

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: May 14, 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 March 2, 2025, the ISO filed comments in the California Public Utilities Commission's (CPUC) Resource Adequacy (RA) proceeding on party proposals. The ISO's comments focus on the Energy Division's planning reserve margin proposals for 2026. The ISO continues to urge the CPUC to establish binding RA requirements that meet a 1-in-10 loss of load expectation target across the year. The ISO encourages the CPUC to more thoroughly investigate drivers of high RA prices and consider proposals that directly address those drivers. The ISO recommends that the CPUC avoid adopting an "effective" planning reserve margin or system waivers that could undermine robust front-stop procurement. Additionally, the ISO recommends the CPUC review existing RA rules to ensure alignment with the ISO's day-ahead market enhancements and extended day-ahead market (EDAM) policies. The CPUC will release a proposed decision on track 3 and the planning reserve margin for 2026 in June.

California Energy Commission:

On April 2, 2025, the California Energy Commission (CEC) hosted a workshop to present and gather feedback on a draft report on Sea Space Analysis for Wave and Tidal Energy. The workshop is a result of [Senate Bill \(SB\) 605](#) (Padilla, Chapter 405, Statutes of 2023), which directs the CEC to evaluate the feasibility, costs, and benefits of wave and tidal energy off the coast of California. The draft report provides findings on the latest research about the technological and economic feasibility of deploying offshore wave and tidal energy off the coast of California in state and federal waters.

On March 18, 2025, the CEC hosted an in-person Tribal Energy Summit. The CEC Tribal Energy Summit aimed to uplift tribal voices in the energy space and highlight current

approaches to state partnerships with California Native American tribes and other entities on clean energy policies, planning, and project development. The panelists discussed tribal energy funding, examples of utility and tribal utility partnerships, tribal cultural resource protection and energy development, clean energy policy and planning with California Native American tribes, and engagement and partnership opportunities.

Legislative Update

California State Legislature:

State Affairs continues to track [SB 540](#) (Becker) and other bills that may impact the ISO. SB 540 made it out of the policy committees before the deadline on May 2, 2025. The bill passed out of the Senate Energy, Utilities, and Communications Committee on a 17-0 vote on April 21, 2025, and passed out of the Senate Judiciary Committee on an 11-0 vote (two abstentions) on April 29, 2025. The bill is currently awaiting hearing in the Senate Appropriations Committee, and May 23, 2025, is the deadline for fiscal committees to hear and report to the floor bills introduced in their house. June 6, 2025, is the deadline for bills to pass out of their house of origin.

On May 7, 2025, the Assembly Utilities and Energy Committee held its annual [oversight hearing](#) on electricity reliability. ISO CEO and President Elliot Mainzer participated on a panel alongside CPUC President Alice Reynolds, CEC Vice Chair Siva Gunda, and Department of Water Resources Deputy Director for Statewide Energy Delphine Hou. The panel provided an overview of peak demand conditions from past years, the lessons learned from those events, and how their planning processes have improved since then. The panel also gave a preview of 2025 summer conditions and fielded questions from the members of the Committee.

Budget

May 14, 2025, was the deadline for Governor Gavin Newsom to release his annual May revision budget. In his [January budget](#) release, the Governor's \$322.3 billion fiscal plan provided for \$228.9 billion in general fund spending and nearly \$17 billion in combined reserves. The budget also included \$228.2 million for port upgrades to serve offshore wind generation, including construction and improvements of publicly owned port facilities for manufacturing, assembly, staging, and integration of components and vessels, and \$50 million for the Demand-Side Grid Support Program, including load reduction and backup generation efforts that support electric grid reliability during extreme weather events. June 15, 2025, is the deadline for Legislature to pass a budget bill.

REGIONAL AFFAIRS

Western Energy Markets Governing Body:

The Western Energy Markets (WEM) Governing Body held a virtual general session on March 25, 2025. In addition to standing items, Milos Bosanac (Regional Market Sector Manager, Market Policy Development) provided a briefing on the extended day-ahead market congestion revenue allocation, and Becky Robinson (Director, Market Policy Development) provided an update on ISO policy initiatives.

On April 8, 2025, the WEM Governing Body held a special general session meeting, where WEM Governing Body market expert Susan Pope presented on parallel flow implications for physical and financial transmission rights.

The WEM Governing Body will hold its next meeting on May 20, 2025.

WEM Body of State Regulators:

On April 2, 2025, the Body of State Regulators met in La Jolla, California. Agenda items included an update on the West-Wide Governance Pathways Initiative, and an ISO briefing on the expedited EDAM congestion revenue rights initiative. On May 9, 2025, the Body of State Regulators met in executive session to discuss the progress of the WEM Nominating Committee.

The WEM Body of State Regulators will hold its next meeting on June 13, 2025.

WEM Regional Issues Forum:

The Regional Issues Forum (RIF) held its last meeting on April 9, 2025, in Portland, Oregon. Agenda items included a roundtable discussion, as well as an opportunity for RIF members to identify and prioritize discretionary policy initiatives for the ISO's 2025 policy initiative catalog and roadmap process. Other agenda items included an update on proposed RIF enhancements and a discussion on market seams. Meeting materials and a recording are available on the [WEM RIF webpage](#).

The RIF will hold its next meeting on June 17, 2025, in Reno, Nevada.

