

# Memorandum

**To:** ISO Board of Governors  
**From:** Stacey Crowley, Vice President, External Affairs  
Anna McKenna, Vice President, Market Design & Analysis  
**Date:** November 5, 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 Integrated Resource Plan Proceeding:**

On September 30, 2024, the ISO filed comments in the California Public Utilities Commission (CPUC) Integrated Resource Plan (IRP) Proceeding on IRP portfolios for the ISO's 2025-2026 Transmission Planning Process (TPP). The Ruling recommends a base case portfolio that meets a 25 million metric tons greenhouse gas target by 2035 and a sensitivity portfolio that includes 10.6 GW of long lead-time resources, 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. The ISO is supportive of the base case portfolio proposed which is largely consistent with the base portfolio to be used in the 2024-2025 TPP in nearer term years. The ISO cautions that if the base case portfolio does not also reflect the long lead-time resource volumes studied in the sensitivity portfolio, then the ISO's 2025-2026 TPP likely will not approve transmission to support these long lead-time resource volumes, which could impact project timelines and procurement activities.

#### **California Public Utilities Commission Distribution Planning Process:**

On October 17, 2024, the CPUC adopted improvements to the investor-owned utility (IOU) distribution planning process. The CPUC decision will direct the IOUs to extend the distribution planning process planning horizon to 10 years instead of the current 5 years, share data with the California Energy Commission on "known" loads that have submitted energization requests, and to provide information on bridging solutions to help customers who trigger grid upgrades connect to the grid in advance of such grid upgrades. These reforms will enhance utility distribution planning processes and support alignment between load assumptions used in transmission and distribution planning.

## **California Energy Commission:**

On October 2, 2024, the California Energy Commission (CEC) hosted a workshop to discuss how the CEC's Integrated Energy Policy Report forecast is used in electricity system planning processes. Presenters from the ISO, CPUC, load serving entities, and utilities discussed the use of the CEC's forecast in transmission system planning, distribution system planning, resource adequacy, reliability modeling, and integrated resource planning. The workshop highlighted challenges integrating the forecast into downstream planning processes, how the CEC is currently addressing these challenges, and recommendations for future forecast improvements. CEC's forecast development is becoming increasingly complex to account for future load growth, proliferation of behind-the-meter resources, and the impacts of climate change. The ISO continues to work closely with the CEC on updates and enhancements to its forecast each year.

## **Legislative Update**

### **California State Legislature:**

The Legislature has been in recess since August 31, 2024, and will reconvene on December 2, 2024, to seat newly elected legislators. Due to term limits, a new Chair and Vice Chair of the Senate Energy, Utilities and Communications Committee and a new Vice Chair of the Assembly Utilities and Energy Committee will be appointed in December.

On September 30, 2024, Governor Gavin Newsom met the deadline to finish signing and vetoing the 900+ bills that passed out of the Legislature in August. Leading up to the deadline for the Governor to act on legislation, State Affairs had been tracking over 80 bills related to energy. Most notably, three bills that impact the ISO were signed into law:

- [Assembly Bill \(AB\) 2368](#) (Petrie-Norris), among other things, requires 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) requires the ISO to report to the CPUC and the relevant policy committees in the Legislature any new use of any grid-enhancing technologies and their associated costs and efficiency savings.
- [Senate Bill \(SB\) 1006](#) (Padilla) requires electrical transmission utilities, by January 1, 2026, to develop studies on the feasibility of using grid-enhancing technologies and advanced reconductors and submit them to the ISO.

Additionally, two bills related to transmission planning were signed into law:

- [AB 551](#) (Bennett) streamlines CPUC procedures related to transmission planning, and was signed into law on September 20, 2024.

- [AB 2292](#) (Petrie-Norris) repeals the requirement that the CPUC consider alternatives to prospective transmission projects before approving a Certificate of Public Convenience and Necessity.

On August 31, 2024, Governor Newsom convened a special session of the Legislature to address gasoline price spikes and the management of 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 the special session scope of energy affordability.

On October 1, 2024, the Assembly passed out [AB X2-1](#) (Hart), which grants the CEC expanded authority to mandate refineries to keep more gasoline stored on site. On October 11, 2024, the Senate amended the bill to include more worker safety protections and passed the bill out. On October 14, 2024, the Governor signed the bill into law and the Legislature concluded the special session. AB X2-1 was the only special session bill that passed out and has no direct impact on the ISO.

## **REGIONAL AFFAIRS**

### **Western Energy Markets Governing Body:**

The Western Energy Markets 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.

The Western Energy Markets Governing Body will hold its next virtual general session meeting on November 6, 2024.

