

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: July 10, 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 (CPUC) Integrated Resource Plan (IRP) Proceeding:

On May 24, 2024, the ISO filed comments in the CPUC's IRP proceeding regarding the CPUC's consideration of options for centralized procurement of long lead-time resources. The ISO's comments recognize the inherent uncertainty in the development of new technologies with long development timelines such as floating offshore wind. In light of these uncertainties, the ISO added language to its 2023-2024 Transmission Plan that recognizes a need to balance timely engagement in long lead-time transmission development with parallel development paths such as resource and port infrastructure development. The ISO recommended that decisions regarding long lead-time resource development be directly reflected in IRP portfolios to ensure the ISO Transmission Planning Process can adequately plan for transmission for long lead-time resources based on the CPUC's resource decisions.

On June 11, 2024, the ISO filed comments in support of a CPUC Energy Division proposal to allow load serving entities (LSEs) to use non-emitting "bridge" procurement to temporarily meet the Diablo Canyon replacement portion of procurement obligations issued in 2021. LSEs have indicated facing challenges to meet the 2025 compliance date for new procurement and suggested the CPUC allow LSEs to procure other supply until new resources come online. The ISO supports the use of bridge procurement to backfill delays in Diablo Canyon replacement procurement, which will help maintain reliability targets in the near term until new resources come online.

CPUC Resource Adequacy (RA) Proceeding:

On June 20, 2024, the CPUC adopted various reforms to their RA program. The CPUC's new "Slice of Day" RA framework will go live in 2025. The CPUC also sets a 17% planning reserve margin (PRM) for 2025 and retains an additional "effective" PRM of 1,700-3,200 megawatts. The CPUC will continue to monitor the performance of the new Slice of Day framework throughout 2024 and in 2025 and will consider adjustments as needed.

The ISO supports the CPUC closely monitoring the performance of the Slice of Day framework, especially during its first compliance year in 2025, as Slice of Day is a new and novel RA design. The ISO supported the CPUC retaining at least a 17% PRM and the "effective" PRM for 2025. The ISO, however, continues to recommend the CPUC establish a process to set the PRM in the RA program based on a loss of load expectation (LOLE) study, and adopt a process to test the PRM level to ensure RA requirements meet a 1-in-10 LOLE.

California Energy Commission (CEC):

On May 16, 2024, the ISO participated in a CEC workshop on electricity load growth areas. The workshop focused on areas where load growth may be underrepresented in the CEC's demand forecast. The workshop covered potential load growth associated with data centers, hydrogen, and electrification in agricultural and manufacturing sectors. The ISO works closely with the CEC and CPUC year-round on annual updates to the CEC's demand forecast as the CEC's demand forecast is a key input to downstream planning processes including the ISO's Transmission Planning Process and the CPUC's Integrated Resource Plan. Accounting for the impacts of electrification and load growth in the CEC's forecast is critical to ensure downstream planning processes can effectively identify new resource and infrastructure needs.

Legislative Update

Budget:

On May 29, 2024, the Assembly and Senate announced an agreement on a [joint legislative budget plan](#), and on June 13, 2024, the Legislature passed a [placeholder budget bill](#) to meet the June 15 constitutional deadline to pass a balanced budget.

On June 22, 2024, Governor Gavin Newsom and Legislature announced a [final budget agreement](#) that is balanced through the 2024-25 and 2025-26 budget years. The agreement addresses the 2024-25 budget year projected shortfall of about \$46.8 billion and the 2025-26 shortfall of over \$30 billion. The 2024-25 shortfall is addressed through a mix of solutions:

- **\$16.0 billion in reductions** – The agreement reduces funding for various items, but largely maintains the climate, environment and energy spending that was outlined in the Governor's budget proposal. Notable energy actions include:



