

Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel, Chief Compliance Officer,
and Corporate Secretary

Date: March 18, 2025

Re: Regulatory update (since December 11, 2024)

This memorandum does not require ISO Board of Governors action.

Highlights

- *Commissioner Mark Christie named Federal Energy Regulatory Commission (FERC) Chairman*
- *FERC approves billing, credit, and payment tariff amendment*
- *FERC approves storage bid cost recovery tariff amendment*
- *FERC approves extended day-ahead market access charge for ISO Balancing Authority Area tariff amendment*
- *FERC approves interconnection process enhancements, track 2 tariff amendment*
- *FERC schedules a technical conference regarding increasing real-time and day-ahead market and planning efficiency through improved software*
- *FERC schedules a technical conference regarding resource adequacy in ISO/RTO regions*

Federal Energy Regulatory Commission

- **BP Energy Retail Company v. CAISO – Meter Data Penalties (EL25-21)**

On February 27, 2025, FERC issued an order granting BP's November 25, 2024, complaint appealing meter data penalties assessed by the ISO. The ISO did not oppose this request.

- **North American Electric Reliability Corporation (NERC): Interregional Transfer Capability Study - Strengthening Reliability through the Energy Transformation (AD25-4)**

On February 25, 2025, the ISO filed comments on NERC's study. The ISO noted the study does not reflect all planned and under-construction transmission and resource development. The ISO stated that additional modeling work needs to occur through

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established transmission planning and coordination processes to reflect planned development the study does not identify. The ISO recommended FERC not issue new directives to planning regions based on the study, but instead continue to monitor and facilitate industry discussion regarding the need to increase inter-regional transfer capability based on specific facts and circumstances identified by existing planning regions.

- **North American Energy Standards Board (NAESB): Order No. 676-K, Final Rule – Wholesale Electric Quadrant Version 004 Standards – Communication Protocols for Public Utilities (RM05-5)**

On February 19, 2025, FERC issued Order No. 676-K. The ISO will incorporate the latest version (004) of NAESB business practice standards and cybersecurity standards into the ISO's tariff, and submit a filing to comply with the requirements of the final rule.

- **PacifiCorp - Revisions to its Open Access Transmission Tariff (OATT) to Implement Extended Day-Ahead Market (EDAM) (ER25-951)**

On February 18, 2025, the ISO filed comments in support of PacifiCorp's proposed revision to its OATT to allow PacifiCorp to participate in the ISO's EDAM.

In addition, on March 7, 2025, the ISO filed an answer to the many comments and protests filed in response to PacifiCorp's proposed OATT revisions. Among other things, the answer indicated the ISO's intent to initiate an expedited stakeholder process to further consider concerns expressed by commenters regarding elements of the EDAM congestion allocation design.

- **Resource Adequacy in ISO/RTO Regions (AD25-7)**

On February 20, 2025, FERC noticed a Commissioner-led technical conference for June 4-5, 2025, to discuss generic issues regarding resource adequacy constructs, including capacity markets and alternative constructs in regions without capacity markets.

- **Extended Day-Ahead Market (EDAM) Access Charge for ISO Balancing Authority Area (ER25-437)**

On February 20, 2025, FERC issued an order approving the ISO's November 14, 2024, tariff revisions to implement rules to support implementation of the EDAM access charge within the ISO's BAA. These tariff revisions included rules to assess an EDAM access charge to recover eligible EDAM recoverable revenue associated with participating transmission owners and implement a rate structure to enable the participating transmission owners to establish their EDAM recoverable revenue requirements within their applicable transmission revenue requirements.

- **Order No. 881 – Managing Transmission Line Ratings (ER25-1236)**

On February 6, 2025, the ISO filed a tariff amendment in further compliance of Order No.

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881 to clarify or change rules regarding (1) communication protocols for submitting the transmission line ratings for use in the day-ahead and real-time markets; (2) access to ratings used in the markets as well as participating transmission owners' transmission line rating methodologies; (3) the timing of when entities must submit ratings in advance of the day-ahead and real-time market; (4) use of hourly and seasonal ratings, if hourly ratings become unavailable; and (5) recognizing EDAM entities will submit hourly ratings for use in the day-ahead and real-time markets.

