



Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: October 22, 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 July 15, 2025, the ISO filed comments in the California Public Utilities Commission (CPUC) Integrated Resource Planning proceeding on a staff proposal on the Reliable Clean Power Procurement Program (RCPPP), which is a long-term, programmatic procurement framework intended to replace the existing order-by-order procurement approach with a predictable and forward-looking procurement structure. Regarding the RCPMP program, the ISO recommended the CPUC include explicit new build requirements and supported multi-year forward procurement for existing resources. The ISO also recommended the CPUC conduct a near-term needs assessment for 2028–2032 and order new procurement if a reliability need is determined while parties continue to develop the RCPMP program design.

On September 18, 2025, the CPUC opened a new demand response proceeding which aims to evaluate and enhance the consistency, predictability, reliability, and cost-effectiveness of demand response resources. The CPUC will consider updates to its demand response guiding principles, policies, and process requirements. This proceeding will also consider changes to resource adequacy policies for demand response resources including qualifying capacity approaches for supply-side demand response and interactions with the CPUC's Slice-of-Day framework.

California Energy Commission:

On August 11, 2025, the California Energy Commission (CEC) hosted a workshop addressing barriers to and solutions for accelerating clean energy interconnection and energization. This workshop expanded on the work of the CEC's 2023 Integrated Energy Policy Report on interconnection and energization and provided an update on new

developments related to these topic areas. The ISO provided updates on transmission planning and emphasized the importance of continued focus on timely procurement, generational deployment, and transmission development. The ISO also presented on interconnection process reforms and the impacts of such reforms on reducing the size of the interconnection queue.

On August 26, 2025, the CEC hosted a workshop to review inputs and assumptions for the 2025 Integrated Energy Policy Report energy demand forecast. The CEC discussed federal policy changes and uncertainties that will impact “load modifiers” that comprise the energy demand forecast. A “load modifier” is a category of electric demand analyzed differently from the baseline expectation of demand due to its unique growth patterns. Load modifiers discussed in this workshop included behind-the-meter distributed generation and storage, energy efficiency, fuel substitution, and transportation electrification.

Legislative Update

California State Legislature:

On August 19, 2025, the Legislature reconvened from summer recess and began a two-week sprint to move bills out of committees by August 29, 2025, and pass bills by mid-September. On September 10, 2025, Governor Gavin Newsom, Assembly Speaker Robert Rivas (D-Salinas), and Senate Pro Tem Mike McGuire (D-Healdsburg) came to an agreement on a package of energy and climate bills. This package of bills passed out of the Legislature on September 13, 2025, and was signed into law on September 19, 2025. This package of bills included:

- **Assembly Bill (AB) 825 (Petrie-Norris, Chapter 116, Statutes of 2025):**
Independent System Operator: independent regional organization – This bill authorizes the ISO and the electrical corporations whose transmission is operated by the ISO to use voluntary energy markets governed by an independent Regional Organization (RO), if specified requirements are met. The bill also requires the ISO to:
 - Maintain the necessary technical capability to operate energy markets.
 - Continue its functions and responsibilities as a balancing authority.
 - Develop, publish, and annually update a report on certain activities of the ISO and the independent RO.
 - Annually appear before the Legislature to present the report.
 - By December 31, 2026, conduct a study of the impacts of the independent RO’s voluntary energy markets on the retention and creation of jobs in California.



- **Senate Bill (SB) 254 (Becker, Chapter 119, Statutes of 2025): Energy** – Among other things, this urgency bill authorizes public financing and ownership of electric transmission projects by:
 - Establishing a Transmission Infrastructure Accelerator within the Energy Unit of the Governor's Office of Business and Economic Development (GO-Biz) to develop a financing and development strategy for eligible transmission projects. The accelerator, before December 31, 2026, shall coordinate the state's ongoing activities related to transmission planning and development and to ensure accelerator projects meet specified criteria.
 - Authorizing the California Infrastructure and Economic Development Bank (I-Bank) within GO-Biz to provide financial assistance to any eligible participating party in connection with the financing or refinancing of an accelerator project. The bill also deems the financing of transmission projects to be in the public interest and eligible for financing by the I-Bank.
- **AB 1207 (Irwin, Chapter 117, Statutes of 2025): Climate change: market-based compliance mechanism: extension** – This urgency bill reauthorizes California's Cap-and-Trade program through 2045, re-brands it as "Cap-and-Invest" and reforms a number of program elements. However, the bill does not include funding to continue the Demand Side Grid Support and Distributed Electricity Backup Assets programs.
- **SB 840 (Limón, Chapter 121, Statutes of 2025): Greenhouse gases: Greenhouse Gas Reduction Fund: studies** – This urgency bill reconfigures the continuous appropriations established for the Greenhouse Gas Reduction Fund and sets new legislative intent for how these funds are spent, which includes investments in clean energy.
- **SB 237 (Grayson, Chapter 118, Statutes of 2025): Oil spill prevention: gasoline specifications: suspension: CEQA: exemptions: County of Kern: transportation fuels assessment: coastal resources** – This bill contains a number of provisions that seek to safely and responsibly increase in-state oil production, while also soliciting additional information to mitigate rising fuel and assess medium and long-term strategies.
- **SB 352 (Reyes, Chapter 120, Statutes of 2025): Environmental justice: Department of Justice: Bureau of Environmental Justice: community air monitoring** – This bill modifies requirements for community air monitoring systems and monitoring plans and requires the California Air Resources Board to report and appear before the Legislature regarding monitoring progress.

