



Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: September 27, 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 September 9, 2024, the ISO filed supportive opening comments on California Public Utilities Commission (CPUC) staff's latest loss of load expectation study and planning reserve margin recommendation for 2026 in the CPUC's Resource Adequacy proceeding. CPUC staff recommended that the CPUC adopt two different planning reserve margins across the year for 2026: 26.5% for January through May, and 23.5% for June through December. This recommendation was based on the results of a loss of load expectation study, and CPUC staff tested this planning reserve margin level to show it meets a 0.1 loss of load expectation across the year. ISO comments supported the CPUC adopting a planning reserve margin in the RA program based on the results of a loss of load expectation study that is tested to meet a 0.1 loss of load expectation across the year. The ISO also asked that the CPUC establish a regular process to review and establish the planning reserve margin each year.

California Public Utilities Commission Integrated Resource Plan Proceeding:

On August 8, 2024, the ISO filed comments in the CPUC's Integrated Resource Plan proceeding on a proposed decision on centralized procurement of long lead-time resources. The proposed decision addresses the CPUC's implementation of Assembly Bill (AB) 1373 which directs the CPUC to identify a need determination for long-lead time resources, and allows the CPUC to ask the Department of Water Resources to serve as a central buyer for long lead-time resources. The ISO supported the CPUC developing options for procurement of long-lead time resources and providing direction on procurement well ahead of the need. Early procurement direction will help ensure projects have sufficient lead-time to complete procurement, interconnection, permitting, and construction processes. The CPUC adopted a decision on August 22, 2024, which

identified an initial need determination for long-lead time resources of up to 10.6 GW, including 7.6 GW offshore wind, 1 GW geothermal, 1 GW of long-duration energy storage with multi-day duration, and 1 GW long-duration energy storage with 12+ hour duration.

California Energy Commission:

On July 30, 2024, the California Energy Commission (CEC) hosted a workshop to explore recent and proposed updates to its California Energy Demand forecast methodology with an emphasis on the use of climate data to inform the CEC forecast. Presentation topics included an overview of electricity load forecast methods, discussion of climate simulation modeling, and the use of climate simulation and historical weather data in the demand forecast to support energy system planning and resiliency.

On August 7, 2024, the CEC hosted a staff webinar to present the demand scenarios for use in Senate Bill (SB) 100 analysis, as well as the inputs and assumptions used to develop the scenarios for an updated SB 100 Report to be released in 2025. The demand scenarios presented and discussed will be inputs into the analysis of options to achieve the SB 100 target of 100 percent clean electricity by 2045.

On August 8, 2024, the CEC hosted a workshop to explore the feasibility of wave and tidal energy resources per SB 605. SB 605 requires the CEC, in consultation with other state agencies, to evaluate factors that could increase the use of wave and tidal energy resources in California, including findings on technological and economic feasibility, transmission needs and permitting processes, workforce and project economic development needs, and monitoring strategies to evaluate impacts to marine and tidal ecosystems. The CEC will include its evaluation in the 2024 Integrated Energy Policy Report.

Legislative Update

California State Legislature:

The Legislature reconvened from summer recess on August 5, 2024, and passed over 900 bills before concluding the second year of the 2023-2024 legislative session on August 31, 2024. The Legislature will reconvene on December 2, 2024 for an organizational session to seat the newly elected legislators. Governor Gavin Newsom has until September 30, 2024, to sign or veto all of the bills that were passed out.

Before adjournment, State Affairs had been tracking over 80 bills related to energy. Most notably, three bills that impact the ISO were passed out and currently sit on the Governor's desk:

- [AB 2368](#) (Petrie-Norris) would, among other things, require the ISO, if it finds that the primary cause of a major outage was the insufficiency of available electricity supply, to post the finding and recommendations to prevent future shortfalls on its website and share the finding and recommendations with the CPUC, CEC, and the Legislature.
- [AB 2779](#) (Petrie-Norris) would require the ISO to report to the CPUC and the relevant policy committees in the Legislature any new use of any grid-enhancing technologies (GETs) and their associated costs and efficiency savings.
- [SB 1006](#) (Padilla) would requires electrical transmission utilities, by January 1, 2026, to develop studies on the feasibility of using GETs and advanced reconductors and submit them to the ISO.

Additionally, two bills related to transmission planning were passed out:

- [AB 551](#) (Bennett) streamlines CPUC procedures related to transmission planning, and was signed into law on September 20, 2024.
- [AB 2292](#) (Petrie-Norris) would repeal the requirement that the CPUC consider alternatives to prospective transmission projects before approving a Certificate of Public Convenience and Necessity. AB 2292 currently sits on the Governor's desk.

On August 31, 2024, Governor Newsom also convened a special session of the Legislature to address gasoline price spikes and how oil refiners manage California's gasoline supply. Special sessions do not have traditional timeframes or deadlines, and the Legislature is free to convene and pass any bill within scope of the special session. On September 4, 2024, Assembly Speaker Robert Rivas appointed the Petroleum and Gasoline Supply Committee, which held informational hearings on gasoline storage on September 18 and 19, 2024, and a bill hearing on September 26, 2024. The Assembly has scheduled a floor session for any potential votes on October 1, 2024. However, Senate President Pro Tempore Mike McGuire has remained firm that the Senate will not convene until the Assembly has secured the necessary votes to pass any special session legislation.

