

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: July 16, 2025
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:

On June 26, 2025, the California Public Utilities Commission (CPUC) adopted a decision on track 3 of the resource adequacy proceeding. The decision sets system, local, and flexible resource adequacy requirements. Local capacity requirements are set for 2026-2029, flexible capacity requirements are set for 2026. The planning reserve margin for load serving entities under the CPUC jurisdiction is set to 18 percent plus an “effective” planning reserve margin of 1,260 MW to 2,300 MW for 2026 and 2027. The ISO submitted comments on this decision, noting that the 2026 planning reserve margin is an improvement over the existing 17 percent plus an “effective” planning reserve margin and moves closer to requirements needed to meet a 0.1 loss of load expectation. However, the binding 18 percent planning reserve margin is still below the level needed to meet a 0.1 loss of load expectation. The ISO continues to advocate for a planning reserve margin that ensures resource adequacy requirements meet a 0.1 loss of load expectation. The decision also authorizes the CPUC to work with the ISO and parties to further develop a final unforced capacity framework for counting certain types of resources administered by the CPUC, with a targeted implementation in 2028.

California Energy Commission:

On June 5, 2025, the California Energy Commission (CEC) hosted a workshop to discuss the updated impact study of the benefits of day-ahead markets relating to the West-Wide Governance Pathways Initiative. This workshop and discussion will be included in the CEC’s 2024 Integrated Energy Policy Report Update.

On June 25, 2025, the CEC hosted a workshop on California’s progress to improve load flexibility resources and strategies to achieve a 7 GW load-shift goal by 2030. The CEC

adopted this load-shift goal in 2023 at the direction of [Senate Bill \(SB\) 846](#) (Dodd, Chapter 239, Statutes of 2022). The workshop provided an opportunity for commissioners, electricity resource planners, CEC staff, and stakeholders to discuss load flexibility that currently exists in California and emerging opportunities to harness load flexibility effectively. The ISO also participated on the dais for the workshop.

Legislative Update

California State Legislature:

On June 9, 2025, the Senate Democratic Caucus elected [Senator Monique Limón](#) (D-Santa Barbara) to become the next Senate President Pro Tempore. She will transition into the role in early 2026 and will replace current Pro Tempore Mike McGuire (D-Healdsburg), who will be terming out in 2026. State Affairs also anticipates a change in committee chairs and membership when Senator Limón transitions into the role. She will be the first Latina Pro Tempore and the first Pro Tempore from Santa Barbara.

On July 8, 2025, the Assembly Republican Caucus elected [Assemblymember Heath Flora](#) (R-Ripon) to become the next Assembly Minority Leader. He will transition into the role on September 16, 2025, and will replace current Minority Leader James Gallagher (R-East Nicolaus), who will be terming out in 2026. There may also be a change in committee vice chairs when Assemblymember Flora transitions into the role.

State Affairs continues to track [SB 540](#) (Becker) and other bills that may impact the ISO as they move through the legislative process. June 6, 2025, was the deadline for bills to pass out of their house of origin. SB 540 passed out of the Senate by a 36-0 vote on June 4, 2025, and was referred to the Assembly Utilities and Energy Committee on July 10, 2025.

July 18, 2025, is the deadline for policy committees to pass out bills onto the floor or fiscal committees; however, a rule waiver can allow a bill to be heard in policy committee and passed out after this deadline. Summer legislative recess will also begin after the Legislature adjourns on July 18, 2025. The Legislature will reconvene on August 18, 2025.

Budget

On May 14, 2025, Governor Gavin Newsom released his annual [May Revision Budget](#). His proposed “Cap and Invest” extension includes a number of cuts from prior continuous appropriations and discretionary spending for 2025-26. Notably:

- \$75 million from demand side grid support
- \$26 million from long duration storage
- \$200 million Distributed Electricity Backup Assets
- \$34 million from hydrogen grants
- \$30 million from Oroville pump storage

After weeks of negotiation, the Legislature and the Governor came to an agreement on June 27, 2025, and the [Governor signed a balanced budget bill](#) and a number of budget trailer bills. However, they did not pass a budget trailer bill addressing these energy programs funded by the Greenhouse Gas Reduction Fund and voter-approved climate bonds, instead deferring those negotiations to later in the year.

ISO Board of Governors Appointments

On July 2, 2025, the Senate Rules Committee held a confirmation hearing for the re-appointments of Jan Schori and Severin Borenstein to the ISO Board of Governors. The Committee voted 5-0 for both re-appointments. Their full confirmations are pending votes on the Senate floor. Their terms will expire on December 31, 2027.

