

REGULATORY UPDATE FOR JANUARY 24 (WEEK OF JANUARY 18, 2022)**CALIFORNIA PUBLIC UTILITIES COMMISSION (“CPUC” or “COMMISSION”)**New Proposed Decisions and Draft Resolutions¹

Draft Resolution E-5189. This resolution approves with modification Southern California Edison (“SCE”) Advice Letter (“AL”) 4573-E, granting SCE approval for a Supplemental Provisions Agreement that clarifies SCE’s customer service tariffs for customers served by “Remote Grids.” “Remote Grids” are defined as “permanently islanded distribution facilities serving certain customers who are generally located in some of the remote portions of SCE’s distribution system.” The Remote Grid will consist of local sources of electric generation, such as solar photovoltaic, wind turbines, battery energy storage systems, and fuel-based generation, which will be connected to one or more customers through distribution and service facilities.

Workshops and Hearings

R.19-11-009 (Resource Adequacy). Workshop on UCAP and multi-year compliance issues was held on January 19, 2022. Informal comments are due January 26, 2022.

R.20-01-007 (Long-Term Gas System Planning). Workshop on January 24, 2022 on gas infrastructure (covering January 5, 2022 Scoping Memo questions e-i, available [here](#)).

Voting Meetings

The Commission’s next voting meeting is scheduled for January 27, 2022. The agenda includes the following energy-related items:

Item 4. R.17-06-026 (PCIA). This decision adopts improvements to support efficient consideration of Power Charge Indifference Adjustment (“PCIA”) issues in Energy Resource Recovery Account (“ERRA”) proceedings. This decision modifies the PCIA market price benchmark release date and deadlines for ERRA forecast applications to enable the Commission to timely issue decisions on ERRA forecast applications. This decision adopts party proposals to establish a policy for disposition of the year-end balance in the ERRA account and to modify the calculation of the ERRA trigger point and threshold. This decision also adopts party proposals to support efficient party access to ERRA forecast proceeding data. This proceeding remains open to consider additional Phase 2 issues, including: (a) whether greenhouse gas-free resources are undervalued in the PCIA, and if so, whether to adopt an adder or allocation mechanism, (b) whether to adopt a new method to include long-term fixed-price transactions in calculating

¹ Per CPUC Rules of Practice and Procedure Rule 14.3, comments on proposed decisions are due 20 days after issuance of the proposed decision, and reply comments are due five days thereafter. Comments on draft resolutions are due 20 days after the draft resolution appears in the CPUC’s daily calendar, per Rule 14.5.

the Renewables Portfolio Standard (“RPS”) adder, (c) whether to modify the calculation of the PCIA energy index market price benchmark, and (d) whether to provide community choice aggregators with access to confidential, market-sensitive ERRA monthly report information for the non-proceeding purpose of creating PCIA rate forecasts.

Item 7. R.18-07-003 (RPS Implementation). This decision imposes a penalty of \$348,500 on Gexa Energy California LLC (“Gexa”) for failing to include required non-modifiable standard terms and conditions in a contract it entered into for purposes of RPS compliance. The decision reverses an Energy Division Compliance Determination Notice that found that Gexa had not met the long-term contracting requirement, finding that the contract, though ambiguous, was a long-term contract for purposes of RPS compliance.

Item 8. Resolution E-5190. On February 11, 2021, CPUC issued D. 21-02-006 adopting pilots to test two frameworks for procuring Distributed Energy Resources to defer or avoid investor-owned utilities (“IOU”) traditional distribution capital investments as part of the Distribution Investment Deferral Framework. The pilots are the Standard Offer Contract (“SOC”) and the Partnership Pilot. D.21-02-006 required an Energy Division-led process for establishing evaluation criteria for the SOC and Partnership Pilot. Energy Division was tasked with inviting party proposals on evaluation criteria and facilitating a workshop to discuss proposals. The IOUs were ordered to file a joint advice letter with proposed evaluation criteria taking party proposals and discussion at the workshop into consideration. This Resolution approves with modifications the proposed evaluation criteria for the SOC and Partnership Pilot put forth in the Joint AL SDG&E 3780-E, PG&E 6218-E, and SCE 4514-E pursuant to D.21-02-006.

