

# Memorandum

**To:** ISO Board of Governors

**From:** Stacey Crowley, Vice President, External Affairs

Anna McKenna, Vice President, Market Design & Analysis

**Date:** July 12, 2023

**Re:** State, Regional, and Federal Affairs update

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*This memorandum does not require ISO Board of Governors action.*

## STATE AFFAIRS

### Regulatory update

#### **California Public Utilities Commission (CPUC) Resource Adequacy Proceeding:**

On June 29, the CPUC adopted various reforms to the CPUC's resource adequacy program. The CPUC sets a 17 percent planning reserve margin (PRM) for 2024 and 2025, with an "effective" PRM of 1,700 to 2,300 MW, which allows non-resource adequacy capacity and various demand-side programs to count towards procurement targets above a 17 percent PRM level. The ISO had recommended the CPUC defer the decision on the 2025 PRM until parties have had time to review the results of the process to set the PRM under the new Slice of Day resource adequacy framework, which the CPUC will shift to in 2025. The ISO also recommended the CPUC should set PRM in the resource adequacy program to meet at least a 1-in-10 loss of load expectation and align resource adequacy procurement with resource planning in the CPUC's Integrated Resource Plan (IRP) proceeding. The CPUC's reforms also include a clarification that reliability demand response resources should be available for economic dispatch at a ISO declaration of an Energy Emergency Alert Watch, allowing the ISO to access these resources which count as resource adequacy, to help avoid and mitigate grid emergencies.

#### **California Energy Commission (CEC):**

On May 31, the CEC unanimously adopted (5-0) a load shifting goal to make up to 7,000 megawatts (MW) of electricity available through load shifting and demand flexibility by 2030. The load shifting goal and report was required by Senate Bill (SB) 846, Dodd, 2022. SB 846 directed the CEC, in consultation with the CPUC and the ISO, to develop a goal for load shifting to reduce net peak electrical demand and recommend policies to increase demand response and load shifting that do not increase greenhouse gas emissions or electric rates. The CEC's load shifting goal will be implemented

through a suite of demand-side programs and rates incentivizing to customers to shift their electricity away from times of the day when the grid is most stressed.

On June 23, 2023, the ISO participated in a CEC workshop on resource portfolio assumptions for the next ISO 20-Year Transmission Outlook. The ISO's 20-year outlook explores longer term grid requirements and options for meeting the state's greenhouse gas reduction goals. The ISO published its first 20-Year Transmission Outlook in May 2022, and anticipates to publish the next 20-Year Transmission Outlook in 2024. The CEC, CPUC, and ISO previously collaborated the 2021 SB 100 Joint Agency Report, which assessed various pathways to achieve SB 100 targets, and provided an initial assessment of costs and benefits. For the first 20-Year Transmission Outlook, the CEC, CPUC, and ISO translated the analysis conducted for the SB 100 Joint Agency Report into a resource portfolio extending to 2040. The CEC, CPUC, and ISO are developing an updated SB 100 Scenario for ISO to use in the next 20-Year Transmission Outlook Plan, which will inform the 2025 SB 100 Joint Agency Report.

### **Legislative update**

#### **Legislature:**

The Assembly Utilities & Energy Committee convened multiple hearings on transmission planning and development in the past two months. On May 12, the committee held their annual CPUC oversight hearing and included participants from the CEC, California Department of Water Resources, and the ISO. Questions focused on the summer outlook and Neil Millar, Vice President of Infrastructure and Transmission Planning, spoke on behalf of the ISO. Mr. Millar also spoke to the committee on June 14 at a hearing focused on transmission planning and development. In both hearings, legislators asked thoughtful questions seeking to ascertain how they could assist in accelerating the state's buildout. Questions also focused on the Governor's energy package and how it might alleviate some of the delays in development.

The Legislature and Governor have come to a formal agreement regarding the 2023-2024 budget – a \$310 billion spending plan that also covers a \$30 billion-plus deficit without dipping into key reserves. The joint agreement includes a compromised version of the Governor's initial energy package, which includes a California Environmental Quality Act (CEQA) proposal that streamlines the judicial review of qualifying water, transportation, clean energy, and semiconductor or microelectronics projects that are challenged under CEQA.

AB 538 (Holden) – Multistate Transmission Operator – was held in Assembly Appropriations by the author. Assemblymember Holden said the bill had started a good conversation within the Legislature and Governor's Office, and that he was pausing on the legislation while those conversations continued and parties had an opportunity to discuss the governance framework. The Governor has commented on the proposal a couple of times and noted the importance of continued work on this effort.