REGIONAL AFFAIRS

Western Energy Markets Governing Body:

The Western Energy Markets (WEM) Governing Body met in general session on June 18, 2025, in Reno, Nevada. In addition to standing items, the WEM Governing Body approved the Nominating Committee's slate of candidates. Deborah Smith (former CEO at Seattle City Light) joins as a new member for a three-year term, and Andrew Cambell was reappointed to a second three-year term. Rebecca Wagner was selected as Chair and Andrew Campbell as Vice Chair from July 1, 2025, to June 30, 2026.

At the June 19, 2025 joint meeting of the ISO Board of Governors and WEM Governing Body, the two boards unanimously approved the [final EDAM Congestion Revenue Allocation proposal](#). Additional information is available on the [EDAM initiative webpage](#).

The WEM Governing Body will hold its next meeting virtually on July 22, 2025. This will be the first meeting where the WEM Governing Body assumes primary authority over market rules, following the activation of governance changes under Pathways Step 1.

WEM Body of State Regulators:

On June 13, 2025, the Body of State Regulators met virtually. Agenda items included a presentation by Alyssa Krag-Arnold (Lead Policy Integration & Governance Specialist) and Amelia Blanke (Principal Economist & Director, Market Strategy and Governance) on the 2025 Policy Catalog and Roadmap Process, and a briefing by Milos Bosanac (Regional Markets Sector Manager, Market Policy Development) on the Congestion Revenue Allocation Policy initiative.

On July 11, 2025, the Body of State Regulators met virtually. Agenda items included a briefing by Anja Gilbert (Lead Policy Developer), previewing a forthcoming draft final proposal on greenhouse gas emissions accounting and reporting.

The WEM Body of State Regulators will hold its next meeting on August 8, 2025.

WEM Regional Issues Forum:

The Regional Issues Forum (RIF) held a public meeting on June 17, 2025, in Reno, Nevada. Discussion topics included emerging market seams in the West, an update from Black Hills Energy and BHE Montana on their WEIM implementation activities, a RIF enhancements update following the publication of a Discussion Paper, and a brief update from the ISO on its activities to implement the day-ahead market enhancements design. Meeting materials and a recording are available on the [WEM RIF webpage](#).

The RIF will hold its next meeting later this year virtually. Details will be announced in a future public notice.

Participation in western energy imbalance market and extended day-ahead market:

Since the ISO Board of Governors and WEM Governing Body meeting in May 2025, three entities have executed implementation agreements to join the western energy markets. On May 13, 2025, [Turlock Irrigation District](#) (TID) signed an implementation agreement to join EDAM in October 2027. Also in May 2025, [Imperial Irrigation District](#) (IID) signed implementation agreements to simultaneously join both WEIM and EDAM in October 2028—making it the first utility to pursue concurrent onboarding into both markets. And with IID's signing, all California balancing authorities are now committed to participation in the energy markets operated by the ISO for the first time.

Meanwhile, on July 1, 2025, the [Public Service Company of New Mexico \(PNM\)](#) executed an implementation agreement to join EDAM in October 2027. Significantly, this signing by PNM results in triggering the Pathways Step 1 governance change.

West-Wide Governance Pathways Initiative:

As noted above, with the signing of the EDAM implementation agreement by PNM, the Pathways Step 1 governance changes are now in effect. As a result of this change, the Governing Body will now have Primary Authority over tariff matters that apply to the western energy markets, with their decisions going on the consent agenda of the ISO Board of Governors. The Step 1 changes also add new public interest provisions to the Charter for WEIM and EDAM Governance and create a new dispute resolution mechanism that delegates Dual Section 205 filing rights at FERC to the Governing Body. For more information on these governance changes, see [Governance - Western Energy Imbalance Market](#).

FEDERAL AFFAIRS

Administration:

President Trump has continued to issue executive orders on a range of topics with a nexus to electricity policy. In one such order, President Trump directed federal wildlife agencies to more closely coordinate wildfire fighting efforts. President Trump also issued four executive orders supporting the nuclear power sector: *Deploying Advanced Nuclear Reactor Technologies for National Security*, *Ordering the Reform of the Nuclear Regulatory Commission*, *Reforming Nuclear Reactor Testing at the Department of Energy*, and *Reinvigorating the Nuclear Industrial Base*. Earlier this spring, President Trump issued a package of Executive Orders addressing energy with a focus on revitalizing the coal industry and grid reliability. Per the Executive Order titled, *Strengthening the Reliability and Security of the United States Electric Grid*, the United States Department of Energy (DOE) developed a methodology regarding planning reserve margins and published a report.