- **Increasing Real-Time and Day-Ahead Market and Planning Efficiency Through Improved Software (AD10-12)**

On January 29, 2025, FERC noticed a technical conference for July 8-10, 2025, to discuss opportunities to increase real-time and day ahead-market and planning efficiency through improved software.

- **Billing, Credit and Payments (ER25-87)**

On January 28, 2025, FERC issued an order accepting the ISO's October 11, 2024, tariff amendment to enhance its tariff rules regarding billing, payment, and credit to reduce the risk of a financial default on market invoices, improve the ISO's ability to pay market participants after a default, and otherwise clarify and reorganize those rules.

- **Energy Storage and Bid Cost Recovery (ER25-576)**

On January 24, 2025, FERC issued an order accepting the ISO's November 26, 2024, tariff amendment to modify the real-time bid cost recovery calculations for storage resources to consider other cost proxies in addition to the real-time energy bid cost in all real-time intervals, thus mitigating the risk of energy bids unduly inflating bid cost recovery. These cost proxies ensure storage resources remain eligible for bid cost recovery but reduce the potential for unwarranted bid cost recovery payments.

- **After-Market Fuel Cost Recovery Clarification (ER25-1035)**

On January 23, 2025, the ISO filed a tariff amendment to clarify the process for scheduling coordinators to seek after-market fuel cost recovery, and to help ensure the after-market fuel cost recovery process does not create inefficient market outcomes or subsidize and incentivize speculative market participation. Additional clarity also will reduce the likelihood of extended administrative proceedings before FERC to resolve after-market requests.

- **Capacity Procurement Mechanism Enhancements – Track 1 (ER25-968)**

On January 17, 2025, the ISO filed a tariff amendment to make four operational and process enhancements to its capacity procurement mechanism (CPM), which permits the ISO to procure capacity when necessary to address certain types of reliability needs that

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cannot be met by resource adequacy capacity. These enhancements included: (1) adjusting the MW volume of a significant event CPM designation based on pre-existing or new capacity obligations that arise during the term of the CPM designation; (2) permitting a resource to elect a significant event CPM designation term of less than 30 days; (3) extending the existing deadline for the ISO to publish a market notice when issuing a CPM designation from two business days to five business days; and (4) streamlining the CPM designation report process by posting the report on OASIS and foregoing issuance of a market notice advising of the report's availability.

- **EDF Trading North America LLC (ER21-2579/ER25-526)**

On January 2, 2025, FERC issued an order certifying the uncontested settlement between the ISO and EDF, as scheduling coordinator for CXA La Paloma, for recovery of certain fuel costs incurred by EDF but not recovered from the same-day market.

- **Inter-Scheduling Coordinator Trades in Western Energy Imbalance Market (WEIM) and EDAM Balancing Areas (ER25-94)**

On December 23, 2024, FERC issued an order accepting the ISO's October 15, 2024, tariff amendment to enable inter-scheduling coordinator trades of energy in balancing areas participating in the WEIM and EDAM. Inter-scheduling coordinator trades are an optional settlement feature that facilitate settlement between two scheduling coordinators and supports bilateral financial arrangements. Extending inter-scheduling coordinator trades of energy to WEIM and EDAM balancing areas will facilitate settlement of bilateral transactions between WEIM and EDAM market participants.

- **Rules of Conduct Enhancements (ER25-54)**

On December 23, 2024, FERC issued an order accepting the ISO's October 8, 2024, tariff amendment to (1) create a new penalty for failure to submit demand response monitoring data; (2) streamline the investigative process under the rules of conduct; (3) update the penalty tolling process when a market participant appeals a penalty to FERC; (4) create a materiality threshold in assessing penalties for inaccurate meter data submissions; and (5) eliminate a reporting requirement for cases when federal power marketing administrations have rules of conduct violations.

- **Notice of Proposed Rulemaking: Reliability Standards for Frequency and Voltage Protection Settings and Ride-Through for Inverter-Based Resources (RM25-3)**

On December 19, 2024, FERC issued a notice of proposed rulemaking to approve a suite of new reliability standards to protect the grid as the nation transitions to expanded use of clean energy technologies. The notice of proposed rulemaking is intended to ensure reliability of the grid by accommodating the rapid integration of new power generation technologies, known as inverter-based resources, that include solar photovoltaic, wind, fuel

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cell and battery storage resources and comprise a significant portion of new generating capacity projected to come online over the next decade.