Item 15. R.20-05-003 (IRP). This decision adopts a Preferred System Plan (“PSP”) portfolio that meets the statewide 38 million metric ton (“MMT”) GHG target for the electric sector in 2030. This portfolio was developed first with an aggregation of the individual integrated resource plans (“IRPs”) of all load serving entities (“LSEs”), reflecting the resource preferences of those LSEs. Then, Commission staff made adjustments to extend the timeframe beyond 2030 to 2032 for transmission planning purposes and to add the resources required in D.21-06-035 for mid-term reliability purposes. Finally, the portfolio utilizes a managed mid-demand paired with high electric vehicle demand forecast from the California Energy Commission’s (“CEC”) Integrated Energy Policy Report (“IEPR”) of 2020. This decision further recommends to the California Independent System Operator (“California ISO”) that the 38 MMT PSP portfolio be utilized as both the reliability base case and the policy-driven base case for study in its 2022-2023 Transmission Planning Process (“TPP”). This decision also delegates to Commission staff to explore with CEC and California ISO staff the development of a policy-driven sensitivity case designed to test the transmission buildout needed for a more aggressive GHG reduction case: the 30 MMT core portfolio with high electrification. The decision also evaluates the 2020 individual IRP filings of all LSEs under the CPUC’s IRP purview—it approves 20 and finds that 24 plans are incomplete and require additional revisions through a Tier 2 advice letter. The decision also adopts an interim definition of renewable hydrogen, and orders the procurement of two storage resources that were identified by the California ISO as alternatives to transmission upgrades in the previous TPP cycle.

CALIFORNIA ISO

Stakeholder Initiatives: Upcoming Meetings and Deadlines

Transmission Service and Market Scheduling Priorities Phase 2 Initiative. The California ISO has scheduled a series of limited stakeholder working group meetings on January 14, 2022, January 31, 2022, and February 4, 2022 for working groups 2 and 3 as part of the Transmission Service and Market Scheduling Priorities Phase 2. Discussion topics for working group 2 include transmission products and reservation processes and topics for working group 3 include the study process and transmission upgrades.

Day-Ahead Market Enhancements. The California ISO will hold a public stakeholder workshop on January 24, 2022, to discuss the Day-Ahead Market Enhancements initiative. Comments on the workshop materials and discussion are due on February 7, 2022.

Annual Policy Initiatives Roadmap Process. The California ISO held a call on January 19, 2022 to discuss the 2022 Draft Final Policy Initiatives Roadmap, as part of the Annual Policy Initiatives Roadmap Process. Comments on the 2022 Draft Final Policy Initiatives Roadmap are due January 26, 2022.

Adjustment to Intertie Constraint Penalty Prices: Draft Final Proposal and Draft Tariff Language. The California ISO held a call on January 20, 2022 to discuss the Adjustment to Intertie Constraint Penalty Prices draft final proposal and draft tariff language. Comments are due February 3, 2022.

2022-2023 TPP, Unified Planning Assumptions. The California ISO is seeking stakeholder input on demand response assumptions and generation or other non-transmission alternatives for consideration in the draft unified planning assumptions and 2022-2023 study plan. Stakeholder input for unified planning assumptions is due February 14, 2022.

EIM Resource Sufficiency Evaluation Enhancements Phase 1 Draft Tariff Language. The California ISO will hold a stakeholder call on February 4, 2022 to discuss the draft tariff language for Phase 1 of the EIM Resource Sufficiency Evaluation Enhancements initiative, which is available on the initiative webpage. Comments on the draft language are due January 25, 2022.

Short-Long Start Unit Definitions Update. The California ISO will hold a public stakeholder call on January 26, 2022 to discuss the issue paper/straw proposal for the Short-Long Start Unit Definitions Update initiative. Comments on the issue paper/straw proposal are due February 4, 2022.

Other Meetings

Western EIM Regional Issues Forum. The final agenda for the January 25, 2022 Regional Issues Forum has been published, and may be found [here](#).

Transmission Development Forum. The California ISO, in conjunction with CPUC and the participating transmission owners, held a public stakeholder call on January 21, 2022 to provide status updates on the transmission projects previously approved through the TPP and network upgrades identified in the generation interconnection process. Comments on the stakeholder call discussion are due February 4, 2022.

