

Memorandum

To: ISO Board of Governors
From: Stacey Crowley, Vice President, External Affairs
Anna McKenna, Vice President, Market Design & Analysis
Date: March 19, 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

Safe and Reliable Gas Systems in California and Long-Term Gas System Planning Proceeding:

On December 16, 2024, the ISO filed opening comments in the CPUC's Safe and Reliable Gas Systems and Long-Term Gas System Planning proceeding on the updates to the proceeding scope. The ISO recommended the CPUC include a standalone scope item for gas and electric system coordination, and to ensure an integrated approach to gas and electric system planning. The ISO recommended the CPUC coordinate this proceeding with the CPUC's Integrated Resource Plan proceeding which covers long-term electric resource planning. On February 3, 2025, the CPUC released the final scope for the proceeding, which reflects the ISO's requests.

General Order 131-D Proceeding:

On January 30, 2025, the CPUC adopted several enhancements to streamline its transmission permitting processes. The decision adopts a new General Order 131-E and sets forth new rules for permitting, approving, and building electric transmission lines, substations, and generation facilities. The decision streamlines permitting processes by allowing project applicants to submit applicant-prepared draft versions of environmental documents and requiring them to complete a pre-filing consultation with CPUC staff. The CPUC will develop a pilot program to track CPUC California Environmental Quality Act (CEQA) review timelines and explore the potential for a faster CEQA review process. The decision streamlines duplicative need determinations by implementing a rebuttable presumption pursuant to [Assembly Bill 1373 \(Garcia, Chapter 367, Statutes of 2024\)](#), deferring to the ISO's determination of need from its transmission planning process. Lastly,

reporting requirements to the CPUC for transmission projects are now simplified, aligned with the ISO transmission planning process and other reporting requirements. The ISO supported several elements of this decision that will help expedite transmission permitting processes, but encourages the CPUC to continue to seek process enhancements to support the timely development of new transmission infrastructure.

Integrated Resource Planning (IRP) Proceeding:

On February 20, 2025, the CPUC adopted IRP resource portfolios that the ISO will analyze in its 2025-2026 Transmission Planning Process. The adopted base portfolio reflects decreased use of natural gas through the modeling timeframe. The adopted sensitivity portfolio includes a greater volume of resources that require long lead times to develop such as off shore wind, geothermal, and long-duration storage. The decision also asks the ISO to reserve transmission plan deliverability for certain diverse resources that are geographically-limited and take longer to develop. The base portfolio includes a notable increase in out of state wind generation. The CPUC asks the ISO to study options for transmission to support delivery of our of state wind resources, but asks the ISO to not yet approve transmission for these resources in the 2025-2026 Transmission Planning Process to allow more time to study options and coordination with neighboring planning entities. The ISO supported the base and sensitivity portfolios, the CPUC's clarifications regarding long lead-time resources eligible for reserving transmission plan deliverability in the ISO's interconnection process, and the CPUC's direction that the ISO study but not yet approve transmission to support certain wind resource modeled in the base portfolio.

California Energy Commission:

On January 21, 2025, the CEC adopted the 2024 California Energy Demand Forecast Update. This forecast includes a 2024-2040 forecast of electricity consumption and hourly and peak electric demand for California and certain utility planning areas. In near term years, the 2024 forecast is largely consistent with the previous forecast vintage. However, by 2028, forecasted demand surpasses any previous vintages. This increase demand is mainly driven by increased building and transportation electrification and the addition of new data center loads.

On January 24, 2025, the CEC hosted a workshop to discuss the West-Wide Governance Pathways Initiative and its potential for California and the west. Workshop speakers included state regulators and representatives across the electricity industry, including investor-owned utilities, community choice aggregators, public power entities, industrial consumers, power marketing administrations, independent power producers, labor, consumer advocates, environmental advocates, and academia. Leadership from the ISO, CPUC, and the California Air Resources Board attended. The workshop included an overview of and perspectives on the Pathways initiative, and included analysis of potential economic and reliability benefits of an expanded day-ahead market.

On February 26, 2025, the CEC hosted a workshop on California's evolving economic and demographic landscape which serves as a key foundation for the California Energy Demand Forecast. The workshop assessed the future growth of data centers throughout the state and included a panel of experts from utilities and industry. Data center growth is expected to be significant in the next 5 to 10 years and will continue to be a focus area for the CEC in the development of its annual demand forecast.

Legislative Update

California State Legislature:

On January 6, 2025, the California State Legislature reconvened to kick off the first year of a new two-year legislative session. Prior to reconvening, Speaker of the Assembly Robert Rivas (D-Hollister) and President Pro Tem of the Senate Mike McGuire (D-Healdsburg) indicated that the focus of this year's legislative session would be addressing affordability and cost-of-living issues in California, but that focus quickly shifted to wildfire prevention, response, and recovery after the devastating wildfires in Los Angeles.