- **Consumers for Independent Regional Transmission Planning v. ISO, et al (EL25-44)**

On December 19, 2024, a complaint was filed against all ISOs/RTOs and FERC-jurisdictional public utility transmission providers with local planning tariffs alleging that provisions in their tariffs inappropriately authorize individual transmission owners to plan FERC-jurisdictional transmission facilities at 100 kilovolts (“kV”) and above without regard to whether such local planning approach is the more efficient or cost-effective transmission project for the interconnected transmission grid. The complaint seeks to treat all transmission projects 100 kV and above as regional projects and would require all such projects be approved in regional planning processes.

- **Queue Management: Interconnection Process Enhancements 2023 Track 2 (ER25-131)**

On December 16, 2024, FERC issued an order accepting the ISO’s October 17, 2024, tariff amendment regarding generator interconnection agreements and interconnection procedures that apply after the completion of interconnection studies. These changes will help the ISO manage the large volume of interconnection requests already studied but awaiting execution of a generator interconnection agreement or the construction of network upgrades. The changes also help serve first-ready projects while incentivizing projects not to linger in the queue. The tariff revisions only affect queue clusters 14 and earlier and do not apply to interconnection customers that already have executed interconnection agreements.

Non-conforming regulatory agreements

- **Large Generator Interconnection Agreement (LGIA): SCE/44ST 8me LLC/ISO (ER25-878)**

On March 3, 2025, FERC issued an order accepting the agreement for a 55 net MW solar photovoltaic and battery storage generation facility project, which shares certain facilities with another interconnection project (Sienna Solar Farm). The LGIA contains non-conforming language related to shared facilities.

- **LGIA: ISO/SCE/ Coso/Mordor ES2 LLC (Coso Navy 2 Project) (ER25-875/ER25-428)**

On February 28, 2025, FERC issued an order accepting the ISO’s January 7, 2025, certificate of concurrence for Southern California Edison’s November 14, 2024 First Amended LGIA, incorporating modifications to the large generating facility and provisions for co-tenancy to add Mordor ES2 LLC to the First Amended LGIA, regarding the Coso Navy 2 Project.

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- **Joint-Owned Unit Pilot Agreement: Public Service Company of New Mexico/ISO/Tucson Electric Power (ER25-1449)**

On February 28, 2025, the ISO filed an amended and restated agreement that extends the term of the agreement for an additional five years and includes targeted modifications to the technical requirements for the pilot program. The extension supports the pilot program's continued operation through a period of time when the ISO implements the EDAM, and Public Service Company of New Mexico and Tucson Electric Power individually evaluate potential participation in a day-ahead market. The modifications also account for minor issues and clarifications identified through experience with the pilot program to date.

- **LGIA: SunZia Wind South LLC/SunZia Transmission LLC/ISO (ER25-344/ER25-171)**

On February 26, 2025, FERC issued an order accepting the ISO's November 1, 2024, certificate of concurrence in support of SunZia's October 21, 2024 LGIA filing.

- **LGIA: SunZia Wind North LLC/SunZia Transmission LLC/ISO (ER25-345/ER25-172)**

On February 26, 2025, FERC issued an order accepting the ISO's November 1, 2024, certificate of concurrence in support of SunZia's October 21, 2024, LGIA filing.

- **California-Oregon Intertie Path Operation Agreement (ER25-725)**

On February 11, 2025, FERC issued an order accepting the ISO's December 16, 2024, amended California-Oregon Intertie Path Operation Agreement among the ISO, Pacific Gas & Electric, PacifiCorp, the Transmission Agency of Northern California (TANC) and Western Area Power Administration. The amended agreement memorializes the transfer of entitlements and assignment of rights from the San Juan Water District and Carmichael Water District to the Turlock Irrigation District (TID) and the City of Roseville (Roseville), and from TID, Roseville, and the City of Redding to TANC.