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

Onboarding activities continue for new participants joining the Western Energy Imbalance Market in 2026, and for the inaugural entrants into the extended day-ahead market in 2026. No additional entities have announced their intention to join the market, or proceeded to the execution of market implementation agreements, since the last meeting of the ISO Board of Governors and WEM Governing Body.

One of the onboarding WEIM entities has changed its name. Going forward, BHE Montana will be known as PowerWatch.

West-Wide Governance Pathways Initiative:

In November 2024, the ISO [filed](#) with FERC changes necessary to implement the Pathways Step 1 proposal. On April 2, 2025, FERC [accepted](#) these changes, paving the way for the ISO to implement the Step 1 governance changes after a trigger is met based on a certain level of commitment by western utilities to participate in EDAM. The ISO expects the necessary commitments to EDAM to occur later in 2025 to satisfy the trigger.

Following the adoption of the Step 2 proposal by the Pathways Initiative at the end of 2024, the legislation necessary to implement that proposal has been introduced in the California State Legislature. The Formation Committee of the Pathways Initiative continues to develop details around the formation of the independent regional organization.

FEDERAL AFFAIRS

Administration:

On April 9, 2025, President Donald Trump issued a package of Executive Orders addressing energy with a focus on revitalizing the coal industry and grid reliability. Federal agencies have yet to announce significant measures to implement these orders, but the Administration is focused on revitalizing coal, supporting development of fossil resources, and limiting development of renewable resources.

On April 2, 2025, President Trump announced a comprehensive tariff regime. Over the course of April, President Trump subsequently reduced or eliminated those tariffs in some instances. The impact of the tariffs on the electricity sector is still to be determined and will likely differ from product to product.

On March 28, 2025, a federal appeals court ruled that President Trump can fire commissioners at independent agencies, a move that would allow him to remove senate confirmed officials. The new decision appears to have implications for the FERC. On April 22, 2025, FERC Commissioner Willie Phillips resigned after stating that President Trump had asked him to step down. The President will likely appoint a Republican to fill Phillips' seat.

The Trump Administration is moving forward with measures to reduce the workforce across the federal government after a federal appeals court ruled that it could continue to terminate probationary employees. A first round of layoffs at the Environmental Protection Agency (EPA) will go into effect on July 31, 2025, and will apply to employees that worked on environmental justice matters. FERC Chair Mark Christie stated that FERC has lost approximately 9% of its workforce due to early retirements and employees resigning since the President took office. There are also reports that approximately 100 Bonneville Power Administration employees have resigned.

A federal judge granted an injunction blocking the EPA's efforts to claw back funds for climate grants issued by the Biden Administration. This will likely be litigated further, and it is yet to be determined what this could mean for other grants in the energy space.

The Department of Interior announced that it will use emergency procedures to implement new permitting processes for oil, natural gas, and mining projects on public lands, with the goal of reducing the permitting approval time to no more than 28 days. This would not apply to solar or wind projects. Interior Secretary Doug Burgum instructed the Bureau of Ocean Energy Management to halt all construction activities on the Empire Wind Project in New York.

Secretary Burgum has proposed that the federal government create a comprehensive inventory of federal public lands to be valued as "assets" to be used as collateral to drive down the cost of the national debt. A draft strategic plan that details how the Secretary wants to reorganize the Department of Interior was leaked. It calls for, among other things, increasing the development of "clean coal, oil, and gas" with "faster and easier permitting" and ramping up "revenues from grazing, timber, critical minerals, gravel and other non-energy resources."

Congress:

The House and Senate had a two week recess in April, but have resumed a full calendar of hearings and activities. On April 30, 2025, three hearings were held with a nexus to energy. The Energy Subcommittee of the House Energy and Commerce Committee held a hearing on "Assuring Abundant Reliable Energy to Power Innovation." At the hearing, members reviewed a package of bills that address interconnection and transmission, among other items. The hearing also included two panel discussions on reliability.

The Water, Wildlife and Fisheries Subcommittee of the House Natural Resources Committee held a hearing on "Advancing Federal Water and Hydropower Development: A Stakeholder Perspective."

The Senate Energy and Natural Resources Committee held a hearing on April 30, 2025, to consider pending nominations, including Theodore Garrish to be Assistant Secretary of Energy, Nuclear Energy at the Department of Energy. The Senate Energy and Natural Resources Committee voted to confirm James Danly to be Deputy Secretary of the Department of Energy, but a vote on the Senate floor has yet to occur.

Reconciliation legislation is under negotiation between the Senate and House. Reconciliation requires only a simple majority vote and is supposed to include only tax and spending changes. Since returning from April recess, the House has been drafting reconciliation language in various committees. The goal is to get final legislation to President Trump by the end of May. The rollback of clean energy incentives will be considered in this process. Republican members of both the House and Senate have

drafted letters supporting many of the Inflation Reduction Act clean energy tax provisions. As of the drafting of this report, the energy provisions of the reconciliation legislation were not publicly available.

On January 16, 2025, Senators Alex Padilla (D-California), John Curtis (R-Utah), John Hickenlooper (D-Colorado), and Tim Sheehy (R-Montana) introduced the Fix Our Forests Act, bipartisan legislation meant to combat catastrophic wildfires, restore forest ecosystems, and make federal forest management more efficient and responsive was introduced. California Governor Gavin Newsom also made a rare decision to endorse and voice his support for this federal legislation.