This shift in focus also caused Governor Gavin Newsom to expand the scope of the Special Session that he has called for in December 2024. In addition to allocating \$25 million for the state's future legal responses to federal policy decisions, the Legislature also passed a \$2 billion wildfire relief package during the Special Session.

In January 2025, the leadership and membership of the Senate Energy, Utilities and Communications Committee and the Assembly Utilities and Energy Committee was announced. Senator Josh Becker (D-Menlo Park) is the new Chair and Senator Rosicilie Ochoa Bogh (R-San Bernardino) is the new Vice Chair of the Senate Energy, Utilities and Communications Committee. Assemblymember Cottie Petrie-Norris (D-Irvine) remains the Chair and Assemblymember Joe Patterson (R-Rocklin) is the new Vice Chair of the Assembly Utilities and Energy Committee.

State Affairs has reviewed over 2,500 newly introduced bills since the Legislature reconvened, and February 21, 2025, was the deadline for new bill introductions. State Affairs will continue to closely track bills that may have an impact on ISO operations as they are amended and move through policy committees.

On February 20, 2025, Senate Energy, Utilities and Communications Committee Chair Josh Becker introduced [Senate Bill \(SB\) 540](#), which would enable the ISO and California electrical corporations within the ISO to use energy markets governed by a regional organization, if the ISO determines an independent regional organization meets specific requirements. On March 5, 2025, SB 540 was referred to the Senate Energy, Utilities and Communications Committee as well as the Senate Judiciary Committee, but bill hearings have not been scheduled yet.

Engagement with the Legislature

State Affairs has begun engaging with newly elected legislators and new members of the Assembly Utilities and Energy Committee and Senate Energy, Utilities and Communications Committee. On January 24, 2025, State Affairs, in coordination with Legislative Affairs staff from the CPUC, CEC, and Governor's Office, held a virtual briefing to provide an overview of the responsibilities of the California energy institutions for over 50 legislative staffers.

On February 7, 2025, ISO CEO and President Elliot Mainzer gave remarks on the development of clean energy and transmission infrastructure at the California Foundation on the Environment and the Economy's annual Energy Summit in Napa, California. At the Energy Summit, President Mainzer also held an introductory meeting with the new Senate Energy, Utilities and Communications Committee Chair Josh Becker.

On March 12, 2025, the Senate Energy, Utilities and Communications Committee held an [informational hearing](#) on regional energy markets. ISO CEO and President Elliot Mainzer, CPUC President Alice Reynolds, and CEC Vice Chair Siva Gunda participated on the first panel focused on a general overview of state energy agency and CAISO roles, as well as the state's participation in the Pathways Initiative. The second panel was comprised of energy sector stakeholders: Kathleen Staks (Executive Director of Western Freedom and Co-Chair of the Pathways Initiative Launch Committee), Linda Serizawa (Director of the PUC Public Advocates Office), Jennifer Tanner (Indivisible California Green Team), Michael Colvin (Director of Regulatory and Legislative Affairs at the Environmental Defense Fund), Loretta Lynch (former President of the PUC), Marc D. Joseph (Attorney for the Coalition of California Utility Employees and the State Association of Electrical Workers), and Randy Howard (General Manager of the Northern California Power Agency). This panel continued the discussion on the Pathways initiative and regional markets.

ISO Board of Governors Appointments

On December 31, 2024, Governor Newsom [announced](#) the re-appointment of Jan Schori and Severin Borenstein to the ISO Board of Governors. Their terms expired December 31, 2024, and both appointments will require Senate confirmation.

REGIONAL AFFAIRS

Western Energy Markets Governing Body:

The Western Energy Markets (WEM) Governing Body held a virtual general session on February 11, 2025. In addition to standing items, Becky Robinson (Director, Market Policy Development) provided a briefing on ISO policy initiatives and Guillermo Alderete (Director, Market Performance and Advanced Analytics) provided an update on markets and benefits of the Western Energy Imbalance Market (WEIM).

The WEM Governing Body will hold its next meeting on March 25, 2025.

WEM Body of State Regulators:

On January 10, 2025, the Body of State Regulators met to receive updates and discuss emerging issues in the WEIM and Extended Day-Ahead Market. Agenda items included an overview on the ISO's price formation enhancements and fast-start pricing initiatives.

The Body of State Regulators met on February 14, 2025. Agenda items included updates on the ISO's 2025 policy initiatives catalog and roadmap and the 2024 Q4 WEIM benefits.