- **Non-Conforming EDAM Implementation Agreement – Balancing Authority of Northern California (BANC) (ER25-663)**

On January 27, 2025, FERC issued an order accepting the ISO's December 5, 2024, non-conforming implementation agreement, which sets forth the scope of services and associated rate for the ISO to implement BANC into the EDAM; non-conforming changes to the *pro forma* EDAM Implementation Agreement are needed because BANC does not provide transmission service and other functions, while the *pro forma* implies that it does. These changes clarify BANC's balancing authority function as it relates to implementation of EDAM within its balancing area.

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- **Development Agreement for Southwest Intertie Project-North: ISO and Great Basin Transmission, LLC (ER25-543)**

On January 21, 2025, FERC issued an order accepting the ISO's November 22, 2024, development agreement for the Southwest Intertie Project-North transmission project, to facilitate the development of Idaho wind resources identified in the CPUC's integrated resource plan resource portfolios and to provide other economic benefits the ISO identified in its transmission planning process.

- **Unexecuted LGIA: CAISO/Metcalf Energy Center/Pacific Gas and Electric (PG&E) (ER25-925)**

On January 14, 2025, the ISO filed a certificate of concurrence in support of PG&E's November 27, 2024, unexecuted first amended LGIA among the ISO, PG&E and Metcalf Energy Center, LLC. The Parties agreed upon all terms and conditions in the replacement agreement except for the updated monthly cost of ownership rate. To ensure continued service, PG&E filed this unexecuted replacement agreement to conform with the date that the current agreement terminates.

- **Transmission Control Agreement - SunZia Transmission, LLC and LS Power Grid California, LLC (ER25-169)**

On December 13, 2024, FERC issued an order accepting the ISO's October 21, 2024, revisions to the transmission control agreement to reflect the subscriber participating transmission owner provisions of the ISO tariff, including SunZia Transmission, LLC as a new participating transmission owner under the subscriber participating transmission owner model and LS Power Grid California, LLC as a new participating transmission owner.

California Public Utilities Commission

- **Resource Adequacy (R.23-10-011)**

On March 3, 2025, the ISO filed opening comments on track 3 proposals, focusing on ensuring the resource adequacy program requirements meet 0.1 loss of load expectation across the year; increasing the planning reserve margin during summer months above the 17% adopted for 2024 and 2025; not adopting a system waiver process or planning reserve margin for 2027; and supporting energy division's unforced capacity proposal.

- **Integrated Resource Planning (R.20-05-003)**

On January 30, 2025, the ISO filed comments on the proposed decision transmitting electricity resource portfolios for the 2025-2026 transmission planning process. The ISO supported several of the proposed decision's directives. The ISO stated it will

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model the adopted base case portfolio as the reliability and policy-driven base case, and it will also study the adopted sensitivity portfolio, in the ISO's 2025-2026 transmission planning process. The ISO also supported the proposed decision's direction on long-lead time resources, and directives that ask the ISO to study, but not trigger, new transmission to support certain resources modeled in base portfolios (*i.e.*, out of state wind).

On February 4, 2025, the ISO filed reply comments on the proposed decision. The ISO clarified that responsibilities for transmission siting and permitting are outside of the ISO's jurisdiction. The ISO stated the CPUC will transmit a 15-year mapped portfolio to the ISO, and the ISO will study the 15-year portfolio; however, the ISO noted it has the right, but not an obligation, to approve projects in the 15-year horizon.

- **Order Instituting Rulemaking to Update and Amend Commission General Order 131-D (R.23-05-018)**

On January 16, 2025, the ISO filed opening comments on the proposed decision adopting General Order 131-E to address the significant need for rapid transmission development to meet California's energy transition. In particular, the ISO recommended the CPUC act on any findings of the pilot program to expedite further additional projects through the permitting process. In addition, the ISO sought to correct statements regarding the competitive solicitation process and requested the CPUC revise a sentence in the proposed decision to remove any reference to the submission of proposed transmission projects and instead indicate that the ISO uses the competitive solicitation process to select a project sponsor for eligible projects approved in the transmission plan. The ISO noted it considers information regarding access to right-of-way only when selecting an approved project sponsor for projects that are already included in the ISO's Board-approved transmission plan.