On August 6, the Senate Energy, Utilities and Communications Committee held an [oversight hearing](#) on "electricity reliability as California transitions to a zero-carbon future". ISO President and CEO Elliot Mainzer participated alongside CPUC President Alice Reynolds, and CEC Vice Chair Siva Gunda, and Department of Water Resources Deputy Director Delphine Hou.

ISO Board of Governors Appointment:

On August 8, 2024, the California State Senate voted unanimously to confirm Mary Leslie's appointment to the ISO Board of Governors. Governor Leslie's term expires on December 31, 2026.

REGIONAL AFFAIRS

Western Energy Markets Governing Body:

The Western Energy Markets (WEM) Governing Body held an in-person/virtual hybrid meeting on September 25, 2024, in Tempe, AZ. In addition to standing items, the Governing Body received briefings on WEIM benefits from ISO staff and bid cost recovery initiative from the WEM market expert. There was also a panel discussion held among utility representatives. The WEM Governing Body also held a joint meeting with the ISO Board of Governors on September 26, 2024, in Tempe, AZ.

WEM Body of State Regulators:

The Body of State Regulators met virtually on August 9 and September 13, 2024. On August 9, the Body of State Regulators received updates on the West-Wide Governance Pathways Initiative and the ISO's storage bid cost recovery & default energy bid enhancements policy initiative. On September 13, the Body of State Regulators received updates on ISO policy initiatives, the West-Wide Governance Pathways Initiative, and discussed future market training opportunities for regulators and commission staff.

The Body of State Regulators will hold its next public meeting October 22, 2024, in San Diego, CA, in conjunction with the fall 2024 joint meeting between the Committee on Regional Electric Power Cooperation and the Western Interconnection Regional Advisory Body.

WEM Regional Issues Forum:

The Regional Issues Forum held a virtual meeting on September 27, 2024. [Agenda](#) items included: 1) Congestion revenue rights – overview and introduction to current issues; and 2) EDAM implementation – view from the ISO.

The Regional Issues Forum will also hold a hybrid virtual/in-person meeting on October 29, 2024, in Sacramento, CA, before the [ISO Stakeholder Symposium](#) on October 30, 2024.

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

On August 29, 2024, BHE Montana [announced](#) its intent to join the Extended Day-Ahead Market (EDAM) after it begins participation in the Western Energy Imbalance Market (WEIM), which is scheduled for May 2026. BHE Montana joins a growing cohort of utilities that have either executed EDAM implementation agreements (PacifiCorp and Portland General Electric), announced an intent to join EDAM (the Balancing Authority of Northern California, Los Angeles Department of Water and Power, and NV Energy), or have indicated a leaning toward EDAM as its preferred day-ahead market (Idaho Power). In total, these entities would grow the EDAM footprint to utilities serving more than 45% of demand in the West.

Meanwhile, on August 28, 2024, the ISO [announced](#) that it has executed a WEIM implementation agreement with the South Dakota and Wyoming electric utility subsidiaries of Black Hills Energy, who intend to join the WEIM alongside BHE Montana in May 2026.

West-Wide Governance Pathways Initiative:

Following a public [stakeholder process](#) that included two meetings and a round of written comments, on August 13, 2024, the ISO Board of Governors and the WEM Governing Body jointly approved the Step 1 proposal as submitted by the Launch Committee. Pursuant to that proposal, ISO staff will prepare necessary changes to the ISO tariff, the charter for WEIM and EDAM governance, and the bylaws for the WEM Governing Body to effectuate the Step 1 governance changes. ISO staff is preparing these changes in alignment with the expected timing for execution of sufficient EDAM implementation agreements, consistent with the trigger mechanism adopted as part of Step 1 for implementation of the governance changes described above.

FEDERAL AFFAIRS

Congress:

On July 23, 2024, Senators Joe Manchin and John Barrasso, Chair and Ranking Member of the Senate Energy and Natural Resources Committee introduced [S. 4753](#) – The Energy Permitting Reform Act of 2024. Among many provisions, this bill address interregional planning and permitting of transmission lines. On July 31, 2024, the Senate Energy and Natural Resources Committee held a hearing and voted the bill out of committee. The ISO customarily provides technical advice on federal legislation, and on September 13, 2024, the ISO sent a letter to the committee to offer technical guidance as Congressional deliberations continue (attached).

The House of Representatives is also considering a separate bill, led by Representative Bruce Westerman, Chair of the House Natural Resources Committee, which addresses reforms of the National Environmental Policy Act. Congress is expected to address these two attempts at permitting reform in negotiations throughout the fall.

As the federal election nears, Congress must address how to fund the federal government. The current funding expires at the end of September. A continuing resolution is typically used to fund the federal government in an election year through the election, but an agreement has not yet been reached.

Administration:

The Department of Energy Grid Deployment Office continues to announce new investments. On August 6, 2024, the Grid Deployment Office announced a \$2.2 billion investment in the nation's grid in eight projects across 18 states to protect against growing threats of extreme weather. The ISO has supported the CEC pursuit of an application for the Charge 2T project, which is a public-private partnership that will drive large-scale expansion of transmission capacity and improvement to the interconnection process. On



September 9, 2024, the Grid Deployment Office announced the selection of 293 hydroelectric improvement projects across 33 states to receive incentive payments of up to \$430 million. On September 11, 2024, the Grid Deployment Office opened an initial funding opportunity for offshore wind deployment along the Atlantic coast. The Department of Energy has also issued a request for information focused on offshore wind on the West Coast.