In October 2025, Governor Newsom also signed these energy bills into law:

- **SB 57 (Padilla, Chapter 647, Statutes of 2025): Electrical corporations: data centers: report** – This bill authorizes the CPUC to conduct a specified assessment of electrical corporations' potential costs and rate impacts associated with serving new electrical loads from data centers.
- **SB 283 (Laird, Chapter 407, Statutes of 2025): Energy Storage Systems** – This bill establishes the Clean Energy Safety Act of 2025 and requires various provisions to address fire safety standards for energy storage systems permitted by the CEC or by local jurisdictions.
- **AB 531 (Rogers, Chapter 372, Statutes of 2025): Geothermal powerplants and projects: certification and environmental review** – This bill expands the types of facilities eligible to be certified as environmental leadership development projects and eligible for the AB 205 "Opt-in Permitting" program by the CEC to include geothermal powerplants, of any size, and multiple geothermal power plants on a single site.
- **AB 1417 (Stefani, Chapter 397, Statutes of 2025): Energy: Voluntary Offshore Wind and Coastal Resources Protection Program: community capacity funding activities and grants** – This bill authorizes the CEC to allocate moneys in an existing continuously appropriated fund for capacity funding activities and grants to help local communities and tribes engage in planning for offshore wind development projects.

On August 26, 2025, Assemblymember Natasha Johnson (R-Lake Elsinore) won a special election to fill the vacant Assembly District 63 seat. Republicans now hold 20 seats in the Assembly, while Democrats still hold 60 seats.

On September 15, 2025, Assemblymember Heath Flora (R-Lodi) became the next Assembly Minority Leader, replacing Assemblymember James Gallagher (R-East Nicolaus) who will term out in 2026. Minority Leader Flora does not have a background in energy but worked as fire battalion chief prior to his election to the Assembly. Minority Leader Flora also appointed his leadership team: Assemblymember Juan Alanis (R-Modesto) as Caucus Chair, Assemblymember Kate Sanchez (R-Rancho Santa Margarita) as Floor Leader, and Alexandra Macedo (R-Tulare) as Deputy Leader.

The Legislature will remain in recess for the rest of the year and will reconvene on January 5, 2026, to start the second year of a two-year legislative session.

ISO Board of Governors Appointments:

On September 11, 2025, the Senate unanimously voted 40-0 to confirm the re-appointments of Jan Schori and Severin Borenstein to the ISO Board of Governors. Their terms will expire on December 31, 2027.

REGIONAL AFFAIRS

Western Energy Markets Governing Body:

The Western Energy Markets (WEM) Governing Body met in a virtual general session on July 22, 2025. Agenda items included a CEO report by Elliot Mainzer (President and CEO) and update from the Regional Issues Forum. Roger Collanton (Vice President, General Counsel, Chief Compliance Officer, and Corporate Secretary) provided an overview of the primary authority as part of the West-Wide Governance Pathways Step 1 governance changes. Danny Johnson (Manager, Market Policy- Market Design) provided a briefing on gas resource management and Becky Robinson (Director, Market Policy Development) provided a briefing on policy initiatives. The WEM Governing Body voted to unanimously approve the western energy imbalance market assistance energy transfers proposal.

The WEM Governing Body met in a virtual general session on September 9, 2025. Agenda items included an update from the Body of State Regulators (BOSR), the Regional Issues Forum, and the West-wide Governance Pathways Initiative. Guillermo Bautista-Alderete (Director, Market Performance and Advanced Analytics) provided an update on the Western Energy Imbalance Market Benefits for Q2 of 2025, and Becky Robinson (Director, Market Policy Development) provided a briefing on policy hot topics.

The WEM Governing Body will hold its next meeting on October 28, 2025, in Folsom, California. The WEM Governing Body will also hold a joint meeting with the ISO Board of Governors on October 29, 2025, in Folsom, California.