- **Safe and Reliable Gas Systems (R.24-09-012)**

On December 16, 2024, the ISO filed comments on the order implementing rulemaking, urging the CPUC to take an integrated approach to gas and electric system planning to enable the joint reliability of these interrelated systems in this proceeding. The ISO encouraged the CPUC to include a standalone scope item for gas and electric system coordination to serve as a focal point for discussions on this subject. The ISO also suggested that the CPUC consider more specific sub-issues under the broader topic of long-term gas planning in this proceeding, and recommended the CPUC coordinate this proceeding with the integrated resource plan, which focuses on long-term electric system reliability.

California Energy Commission

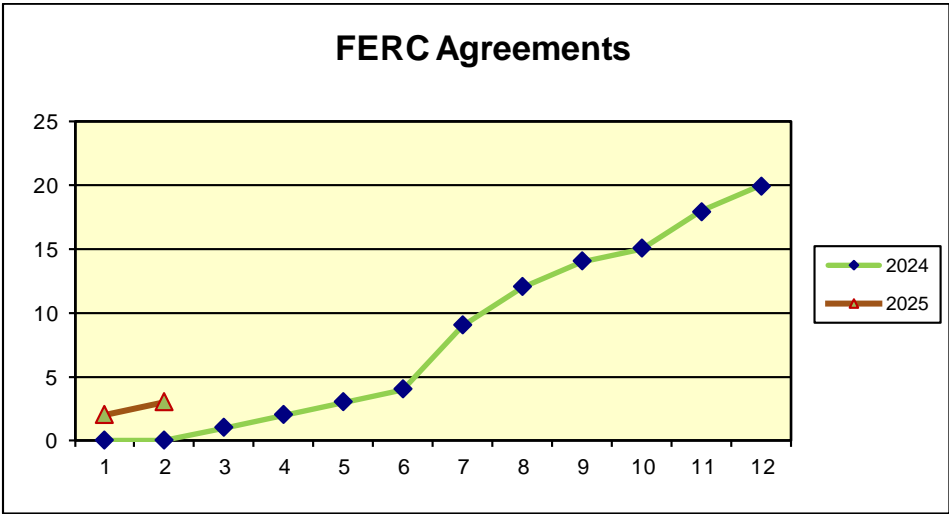
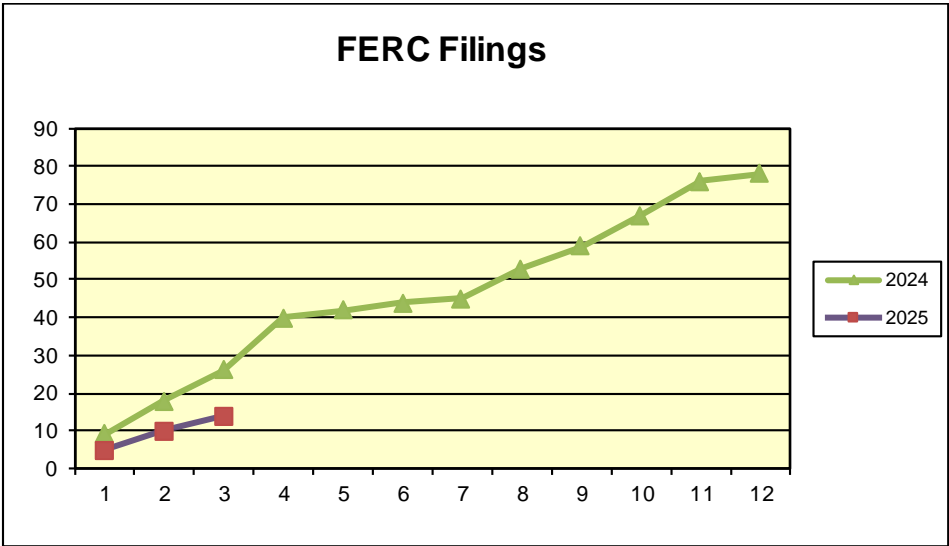
- **2024 Integrated Energy Policy Report Update (24-IEPR-01)**

On February 7, 2025, the ISO filed comments on the integrated energy policy report commissioner workshop on regional electricity markets and coordination. The ISO noted that as regional market discussions progress in California and the broader West, the ISO remains focused on continued administration of the WEIM and EDAM to further enhance reliability, affordability, and environmental sustainability for electricity customers across the West. The ISO's comments focused on Brattle's "Split Market Case," which assesses benefits to California consumers. This scenario splits likely EDAM entities and likely Southwest Power Pool's Markets+ entities into two separate markets with "relatively efficient seams" between markets, and it models several current WEIM entities as part of Markets+. Brattle assumes a cost associated with transacting across the two separate markets. The ISO suggested that future iterations of Brattle's "Split Market Case" more accurately account for challenges associated with transacting across a seam between two distinct markets as well as the loss of benefits to California consumers associated with a significantly reduced WEIM footprint.

