after a trading day. Initial settlement statements are based solely on estimated meter data, and the outcome is often subject to major adjustments on the second settlement statement issued after twelve business days. These proposed changes also include changes to allow additional flexibility in the time of day when the ISO may issue invoices, and clarifications related to settlement and billing. The ISO requests an order by October 30, 2020, with an effective date of January 1, 2021.

- **Petition for disposition of rules of conduct penalties (ER20-2604)**

On August 3, 2020, the ISO filed its annual petition for approval for the disposition of penalty assessment proceeds and non-refundable interconnection financial security.

- **Tariff amendment proxy demand resources (ER20-1904)**

On July 27, 2020, FERC accepted the ISO's May 27, 2020 tariff amendment revising the current testing methodology used to calculate effective flexible capacity for proxy demand resources, and clarifying that only proxy demand resources bidding in the ISO's five-minute dispatch are eligible to provide flexible ramping product capacity, effective August 1, 2020.

- **Tariff amendment to implement demand response enhancements (ER20-2443)**

On July 16, 2020, the ISO filed a tariff amendment to implement demand response enhancements, resulting from the third phase of the ISO's energy storage and distributed energy resource stakeholder initiative. The enhancements include: allowing electric vehicle charging stations to have a separate load curtailment measure when providing demand response with onsite load; and creating a demand response participation model that facilitates "load shifting" capabilities and accounts for when behind-the-meter energy storage charges and discharges at optimal times.

- **Reform of generator interconnection procedures and agreements – FERC Order No. 845 (ER19-1950)**

On July 16, 2020, FERC issued an order accepting the ISO's April 21, 2020, filing in compliance with the requirements of Order No. 845. FERC directed an additional compliance filing to explain which tariff provisions the ISO relied on to support the assertion that area delivery network upgrades are cost capped. The tariff changes are effective February 20, 2020.

- **Borrego Solar Systems Inc. – request for waiver (ER20-1728)**

On July 10, 2020, the ISO filed comments on request for remedial relief pertaining to Borrego's interconnection request during the ISO's annual interconnection request window. Borrego attempted to submit an interconnection request during the ISO's annual interconnection request window (April 1 to April 15). However, Borrego's request was still incomplete after the close of the window, and the tariff expressly precludes curing deficiencies after the close of the window. The ISO supports Borrego's request for a waiver so that it could be included in the ISO's 2020 interconnection study cluster. Borrego explained that its deficiencies were the result of administrative challenges arising from COVID-19.

- **Mariposa Energy, LLC – request for waiver (ER20-1642)**

On July 10, 2020, the ISO filed comments on Mariposa's request for waiver to Mariposa's interconnection request during the ISO's annual interconnection request window. Mariposa attempted to submit an interconnection request during the ISO's annual interconnection request window (April 1 to April 15). However, Mariposa's request was still incomplete after the close of the window, and the tariff expressly precludes curing deficiencies after the close of the window. The ISO supports Mariposa's request for a waiver so that it could be included in the ISO's 2020 interconnection study cluster. Mariposa explained that its deficiencies were the result of a one-day delay caused by procedures adopted to address COVID-19 restrictions.

Non-Conforming Regulatory Agreements

- **Transferred frequency response agreements – Grant PUD (ER20-2853), City of Seattle (ER20-2850) and Tucson Electric Power (ER20-2838)**

On September 9 and 10, 2020, the ISO filed separate transfer frequency response agreements with the Grant PUD, City of Seattle and Tucson Electric Power in order to help mitigate the risk the ISO may not have sufficient primary frequency response from its native resources, to meet obligations under NERC reliability standard BAL-003 for balancing authority areas. A balancing authority's frequency response obligation is determined each year and reflects its proportionate share – based on annual generation and load – of the interconnection's frequency response obligation. The ISO issued a request for proposals to provide transferred frequency response to balancing authorities in the Western Interconnection. The ISO evaluated those bids against prior frequency response performance by each bidder, as well as the frequency response needs estimated by the ISO for the 2020-2021 compliance year. After this evaluation, the ISO commenced negotiations with selected bidders to execute transferred frequency response contracts.