### **WEM Body of State Regulators:**

The Body of State Regulators (BOSR) met in-person on October 22, 2024, in San Diego. Agenda items included an ISO update on the Western Energy Imbalance Market (WEIM), Extended Day-Ahead Market, ISO policy initiatives, and the ISO's 2025 policy initiative catalog and roadmap process; a Department of Market Monitoring overview of battery storage in the WEIM; and the announcement of new BOSR leadership, with Commissioner Gabriel Aguilera (New Mexico Public Regulation Commission) selected to serve as BOSR Chair and Commissioner John Hammond (Idaho Public Utilities Commission) selected to serve as BOSR Vice Chair. The BOSR will hold its next virtual monthly meeting on November 8, 2024.

### **WEM Regional Issues Forum:**

The Regional Issues Forum held a hybrid virtual/in-person meeting with approximately 230 attendees on October 29, 2024, in Sacramento, CA, before the [ISO Stakeholder Symposium](#). Agenda items included a discussion of the ISO's stakeholder process; an update on the ISO's 2025 policy initiative catalog and roadmap process, and a discussion of congestion revenue rights reform and application in regional markets.

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

On October 23, 2024, the Arizona Generation & Transmission Cooperatives (AzGT) issued a [press release](#) announcing their interest in exploring participation in the Extended Day-Ahead Market (EDAM). AzGT makes up about 70% of the Western Area Power Administration Balancing Authority's load in the state of Arizona. Patrick Ledger, CEO of AzGT, offered that they "look forward to continued engagement with ISO to build on the benefits we have seen through participation in Western Energy Imbalance Market (WEIM), and to support Western Area Power Administration as it explores expanding its participation."

On October 25, 2024, the Federal Energy Regulatory Commission (FERC) issued an [order](#) accepting the executed WEIM implementation agreement for Black Hills Energy. Black Hills has begun its implementation process and intends to join the WEIM in May 2026.

On October 30, 2024, the WAPA [announced](#) that its Sierra Nevada region will pursue final negotiations toward full participation in the EDAM. The Sierra Nevada region of WAPA operates within the Balancing Authority of Northern California.

### **West-Wide Governance Pathways Initiative:**

On September 26, 2024, the West-Wide Governance Pathways Initiative Launch Committee published its draft Step 2 proposal. That proposal calls for the creation of an independently-governed Regional Organization that could assume management of the market rules for the WEIM and EDAM following sufficient enabling legislation in California to make such a transfer of authority permissible. Public comments in response to the draft proposal were submitted on October 25, 2024, and the Launch Committee is scheduled to release a revised final Step 2 proposal on November 15, 2024. ISO staff remain engaged in providing technical support to the Launch Committee.

## **FEDERAL AFFAIRS**

### **Congress:**

The incoming Congress will vote on leadership positions and plan committee assignments in the coming weeks. The Senate Energy and Natural Resources Committee and the House Energy and Commerce Committee, the two Committees of jurisdiction for the ISO, will both appoint new Chairs in the next Congress as Senator Joe Manchin (I-West Virginia)

and Representative Cathy McMorris Rodgers (R-Washington), the outgoing Chairs of each committee, are both retiring.

During the lame duck session, Congress will need to address the expiration of the continuing resolution for appropriations, which expires on December 20, 2024. It is possible that there will be debate regarding permitting reform proposed in the Manchin-Barroso bill.

### **Administration:**

The Biden-Harris Administration has been attempting to wrap up many programs before the end of the term. On October 18, 2024, the Department of Energy Grid Deployment Office announced nearly \$2 billion for 38 projects in Grid Resilience and Innovation Partnerships grants. Award negotiations have begun for these awards. On October 16, 2024, the Department of Energy Office of Clean Energy Demonstrations, opened up approximately \$900 million in funding to deploy small modular reactors across the United States. On October 9, 2024, the Grid Deployment Office announced 39 hydropower facilities that will receive more than \$12 million in incentive payments for electricity generated and sold in calendar year 2023.

The Treasury Department finalized new rules on October 22, 2024, for investment tax credits under the CHIPS and Science Act that will allow domestic producers of ingots and wafers used in solar panels to qualify.

The FERC held a technical conference regarding Large Loads Co-Located at Generating Facilities on November 1, 2024, and held its annual reliability Technical Workshop on October 16, 2024.

On October 11, 2024, the National Oceanic and Atmospheric Administration designated a 4,543 square mile swath of the Pacific Ocean along the central coast of California as the Chumash Heritage National Marine Sanctuary, but excluded a contested area where offshore wind developments plan to connect onshore.