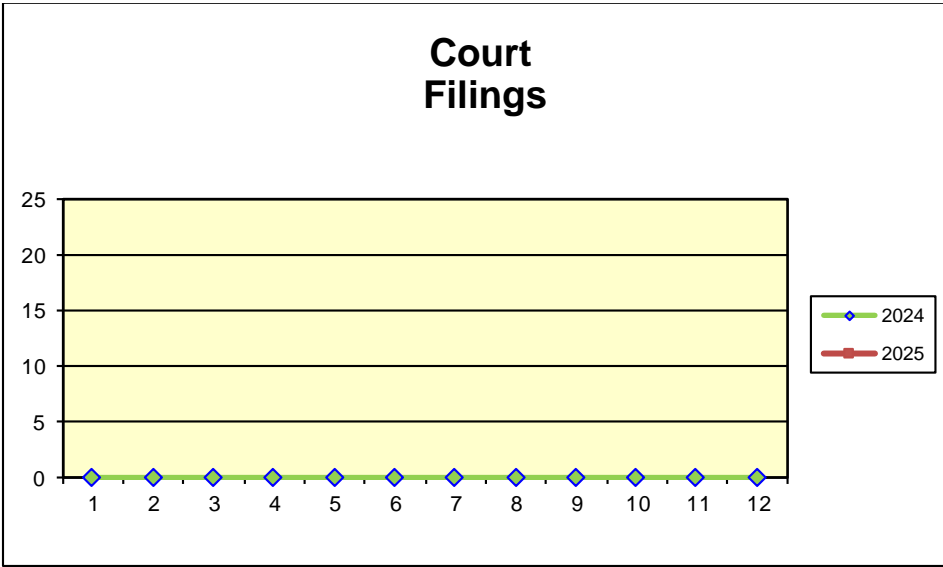
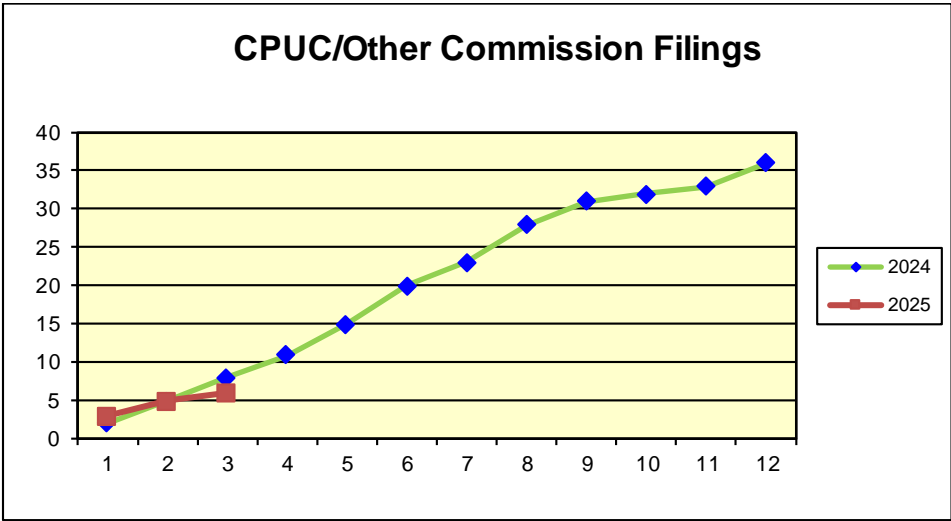
- **Electricity Demand Forecast (24-IEPR-03)**

On January 2, 2025, the ISO filed comments on the 2024 Integrated Energy Policy Report forecast update. The ISO supports the California Energy Commission's revised data center projections and overall forecast results for the 2024 Integrated Energy Policy Report cycle.

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