

Memorandum

To: ISO Board of Governors

From: Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Design & Analysis

Date: December 6, 2023

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 (CPUC) Integrated Resource Plan Proceeding:

On November 13, the ISO filed comments in the CPUC's integrated resource plan (IRP) proceeding, on proposed preferred system plan portfolios the CPUC will transmit to the ISO to study in the 2024-2025 transmission planning process. The CPUC also proposes to order 2,000 MW of procurement by 2028, if previously-ordered long-lead time resource procurement is delayed to 2031, and contemplates a request to delay previously-ordered procurement to replace Diablo Canyon from 2025 to 2027. The ISO supports the CPUC moving forward with a portfolio informed by a load-serving entity integrated resource plan (IRP) and a high gas retirement sensitivity portfolio (with nearly 16 gigawatts of gas retirements by 2039) to study in the 2024-2025 transmission planning process. The ISO also urges the CPUC to establish stability in IRP portfolios over successive years to support certainty in the downstream planning process, including transmission planning, procurement and interconnection. The ISO also supports the CPUC's proposal to issue new procurement in 2028 if the CPUC delays long-lead time resource procurement to 2031. Finally, the ISO explains that delays in Diablo Canyon replacement procurement highlights the urgent need for the CPUC to develop a programmatic multi-year forward procurement framework that establishes procurement well ahead of the need.

CPUC Proceeding to Amend General Order (GO) 131-D:

In November, the ISO filed various comments in the CPUC's proceeding to amend GO 131-D. This general order governs the siting, construction, or modification of new or existing electric transmission and generation related facilities and has not been updated

since 1995. Since the last amendment to GO 131-D, adopted prior to the existence of the ISO, the ISO's and Commission's roles in identifying and supporting the development of transmission solutions have evolved and are intertwined, where the ISO utilizes resource portfolios from the Commission's IRP proceeding in order to identify needed transmission projects, which then require permitting approval at the CPUC. On September 29, investor-owned utilities (IOUs) filed a Joint Motion Settlement in this proceeding, proposing various reforms to GO 131-D that would help expedite the CPUC transmission permitting process. Senate Bill (SB) 529, signed into law in 2022, also required the CPUC to make specific updates to the general order. The ISO strongly supports reforms to GO 131-D, and supported the IOU settlement proposal as a means to meaningfully expedite transmission development while maintaining opportunities for appropriate environmental review. In line with the expected rapid growth in demand and corresponding new resource development needed to serve that load, the ISO supports solutions to expedite permitting processes.

California Energy Commission (CEC):

On November 16, the ISO participated in a CEC workshop on proposed approaches to developing planning reserve margins (PRMs) for publicly owned utilities (POUs). Assembly Bill (AB) 209 requires the CEC to develop recommendations about approaches to determine appropriate PRMs for POUs in the ISO balancing authority area. The ISO presented its role in administering the resource adequacy program in the ISO balancing area, which is a shared responsibility between the ISO, CEC, and local regulatory authorities. The ISO also discussed ongoing work in the recently launched resource adequacy modeling and program design (RAMPD) working groups. The ISO supported the CEC's approach to provide transparent information on the sufficiency of the resource adequacy relative to reliability planning targets. The CEC's work is complimentary to the analysis work the ISO will develop in its RAMPD working groups. The ISO will continue to work closely with the CEC on aligning inputs and assumptions used in respective modeling efforts.

On November 17, the ISO participated in a CEC workshop on firm zero-carbon resources. SB 423 requires the CEC to develop a report, in consultation with the ISO, CPUC, and the California Air Resources Board, evaluating commercially feasible and nearly feasibly firm zero-carbon resources that can enhance grid reliability while reducing greenhouse gas, air contaminant, and air pollutant emissions. The CEC presented on the operational and commercial viability of various firm zero-carbon technologies, and potential barriers to adoption. The CEC also analyzed the resilience of load-serving entity resource plans during high load events and multi-day reliability events to understand the value of firm zero-carbon resources to maintaining grid reliability. The ISO emphasized the importance of the CEC's work in this area as a

critical step towards thinking about the clean generation fleet of the future that will meet both clean energy goals and ensure grid reliability.

Legislative update

Legislature:

The Legislature is currently on interim recess and will reconvene for the second half of the 2023-2024 session in January 2024.

REGIONAL AFFAIRS

Western Energy Imbalance Market (WEIM) Governing Body:

The WEIM Governing Body did not meet in general session in November. The Governing Body will meet in-person on December 12, 2023, for its general session meeting at the ISO in Folsom, CA. Agenda topics include highlights from the ISO CEO's report, activity updates from the Body of State Regulators and Regional Issues Forum Chairs followed by a briefing by the ISO on various policy initiatives.

WEIM Body of State Regulators (BOSR):

The WEIM Body of State Regulators (BOSR) met virtually on November 3, 2023. Agenda items included an informational session on the ISO's price formation enhancements working group effort, with an overview of scarcity pricing, fast-start pricing, and BAA-level market power mitigation.

The BOSR will hold its most recent virtual monthly meeting on December 8, 2023. The ISO and Department of Market Monitoring joined this meeting for a discussion about market exports.

The BOSR will hold its next virtual meeting on January 12, 2023.

WEIM Regional Issues Forum (RIF):

The WEIM Regional Issues Forum (RIF) will meet in-person on December 11, 2023, at the ISO in Folsom, CA. Agenda items included an update on the implementation of a Q1 2024 RIF roundtable discussion to kick off the ISO's 2024 annual policy roadmap process, interregional transmission planning impacts on Western markets, and exploring the evolving role of the RIF.

FEDERAL AFFAIRS

Congress:

On November 15, Congress passed a Continuing Resolution (CR) to fund the federal government through early 2024, avoiding a government shutdown when the current CR expired at midnight on Friday, November 17, 2023. The new CR will extend funding until January 19, 2024, for energy, transportation, housing and urban development, veterans affairs, and agriculture. The remaining agencies will be funded until February 2, 2024.

On November 14, the House Energy and Commerce Committee held a hearing on the Environmental Protection Agency's (EPA) proposed rule on greenhouse gas (GHG) emissions from existing fossil generation sources. On November 8, the Senate Climate Change Task Force hosted a bicameral forum between the Senate Climate Change Task Force and the House Sustainable Energy and Environment Coalition.

On October 25, Rep. Mike Johnson (R-LA) was sworn as Speaker of the House. On October 23, Senator Alex Padilla (D-CA) announced legislation with Senator John Cornyn (R-TX) focused on the use of quantum computing to address grid issues.

Administration:

There are a number of ongoing initiatives at the United States Department of Energy (DOE) and the Environmental Protection Agency (EPA) that relate to electricity generation and transmission, including:

- DOE Solar Energy Technologies Office (SETO) and Wind Energy Technologies Office (WETO) issued a request for information to gather input on a draft transmission system interconnection roadmap. The ISO submitted comments on November 22.
- DOE Grid Deployment Office (GDO) issued a Funding Opportunity Announcement (FOA) focused on wholesale electricity market studies and engagement. The ISO submitted a concept paper on November 17. Full applications are due on January 19, 2024.
- DOE GDO announced round 2 of the Grid Resilience and Innovation Partnership (GRIP) funding opportunity announcement. Concept papers are due on January 12, 2024.
- EPA issued a supplement to the proposed rulemaking on GHG emissions from fossil fuel generation on November 17. The ISO previously submitted comments on the original proposed rule on August 8.