The Body of State Regulators held a virtual meeting on March 14, 2025, during which the ISO provided an update on policy development efforts related to price formation enhancements and congestion revenue allocation. The Body of State Regulators will meet in-person on April 2, 2025, in La Jolla, California in conjunction with the [Spring 2025 Joint CREPC-WIRAB Meeting](#).

WEM Regional Issues Forum:

The Regional Issues Forum will hold its [next public meeting](#) on April 9, 2025, at PacifiCorp offices in Portland, Oregon. Agenda items will include a roundtable discussion, providing Regional Issues Forum members with an opportunity to identify and prioritize discretionary policy initiatives for the ISO's 2025 policy initiative catalog and roadmap process.

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

On February 12, 2025, the Public Service Company of New Mexico, BHE Montana, and Portland General Electric provided updates on their decisions to join the EDAM during the Joint ISO Board of Governors and WEM Governing Body meeting. Following their discussion, PacifiCorp provided a verbal update on implementation and onboarding for EDAM.

Following authorization from its Board of Water and Power Commissioners in December 2024, the Los Angeles Department of Water and Power (LADWP) executed an EDAM pro forma implementation [agreement](#) on January 21, 2025. LADWP marks the fourth entity (in addition to PacifiCorp, Portland General Electric, and the Balancing Authority of Northern California) to have executed an EDAM pro forma implementation agreement.

West-Wide Governance Pathways Initiative:

In November 2024, the ISO [filed](#) with FERC changes necessary to implement the Pathways Step 1 proposal. In that filing, the ISO seeks an order from FERC accepting the necessary tariff revisions by March 31, 2025. The ISO will implement these changes only

after a trigger of a certain level of commitment by western utilities to participate in EDAM is met.

As noted above, 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. On February 20, 2025, Senate Energy, Utilities and Communications Committee Chair Josh Becker introduced [SB 540](#).

FEDERAL AFFAIRS

Administration:

President Donald Trump and Vice President J.D. Vance were sworn in on January 20, 2025. President Trump has issued numerous Executive Orders that impact federal energy policy, including a declaration of a national energy emergency; the creation of the [National Energy Dominance Council](#); a pause on all financial assistance from the Inflation Reduction Act and Bipartisan Infrastructure Law; a pause on federal leases for off-shore wind generation; an elimination of all environmental justice and diversity and equity programs across the federal government; a review of all federal regulations that impose an “undue burden” on the development or use of a variety of energy sources, particularly coal, oil, natural gas, nuclear power, hydropower, and biofuels; and a withdrawal from the Paris climate agreement. Many of these actions are being challenged in court and the ISO is monitoring the developments.

The ISO is also monitoring the activities of the Department of Government Efficiency (with regards to federal agency work force reductions).

The Senate confirmed the appointments of Secretary of the Department of Energy Chris Wright, Secretary of the Interior Doug Burgum, and Administrator of the Environmental Protection Agency (EPA) Lee Zeldin. Secretary Burgum is also the Chair of the National Energy Dominance Council. The Council will be composed of at least 19 members. Among many responsibilities identified in an Executive Order, the Council has been tasked with advising the President on how to exercise his authority to produce more energy to make America energy dominant; how to improve permitting, production, generation, distribution, regulation, transportation, and export of all forms of American energy; and how to facilitate cooperation among the federal government and domestic private sector energy partners. President Trump designated Commissioner Mark Christie as Chair of the FERC.

President Trump has announced a variety of tariffs. Some of the tariffs, which may have an impact on energy, include tariffs on Canada and Mexico, reciprocal tariffs on trade partners on a case-by-case basis, and a tariff on steel and aluminum imports. The status of these tariff proposals remains fluid, and their potential impact on the ISO is yet to be determined. The ISO continues to monitoring the developments closely.

The ISO is monitoring the EPA's attempt to undo a landmark scientific finding that underpins climate change regulations and allows the EPA to regulate greenhouse gas emissions from energy generation.

Congress:

On March 5, 2025, the House Energy and Commerce Committee held a hearing on electricity reliability. PJM, Southern Company, Basin Electric Cooperative, and Duke Professor Tyler Norris appeared. The House Energy and Commerce Committee has requested all of the CEOs of the ISO/RTOs, including California ISO President and CEO Elliot Mainzer, to appear at an oversight hearing on March 25, 2025.

Funding for the federal government expires on March 14, 2025. At the time of writing this report, the resolution on federal government funding is still pending in Congress. The Senate and House continue to negotiate the process and scope of budget reconciliation legislation. While both houses have stated their goals for tax cuts and spending reductions, neither house has identified the details of these measures.

The ISO continues to monitor legislation addressing permitting reform, inter-regional planning, interconnection, and the production of critical minerals.