

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: December 11, 2024
Re: **State, Regional, and Federal Affairs Update**

This memorandum does not require ISO Board of Governors action.

STATE AFFAIRS

Regulatory Update

California Public Utilities Commission Resource Adequacy Proceeding:

On November 18, 2024, the ISO filed comments in the California Public Utilities Commission's (CPUC) resource adequacy proceeding on a Proposed Decision. The Proposed Decision delays a decision on the 2026 planning reserve margin, affirms a 1-in-10 loss of load expectation standard as the target for the CPUC's modeling in the resource adequacy program, commits to regularly performing loss of load expectation studies and planning reserve margin stress tests, and directs CPUC staff to develop an unforced capacity framework in coordination with the ISO. The ISO's comments support these recommendations and support the CPUC performing loss of load expectation studies and planning reserve margin stress tests to ensure the resource adequacy planning reserve margin meets a 1-in-10 loss of load expectation across the year, on a regular cadence. The ISO's comments also signal the ISO's commitment to work with the CPUC to develop an unforced capacity framework. The CPUC adopted the Proposed Decision on December 5, 2024.

California Public Utilities Commission Aliso Canyon Proceeding:

On December 3, 2024, the ISO filed comments on a Proposed Decision in the CPUC's Aliso Canyon proceeding. The Proposed Decision authorizes continued operation of Aliso Canyon, sets a maximum working natural gas storage level, defers consideration of timing and procurement of replacement resources for Aliso Canyon to other long-term planning proceedings, and outlines a biennial assessment framework to evaluate future changes to Aliso Canyon storage levels and potential closure of Aliso Canyon, considering reliability and consumer cost impacts. The ISO's comments support the CPUC's recommendation to defer decisions related to Aliso Canyon replacement resource procurement to other proceedings that consider electric and gas planning as a whole. The ISO also supports

CPUC's proposed biennial assessment framework and plan to consult with the ISO on the development of biennial assessments.

California Energy Commission:

On November 7, 2024, the California Energy Commission (CEC) hosted a workshop to review draft results for the 2024 Integrated Energy Policy Report Update, focused on electricity demand forecast load modifiers. The workshop provided an overview of draft forecasted annual electricity impacts for behind the-meter distributed generation and storage, additional achievable energy efficiency, additional achievable fuel substitution, and additional achievable transportation electrification. Staff also presented draft hourly profiles for each load modifier that will be incorporated into the overall draft electricity demand forecast.

On November 22, 2024, the CEC, CPUC, and the California Air Resources Board (CARB) held a joint workshop to discuss utilities' progress towards meeting Senate Bill (SB) 100 statutory targets. The workshop focused on the efforts that the state's utilities are taking to meet SB 100 targets. There were presentations by CARB, CEC, and CPUC staff that covered the CARB Scoping Plan, the Integrated Energy Policy Report demand forecast, and Integrated Resource Planning and resource development trend. Representatives from the utilities, as well as from the balancing authorities, including the ISO, participated in panels and provided presentations. The ISO presented on recent transmission plans and the 20-Year Transmission Outlook and provided updates on reforms to the ISO generator interconnection process.

Legislative Update

California State Legislature:

On December 2, 2024, the Legislature reconvened for an organizational session to seat the returning and newly elected legislators. The Assembly has 23 new members, and the Senate has 12 new members. Of the new Senators, eight previously served in the Assembly. Democrats retain a supermajority in both chambers: 30-9 in the Senate and 61-18 in the Assembly. One seat remains vacant in each chamber, but the seats will be filled by special elections early next year. In their welcoming remarks, Assembly Speaker Robert Rivas (D-Hollister) and Senate President pro tem Mike McGuire (D-Healdsburg) emphasized affordability and the cost of living in California as priorities for the next legislative session. Speaker Rivas also announced that each legislator will only be able to introduce a maximum of 35 bills over the two-year legislative session.

The membership of the Assembly Utilities and Energy Committee and the Senate Energy, Utilities and Communications Committee has not been announced yet, but those assignments are expected to be announced by January 2025. State Affairs plans to directly engage with the new legislators and new members of the energy committees over the

upcoming months to educate them and their staff on the mission and responsibilities of the ISO.

On November 7, 2024, Governor Gavin Newsom [called](#) for another legislative special session to “safeguard California values and fundamental rights in the face of an incoming Trump administration”. On December 2, 2024, the Legislature convened for this special session after their organizational session. Assembly Democrats introduced [AB X1-1](#) (Gabriel) and Senate Democrats introduced [SB X1-1](#) (Wiener); both bills seek to allocate \$25 million for a litigation fund at the California Department of Justice to bolster the state’s legal resources in response to the incoming Trump administration’s signaled policy proposals that would harm the state.