Under the authority of Section 202(c) of the Federal Power Act, DOE Secretary Chris Wright recently issued orders to Duke Energy Carolinas, PJM Interconnection, Midcontinent Independent System Operator, and Puerto Rico Electric Power Authority (PREPA) to authorize the operation of generation plants that otherwise may not operate. Secretary Wright announced the termination of 24 awards issued by the DOE Office of Clean Energy Demonstrations totaling over \$3.7 billion in taxpayer-funded financial assistance. The DOE Loan Program Office canceled a partial loan guarantee of \$2.92 billion that had been awarded to residential solar panel installer Sunnova Energy. DOE also announced new leadership, Carl Coe (Chief of Staff to the Secretary) and Alex Fitzsimmons (Director of CESER).

President Trump withdrew the federal government from the Resilient Columbia Basin Agreement reached between the federal government and the states of Washington and Oregon, the Nez Perce Tribe, Confederated Tribes and Bands of the Yamaka Nation, Confederated Tribes of the Umatilla Indian Reservation and the Confederated Tribes of the Warm Springs Reservation. The Trump Administration also paused the implementation of the Columbia River Treaty agreement between the United States and Canada which had been reached under President Biden. The Bonneville Power Administration, in collaboration with Energy Northwest, announced that the Columbia Generating Station, a nuclear plant in Richland, Washington, will undergo an extended power upgrade.

The Council on Environmental Quality and the National Energy Dominance Council, and relevant permitting agencies, issued a Permitting Technology Action Plan to modernize federal environmental review and permitting processes for infrastructure. This follows the creation of a Permitting Innovation Center. Both are aimed at using modern technology, such as Artificial Intelligence, to streamline federal permitting processes. President Donald Trump has appointed Emily Domenech, a former senior policy adviser to House Speaker Mike Johnson and his predecessor Kevin McCarthy, as executive director of the Federal Permitting Improvement Steering Council.

President Trump terminated Christopher Hanson from the Nuclear Regulatory Commission. President Trump nominated Laura Swett to replace Chairman Christie at the FERC. A confirmation hearing has not been scheduled for Ms. Swett.

The Environmental Protection Agency (EPA) plans to end greenhouse gas emissions limits on power plants. The EPA announced it will cut staffing to Reagan-era levels and eliminate its Office of Research and Development.

Congress:

President Trump signed H.R. 1, the “One Big Beautiful Bill Act,” into law after the House voted to pass the Senate version. This bill impacts many sectors of society in significant ways. In the electricity sector, this legislation is expected to prioritize fossil fuel, nuclear, and geothermal generation while cutting tax credits for wind and solar power generation. The bill is estimated to add at least \$3 trillion to the national debt, although the exact number cannot be determined at this point. The ISO is reviewing the impact of this legislation on ISO processes and relevant projects in the western United States.

President Trump announced his proposed Fiscal Year (FY) 2026 budget request. This marks the beginning of budget negotiations between the administration and Congress. To avoid a government shutdown, a budget must be passed by September 30, 2025. The Senate Natural Resources Committee held a budget hearing for FY 2026 on June 18, 2025. The Senate Finance Committee held a budget hearing for FY 2026 on June 12, 2025. The House Energy and Commerce Committee held its budget hearing for DOE on June 10, 2025.

Senator Alex Padilla (D-California), the Ranking Member of the Senate Committee on Rules and Administration, continues to put a blanket hold on nominations for positions at the EPA in retaliation for the Senate's decision to ignore a parliamentarian's ruling and vote to rescind waivers allowing California and other states to set tighter limits on vehicle emissions. Representative Robert Garcia (D-California) was elected to lead House Oversight for the Democrats.

Representative Julie Fedorchak (R-North Dakota) introduced the *Baseload Reliability Protection Act* which seeks to prohibit the retirement of certain dispatchable units in areas identified by NERC as having an elevated reliability risk and provide financial support to those units.

The Senate confirmed James Danly, former FERC Chair and General Counsel, as Deputy Secretary of DOE.

Judiciary:



In *Seven County Infrastructure Coalition v. Eagle County*, the United States Supreme Court unanimously concluded that the National Environmental Policy Act (NEPA) does not allow courts to delay or block projects based on the environmental effects of other projects that are separate in time or place from the project subject to NEPA review. The impact of this decision is still to be determined, but the permitting of energy projects may be affected.