- Offshore Wind – Preserves \$45 million for offshore wind port infrastructure at the CEC, and provides \$16 million for offshore wind permitting activities at the Ocean Protection Council, Coastal Commission, and State Lands Commission.
- Energy Reliability – Cuts \$111.5 million from Demand Side Grid Support (DSGS) program and \$63 million for Distributed Electricity Backup Assets (DEBA). Provides the CEC flexibility to allocate \$75 million between the DSGS and DEBA programs.
- **\$6.0 billion in reserves** – The agreement withdraws \$12.2 billion from the Rainy Day Fund over the next two fiscal years – \$5.1 billion in 2024-25, \$7.1 billion in 2025-26, and \$900 million from the Safety Net Reserve in 2024-25. The agreement maintains \$22.2 billion in total reserves at the end of the 2024-25 fiscal year.
- **\$6.0 billion in fund shifts** – The agreement shifts certain expenditures from the General Fund to other funds. This includes shifting \$3 billion for clean energy and other climate programs from current year and budget year General Fund to the Greenhouse Gas Reduction Fund.
- **\$3.1 billion in delays and pauses** – The agreement minimizes the use of delays to avoid both increased future obligations and potential shortfalls.
- **\$2.1 billion in deferrals** – The agreement defers certain payments to later years.

California State Legislature:

State Affairs continues to track bills that may have an impact on ISO operations as they move through legislative deadlines and advance to their second house. May 24, 2024 was the deadline for each chamber to pass bills out of their house of origin, and June 27, 2024 was the deadline for a legislative measure to qualify for the November 5 General Election ballot.

The Legislature adjourned for summer recess on July 3, 2024, and will reconvene on August 5, 2024.

ISO Board of Governor Appointments:

On February 15, 2024, Governor Newsom reappointed Mary Leslie to the ISO Board of Governors, where she has served since 2019. On July 3, 2024, the Senate Rules Committee held a confirmation hearing to review Governor Leslie's reappointment to the ISO Board of Governors and voted 5-0 to confirm her reappointment. Governor Leslie's full confirmation will come before the Senate Floor in August or September 2024 after the Legislature reconvenes.

REGIONAL AFFAIRS

Western Energy Imbalance Market (WEIM) Governing Body:

The WEIM Governing Body met in general session on May 22, 2024. In addition to standing items, Guillermo Bautista Alderete (Director, Market Performance and Advanced Analytics) provided a WEIM benefits and market update. Susan Pope (WEIM Governing Body Market Expert) then provided Governing Body members with her expert opinion on rules for bidding above the soft offer cap (price formation enhancements). Becky Robinson (Director, Market Policy Development) then provided updates on several day-ahead and real-time market initiatives, as well as on-going working group efforts.

The WEIM Governing Body met again in general session on June 20, 2024. In addition to standing items, Nicole Hughes (Executive Director, Renewable Northwest, WEIM Nominating Committee Chair) presented the 2024 WEIM Nominating Committee's recommendation that the Governing Body re-appoint WEIM Governing Body members Robert Kondziolka and Rebecca Wager to terms beginning July 1, 2024 and ending June 30, 2027. WEIM Governing Body members agreed with the Nominating Committee's recommendation and approved a motion to re-appoint members Kondziolka and Wagner. Members then elected Robert Kondziolka to serve as Chair and Rebecca Wagner to serve as Vice Chair of the WEIM Governing Body, effective July 31, 2024 to June 30, 2025. Neil Millar (Vice President, Infrastructure & Operations Planning) then provided a briefing on ISO West-wide transmission activities, and Becky Robinson (Director, Market Policy Development) provided updates on several WEIM-related initiatives and on-going working group efforts.

The WEIM Governing Body will hold its next in-person/virtual hybrid general session meeting on September 25, 2024, in Tempe, AZ.

WEIM Body of State Regulators (BOSR):

The WEIM Body of State Regulators (BOSR) met virtually on June 14, 2024. Commissioner Gabriel Aguilera (BOSR representative to the WEIM Nominating Committee) provided BOSR members with a Nominating committee update. Kathleen Staks and Pam Sporborg (Co-Chairs of the West-Wide Governance Pathways Initiative Launch Committee) then provided a briefing on the Pathways Initiative, and Stacey Crowley (Vice President, External Affairs) discussed the related ISO stakeholder process.

The BOSR will hold its next virtual monthly meeting on July 12, 2024.