- **Western energy imbalance market implementation agreement – Avangrid Renewables, LLC (ER20-2688)**

On August 18, 2020, the ISO filed an energy imbalance market implementation agreement with Avangrid. The ISO requests an effective date of October 22, 2020, so that Avangrid may proceed towards implementation no later than April 2022.

- **Large generator interconnection agreement with Sun Stream Solar/ San Diego Gas & Electric (ER20-2636)**

On August 7, 2020, the ISO filed a large generator interconnection agreement with Sun Stream Solar 2 and San Diego Gas & Electric.

- **Energy imbalance market implementation agreement – Public Service of Co. of Colorado (ER20-1937)**

On July 29, 2020, FERC accepted an energy imbalance market implementation agreement for Public Service Company of Colorado, effective July 31, 2020.

- **Energy imbalance market entity agreement – Balancing Authority of Northern California (BANC) (ER20-2502)**

On July 24, 2020, the ISO entered into an amended and restated agreement with BANC to enable BANC to move to its second phase of its participation in the energy imbalance market. The first phase of BANC's participation in the energy imbalance market commenced on April 3, 2019, with the Sacramento Municipal Utility District, but specifically did not include the Western Area Power Administration – Sierra Nevada Region (WAPA) or other BANC members. Phase 2 of BANC's participation will include WAPA and other BANC members.

Informational reports filed

- **Western energy imbalance market transition period reports (ER15-2565)**

On July 14, 2020, the ISO filed an informational report for Salt River Project, for the period May 2020. On July 29, 2020, the ISO filed informational reports for Seattle City Light and Salt River Project, for the period June 2020. In its October 29, 2015, FERC directed the ISO and its Department of Market Monitoring to file monthly informational reports on the transition period for new EIM during their first six months of participation.

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

On July 15, 2020, and August 17, 2020, the ISO filed informational market disruption reports for the time periods of May 16-June 15, 2020, and June 16-July 15, 2020, respectively. 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 July 15, 2020, and August 17, 2020, the ISO filed exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as ordered by FERC in its September 2, 2009, order; and (2) an analysis of the degree of mitigation as required by tariff section 34.11.4. These reports cover the months of May and June, 2020, respectively. 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 the ISO market cannot address.

- **Negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs (ER06-615)**

On August 7, 2020, September 8, 2020, the ISO filed informational reports containing the rates or formulas used to calculate negotiated default energy bids, major maintenance adders, custom operations and maintenance adders, and calculated opportunity costs that the ISO implemented, modified, or terminated in the months of July and August, 2020.

California Public Utilities Commission and other State Matters

- **A.18-05-007 (El Dorado-Lugo-Mojave series capacitor project: certificate of public convenience and necessity)**

On August 10, 2020, the ISO filed comments in support of the proposed decision to grant the certificate of public convenience and necessity for the El Dorado-Lugo-Mojave project in San Bernardino County. The project will increase the capacity of existing transmission lines and improve grid reliability while relieving deliverability constraints so as to enable the integration of renewable energy. On August 17, 2020, the ISO filed

reply comments on the proposed certificate of public convenience and necessity, and responded to the Public Advocates Office motion to reopen the record in this proceeding. On September 3, 2020, the CPUC granted the certificate of public convenience and necessity to Southern California Edison for this project.

- **R.18-12-006 (Continue development of rates & infrastructure for vehicle electrification)**

On July 14, 2020, the ISO submitted opening comments on the safety and technology standards section of the transportation electrification framework. The ISO agrees with Staff's proposal that investor owned utilities' infrastructure requirements should be consistent with minimum requirements of other public agencies to ensure consistency in overcoming technology challenges. Toward those goals, the ISO suggests data points vehicle-to-grid electric vehicles and their supply equipment should provide to ensure the ISO and other agencies can forecast their energy demands accurately.