WEM Body of State Regulators:

On August 8, 2025, the BOSR met virtually. Agenda items included: 1) a BOSR support staff overview and Department of Market Monitoring perspective on the WEM Governing Body-approved assistance energy transfers proposal; and 2) an update from the Pathways Formation Committee.

On September 19, 2025, the BOSR and the ISO co-hosted a state markets training at the ISO headquarters in Folsom, California, bringing together commissioners, commission staff, and other state representatives from across the West, providing them with in-depth training on the fundamentals of the western energy imbalance market (WEIM) and extended day-ahead market (EDAM).

On October 1, 2025, the BOSR met prior to the Fall 2025 Joint Committee on Regional Electric Power Cooperation and Western Interconnection Regional Advisory Body (CREPC-WIRAB) meeting in Portland, Oregon. Agenda items included ISO updates on EDAM Implementation and AB 825 by Mark Rothleder (Senior Vice President & COO) and Anna McKenna (Vice President, Market Design & Analysis), and an overview of the Market Surveillance Committee by Dr. James Bushnell (Market Surveillance Committee member).

On October 10, 2025, the Western Interstate Energy Board (WIEB) staff reviewed a proposed draft 2026 BOSR business plan and budget with BOSR Members and State-Regulated Market Participants.

WEM Regional Issues Forum:

The Regional Issues Forum will hold its next meeting on October 27, 2025, in Folsom, California. Agenda items include an update on AB 825, a panel discussion on Regional Issues Forum enhancements, and a day-ahead market and EDAM educational session.

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

In August 2025, FERC approved applications for amendments to PacifiCorp's and Portland General Electric's open access transmission tariffs, paving the way for each utility to join EDAM in 2026. Their two-step congestion revenue sub-allocation methods were found to be just and reasonable, and through FERC's orders, firm transmission rights and curtailment priorities remain protected. FERC also upheld the ISO and PacifiCorp's position that broad carve-outs of transmission rights would undermine EDAM's efficiency; FERC has ensured a consistent platform across balancing areas which protects the market's overall efficiency.

FERC also approved the ISO's revised congestion revenue allocation methodology, which ensures revenues from parallel flows are assigned to the balancing area where costs are incurred. These orders represent a major step forward for EDAM's timely development.

In early September 2025, the ISO successfully launched EDAM Market Simulation. PacifiCorp is making solid progress running through structured scenarios and is on track for May 2026 EDAM activation.

At the time of this report, Nevada Energy plans to file its EDAM application to the Public Utility Commission of Nevada on October 22, 2025.

West-Wide Governance Pathways Initiative:

Stakeholders across the West celebrated the passage of AB 825 in September 2025, which – as discussed above - authorizes the ISO to operate and California utilities to participate in voluntary energy markets governed by an independent RO, further positioning the ISO to advance its mission of delivering reliable, cost-effective energy to western consumers. The ISO will be working closely with the Pathways Initiative Formation Committee to develop plans to implement the requirements of AB 825.

FEDERAL AFFAIRS

Administration:

Federal appropriations lapsed on September 30, 2025, leading to a “shutdown” of the federal government. “Shutdown” is a bit of misnomer as many federal offices continue to operate because prior appropriations are available to continue to fund government functions; however, these offices may need to reduce operations when such funding is exhausted. FERC and United States Department of Energy (DOE) have largely remained operational thus far.

As part of the negotiations over federal funding, the White House announced that the DOE would cancel over \$7.6 billion in federal grants. The specific details of which grants would be terminated were not released, but it appears that the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES Hydrogen Hub) in southern California has been impacted, and other California projects may be impacted as well. President Trump has also threatened to permanently terminate more federal employee during the government shutdown. As of the time of this report, Congress has not passed a spending bill to fund the government.

On October 1, 2025, FERC issued a list of 53 “outdated and unnecessary regulations” with the aim of “ensuring reliable, safe, secure and economically efficient energy for consumers at a reasonable cost.” This is in response to an Executive Order issued by President Trump in April 2025 directing agencies to add sunset clauses into regulations related to energy production.

The DOE announced the Speed to Power Initiative, which aims to accelerate the speed of a large-scale grid infrastructure project development for both transmission and generation. The DOE issued a request for information with responses due by November 21, 2025. The ISO is currently reviewing the request to determine whether to respond.

Congress:

The United States Senate confirmed two nominees to FERC, Laura Swett and David La Certe, by a 51-47 party-line vote on October 7, 2025. At the time of this report, the new commissioners had not been sworn in yet. Once they are sworn in, FERC will have a full panel of five commissioners.

Interest groups continue to advocate regarding federal permitting reform, but those discussions have taken the backseat to negotiations over the government shutdown. The scope of these discussions is wide and may or may not include modifications for permitting electric infrastructure.