## **REGIONAL AFFAIRS**

### **Western Energy Imbalance Market (WEIM) Governing Body:**

On May 16, 2023, the WEIM Governing Body held a virtual general session meeting. In addition to standing items, Susan Pope, WEIM Governing Body market expert, presented her opinion on the day-ahead market revised final proposal, focusing on market rules proposed for imbalance reserves and whether the proposal is prudent, fair, and will support the success of EDAM for the benefit of EDAM participants. The Governing Body heard updates on WEIM implementations, including the successful April 5, 2023, onboarding of Avangrid, El Paso Electric, and WAPA Desert Southwest.

On June 22, 2023, the Governing Body held a hybrid in-person/virtual general session meeting at the Western Electricity Coordinating Council (WECC) office in Salt Lake City, Utah. In addition to standing items, the Governing Body presented a resolution of appreciation to member Jennifer Gardner, thanking her for her service to the Governing Body. Briefings were provided on the ISO's west-wide transmission activities, a WEIM benefits and market update, and Melanie Frye, WECC's President and CEO presented on WECC's key priorities. Jim Shetler, Vice-Chair of the WEIM Nominating Committee, presented and the Governing Body approved the Committee's recommendation to fill two vacant Governing Body seats; recommending that the Governing Body reappoint Anita Decker to a three-year term and appoint Rebecca Wagner to serve the remainder of Jennifer Gardner's term, which is set to expire on June 30, 2024. The Governing Body also elected its new leadership team for 2023-2024, electing Andrew Campbell to serve as the Governing Body Chair and Rob Kondziolka to serve as Vice Chair.

The Governing Body will hold its next general session meeting virtually on September 19, 2023.

### **WEIM Body of State Regulators (BOSR):**

The BOSR held its last virtual meeting on June 9, 2023. Stacey Crowley provided the BOSR with a governance update. Neil Millar then provided the BOSR with updates on transmission activities at the ISO and summer readiness.

The BOSR will continue to hold monthly calls to discuss relevant issues regarding the market and plans to hold its next meeting on July 14, 2023. Discussion items for the July meeting include GHG emissions accounting.

Also noteworthy is the recent appointment of Laura Rennick as the new Executive Director of the Western Interstate Energy Board (WIEB), replacing Maury Galbraith who left the organization earlier this spring. WIEB receives money from WEIM entities, which funds two staff members to support the BOSR.

**WEIM Regional Issues Forum (RIF):**

The RIF held its last meeting on June 21, 2023, at the WECC offices in Salt Lake City, Utah. Agenda items included: gas management issues related to market dispatch; electrification trends in the West; and a WEIM implementation update from Avangrid. Several members of the WEIM Governing Body attended.

**Western Governors Association (WGA):**

At the WGA's annual meeting held on June 28, 2023, the Western Governors approved several resolutions, including one on infrastructure permitting. The resolution directs the WGA staff to work with appropriate entities to support clear and effective environmental review and permitting processes, and take steps to mitigate excessive project delays to, among others things, improve energy systems.

**FEDERAL AFFAIRS****Congress:**

On June 13, 2023, the House of Representatives' Energy, Climate, and Grid Security Subcommittee held a hearing entitled, Oversight of FERC: Adhering to a Mission of Affordable and Reliable Energy for America. Each of the FERC commissioners testified before the Subcommittee about their priorities and work to ensure electric grid reliability.

**Administration:**

On June 22, 2023, the Department of Energy (DOE) extended the date for the submission of comments until July 31, 2022, in response to a Notice of Intent and Request for Information to inform the designation of National Interest Electric Transmission Corridors (NIETCs). Under the Federal Power Act, the Secretary of Energy may designate any geographic area, such as a route, as a NIETC if she finds that current or anticipated future electric energy transmission capacity constraints or congestion are adversely affecting consumers. In its notice, DOE explains designation of a NIETC unlocks federal investment and regulatory and permitting tools to spur urgent transmission investments needed in these geographic areas to improve reliability and resilience and reduce consumer costs. The Request for Information seeks stakeholder feedback to improve the NIETC designation process to more accurately pinpoint areas experiencing the greatest transmission need and with the greatest potential for immediate transmission deployment.

On July 16, 2023, FERC commissioners and select state utility regulators will meet for the seventh time at their Joint Federal-State Task Force on Electric Transmission. Grid Enhancing Technologies were the main topic of the agenda, where CPUC commissioner Darcie Houck and Utah Commission Chair Thad LeVar represent the western states.