WEIM Regional Issues Forum (RIF):

The RIF met in-person on June 20, 2024, in Boise, ID, in conjunction with the WEIM Governing Body regional meeting. Discussion items included "Unlocking Value: The

Economic and Operational Benefits of Virtual Power Plants in Western Markets,” and “The Road to EDAM,” a discussion with PacifiCorp and Balancing Authority of Northern California representatives on EDAM implementation. A recording of the RIF meeting and presentation materials are available on the [RIF webpage](#).

The RIF will hold its next hybrid virtual/in-person meeting on October 29, 2024, in Sacramento, CA, in conjunction with the [ISO Stakeholder Symposium](#) on October 30, 2024.

Participation in WEIM and EDAM:

On May 31, 2024, NV Energy indicated ([press release](#)) in an IRP filing to the Public Utilities Commission of Nevada that it intends to pursue participation in EDAM. This brings the number to six entities indicating a preference to participate in the expanded western market. PacifiCorp and Portland General Electric have signed formal agreements to join, and the Balancing Authority of Northern California and the Los Angeles Department of Water and Power previously announced intent to join the market. In addition, Idaho Power has indicated that it is currently leaning toward EDAM as its preferred day-ahead market.

In November 2023, Berkshire Hathaway Energy Montana (BHE Montana) publicly announced its intention to join WEIM in spring 2026. On March 27, 2024, the ISO filed an executed WEIM Implementation Agreement for BHE Montana with the Federal Energy Regulatory Commission (FERC). On May 17, 2024, the FERC issued an order accepting that agreement with an effective date of May 27, 2024.

West-Wide Governance Pathways Initiative:

Following a [letter](#) from commissioners from five western states urging the establishment of the West-Wide Governance Pathways Initiative (Pathways Initiative), stakeholders stood up a Launch Committee, to explore options for independent governance of western markets. The Launch Committee voted unanimously on May 31, 2024 to adopt a Step 1 recommendation and continue development of Step 2. See all public information related to this initiative on the Western Interstate Energy Board webpage [here](#).

Their Step 1 recommendation envisions giving “Primary Authority” over WEIM and EDAM market rules to the WEIM Governing Body, while modifying the process for resolving disputes between the Governing Body and the ISO Board of Governors. It also proposes to enable “dual filing” of proposals from each body at the FERC in the event that a consensus decision cannot be reached.

The Launch Committee submitted their Step 1 recommendation to the Chairs of the ISO Board of Governors and the WEIM Governing Body on June 5, 2024. After receipt of that recommendation, ISO staff was directed to launch a policy initiative process to engage its stakeholders to seek feedback on the Step 1 recommendation. An initial stakeholder call

was held on June 18, 2024, with a request for written comments by July 10, 2024. See more information on the ISO's policy initiative process on the Step 1 recommendation [here](#).

FEDERAL AFFAIRS

Congress:

President Joe Biden nominated three people, Judy Chang, David Rosner, and Lindsay See, to the FERC on February 29, 2024. The Senate Energy and Natural Resources Committee held a full hearing to consider the nominees on March 21, 2024. All three nominees were voted out of the committee on a bipartisan basis. The Senate confirmed Rosner and See on June 12, 2024 and Chang on June 13, 2024. Rosner was sworn in on June 17, 2024, See was sworn in on June 28, 2024, but Chang has not been sworn in yet.

Administration:

The White House invited the ISO to participate in two events. Neil Millar (Vice President, Transmission Planning & Infrastructure Development) participated in a White House Strategic Roundtable on Innovative Grid Deployment on February 12, 2024. Elliot Mainzer (President and Chief Executive Officer) presented at the White House Summit on Modernizing the Power Grid on May 28, 2024.

The Environmental Protection Agency (EPA) published a final rule for regulation of greenhouse gas emissions from existing coal and new gas power generation plants on May 9, 2024. The EPA opened a non-regulatory docket for a potential rulemaking regarding existing gas generation plants on March 26, 2024.

On May 8, 2024, the Department of Energy Grid Deployment Office published draft designations of National Interest Electric Transmission Corridors. The designation of a corridor is a condition precedent for the potential use of FERC permitting authority and is a consideration to be used in certain Department of Energy transmission financing programs. There is one proposed corridor adjacent to the ISO balancing authority. Public comments will be considered before final designations are made final.