The Legislature will reconvene for regular session and special session on January 6, 2025.

REGIONAL AFFAIRS

Western Energy Markets Governing Body:

The Western Energy Markets (WEM) Governing Body held a virtual general session meeting on November 6, 2024. In addition to standing items, market expert Susan Pope briefed the Governing Body on storage bid cost recovery and received a briefing from the ISO on policy initiatives and WEM Governing Body planning calendar.

The WEM Governing Body will hold its next meeting on December 17, 2024.

WEM Body of State Regulators:

The Body of State Regulators met virtually on November 8, 2024. Agenda items included an update from the ISO on its price formation enhancements initiative. The Body of State Regulators will hold its next virtual monthly meeting on December 13, 2024.

On December 11, 2024, the ISO and Body of State Regulators co-hosted a virtual Western Electricity Markets Training, providing western state commissioners, energy office directors, and staff with an introductory training on the ISO’s energy market services and a presentation from the ISO Department of Market Monitoring.

WEM Regional Issues Forum:

Regional Issues Forum sector liaisons recently updated the Regional Issues Forum Operating Guidelines to reflect their expanding role as a venue for discussing complex market issues and exploring solutions to enhance market efficiency and reliability.

The Regional Issues Forum will hold its next public meeting in early 2025. Agenda items will include a Regional Issues Forum roundtable discussion, providing Regional Issues

Forum members with an opportunity to identify and prioritize discretionary policy initiatives for the ISO's 2025 policy initiative catalog and roadmap process.

Participation in Western Energy Imbalance Market and Extended Day-Ahead Market:

On November 25, 2024, the Balancing Authority of Northern California [signed](#) an implementation agreement to join the extended day-ahead market, making it the third entity to formally commit to the regional day-ahead market offered by the ISO.

The Public Service Company of New Mexico, a wholly-owned subsidiary of TXNM Energy, [announced](#) its plan to join the ISO's extended day-ahead market on November 11, 2024. The Public Service Company of New Mexico has been a participant of western energy imbalance market since 2021.

West-Wide Governance Pathways Initiative:

On November 15, 2024, the West-Wide Governance Pathways Initiative Launch Committee published its final proposal for step 2 of the initiative. On November 22, 2024, the Launch Committee hosted a public call and approved the proposal. The proposal includes a set of detailed action items that they intend to initiate in the new year.

FEDERAL AFFAIRS

Presidential Transition:

President-elect Donald Trump has announced numerous senior roles in his next Administration. Many of these roles are subject to Senate confirmation and President-elect Trump may change the nominees before the Senate considers the nomination. President-elect Trump announced that he intends to create a National Council of Energy led by his nominee to lead the Department of Interior, North Dakota Governor Doug Burgum. He also nominated Chris Wright as Secretary of the Department of Energy. Both of these cabinet-level positions are subject to Senate confirmation.

Congress:

Leadership roles on Capitol Hill are starting to be finalized. Senator John Thune (R-South Dakota) will be the Senate Majority Leader, replacing Senator Mitch McConnell (R-Kentucky). Senator Chuck Schumer (D-New York) is expected to remain as Senate Minority Leader. Congressman Mike Johnson (R-Louisiana) is expected to remain as Speaker of the House of Representatives. Congressman Hakeem Jeffries (D-New York) will remain as Minority Leader in the House of Representatives.

The incoming Congress will vote on committee leadership positions and plan committee assignments in the upcoming weeks. The Senate Energy and Natural Resources Committee and the House Energy and Commerce Committee, the two Committees of

jurisdiction for the ISO, will both appoint new Chairs in the next Congress since Senator Joe Manchin (I-West Virginia) and Congresswoman Cathy McMorris Rodgers (R-Washington), the outgoing Chairs of each committee, are both retiring.

Congressional Republican leadership has announced plans to use reconciliation, a legislative procedure only available to address budget items, in the next Congress when Republicans will control both chambers. Reconciliation is the procedural vehicle used to pass many significant bills by both parties, including the Inflation Reduction Act (2022) and the Tax Cuts and Jobs Act (2017). Reconciliation allows a bill to bypass the Senate filibuster (60 votes) and instead pass by a simple majority, but the substance of the bill must have a budget nexus.

Congress has also indicated a few priorities for the lame duck session. Federal government funding expires on December 20, 2024, so Congress will need to pass another continuing resolution or an appropriations package. The National Defense Authorization Act is an annual bill that has not been passed yet, so that is also expected to be prioritized. Permitting reform, specifically the proposal from Senators Manchin and Barrasso, has not advanced thus far, but could if an agreement is reached.