- **R.19-11-009 (Order instituting rulemaking to oversee the resource adequacy program, consider program refinements, and establish forward resource adequacy procurement obligations)**

On August 7, 2020, the ISO filed comments on the Track 3B proposal, providing four proposals regarding effective load carrying capability methodology for variable-output demand response, availability limited resource procurement, unforced capacity and resource adequacy imports. It also provided an informational update on revised flexible capacity product and multi-year system and flexible capacity requirements.

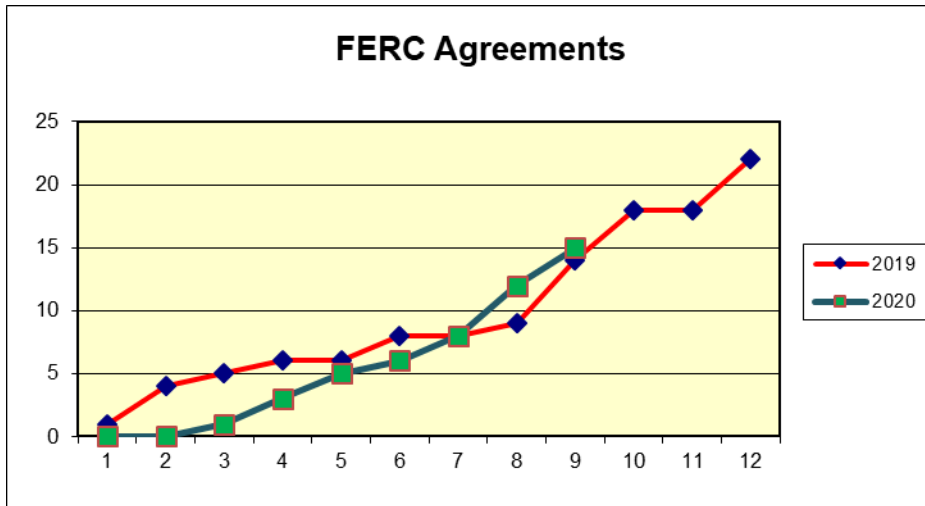
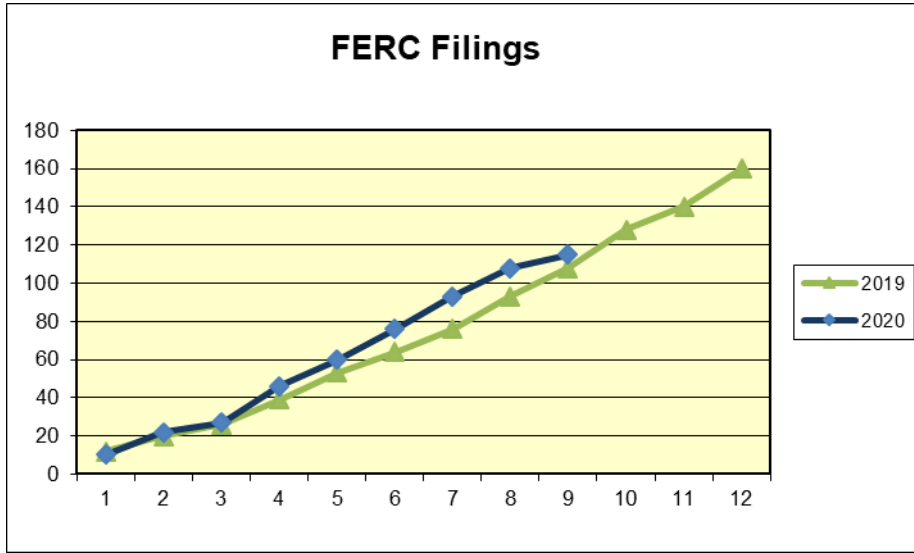
- **R.19-09-009 (Order instituting rulemaking – microgrids)**

On August 14, 2020, the ISO filed comments on the Track 2 staff proposal and concept paper. The ISO fully supports the CPUC's efforts to enable microgrids, enhance grid resiliency, and mitigate the impact of public safety power shutoffs. Having carefully examined Staff's proposal and concept paper, the ISO anticipates that its tariff, study procedures, and market processes are well-situated to align with the CPUC's goals.

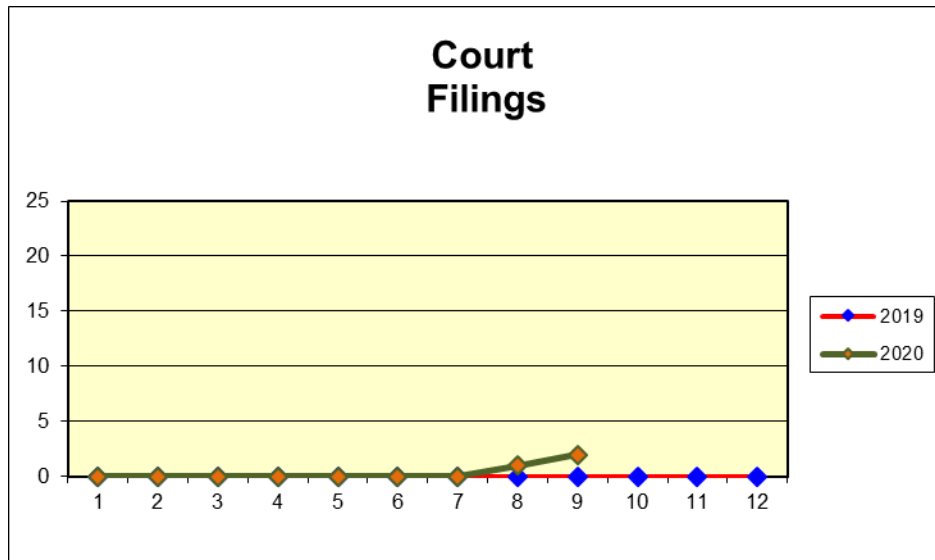
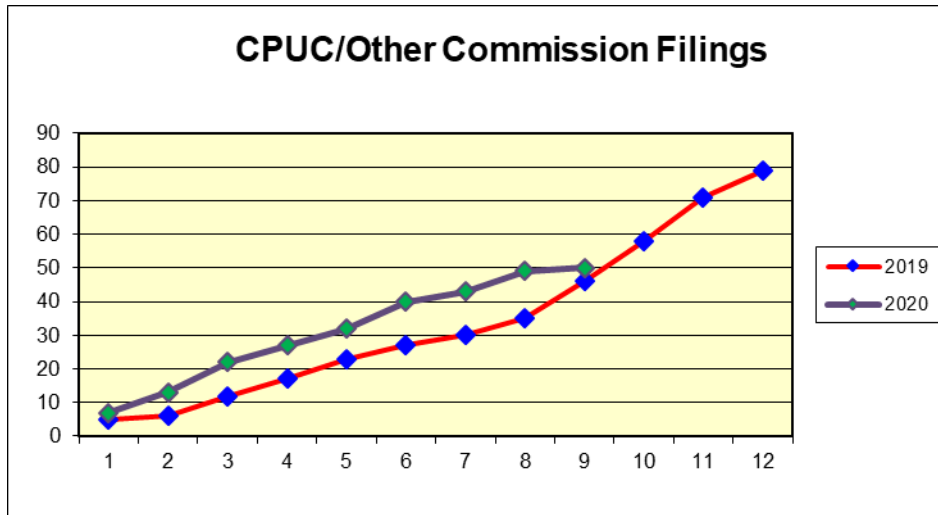
- **R.20-01-007 (Safe and reliable gas systems in California)**

On August 14, 2020, the ISO filed a response to questions set forth in the Administrative Law Judge's ruling seeking comments on: (1) the decreased snowpack impact the need for other baseload resources and/or gas-fired electric generation; (2) the modification of reliability standards so that some noncore customers are reclassified as core customers and have access to firm storage rights; (3) policy changes the CPUC should consider that would help manage the changing use of the gas infrastructure; (4) the benefits and costs of a renewable balancing tariff, as suggested by SoCalGas; and (5) possible changes to PG&E's Operational Flow Order penalty structure so that it aligns with SoCalGas' winter OFO penalty structure.

Regulatory Filings Through September 11, 2020



Regulatory Filings Through September 11, 2020



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