CALIFORNIA ENERGY COMMISSION

Energy System Reliability (Docket No. 21-ESR-01)

On January 14, 2022, CEC staff held a workshop to discuss the Summer 2022 Stack Analysis. Comments are due by 5:00 p.m. on January 21, 2022. Additional information and a link to the Zoom recording of the workshop are available [here](#). Background materials regarding the Summer 2022 Stack Analysis are available in [Docket No. 21-ESR-01](#).

2021 Integrated Energy Policy Report (“IEPR”)

In December 2021, the CEC released three of the four Draft 2021 IEPR volumes for public comment. Comments on volumes I, II, and IV were due by December 21, 2022. On January 13, 2022, CEC staff [published](#) Draft 2021 IEPR Volume III – Decarbonizing the State’s Gas System. Written comments on Draft 2021 IEPR Volume III are due by January 28, 2022. Copies of all Draft 2021 IEPR volumes, as well as comments received by the CEC on volumes I, II, and IV, are available [here](#).

On January 19, 2022, the CEC published a Notice of Availability regarding the California Energy Demand Forecast, 2021-2035 (“Forecast 2021”). Forecast 2021 is available for public review and can be accessed through the Notice of Availability or directly through the [2021 IEPR website](#). Forecast 2021 will be considered for adoption at the January 26, 2022 CEC Business Meeting.

Lithium Valley Commission

The next Lithium Valley Commission meeting is [scheduled](#) for January 27, 2022 at 1:30 p.m.

CEC Business Meetings

The next CEC Business Meeting is scheduled for January 26, 2022. The agenda is available [here](#).

CALIFORNIA AIR RESOURCES BOARD (“ARB”)

ARB’s next regular Board meeting will be held January 27-28, 2022. The agenda will be available [here](#) 10 days prior to the meeting.

MINNESOTA PUBLIC UTILITIES COMMISSION (“MPUC”)

In the Matter of Updating the Generic Standards for the Interconnection and Operation of Distributed Generation Facilities Established Under Minn. Stat. Section 216B.1611, PUC Docket No. 16-521

The MPUC met on Thursday to consider a variety of suggested changes to Minnesota’s standardized distributed interconnection process (“MN DIP”) put in place a few years ago. While the MN DIP process has rolled out reasonably efficiently on several systems, the ever-growing queue backlog on Xcel Energy’s system (which hosts the vast majority of the state’s solar interconnection requests) has been cause for great concern by the solar industry in particular. In an effort to improve the processing of applications and queue timelines, the MPUC directed the implementation of changes with a particular focus on those areas where the system was not yet capacity constrained (and/or where the project would not trigger the known constraint). Such changes include phasing out an “on-hold” process, expanding parallel processing of fast-track applications, and decreasing the amount of time the next-in-line project has to wait before its studies can move forward. In addition, the MPUC approved piloting a mandatory cluster study process for projects that cannot be reviewed in parallel as well as a workgroup and reporting requirements to design, monitor, evaluate, and improve upon the study and interconnection process. A cost-sharing mechanism was approved for rooftop solar projects of 40 kW or less. While Commissioner Schuenger expressed significant concerns over Xcel Energy’s proposed broad technical planning limit, no specific MPUC action was taken on the same (in part the proposal had been withdrawn earlier by Xcel Energy). Lastly the MPUC directed staff to issue a notice and comment period to properly address the proposed agreement between Xcel Energy and the Midcontinent Independent System Operator to study projects sited on the distribution system that impact the transmission system as well as the jurisdictional implications of the same.

MPUC Schedule for the Week of January 24

The MPUC hearing on Northern States Power Company, dba Xcel Energy’s integrated resource plan will take place on January 25 and January 27, including a closed session during the afternoon of January 27. MPUC also host public information and scoping meetings for the dry cask storage at the Monticello nuclear facilities, Byron solar project, and Duluth reliability loop project matters throughout the week. Details can be found [here](#).

OREGON PUBLIC UTILITY COMMISSION (“OPUC”)

OPUC Meetings This Week

On January 25, 2022 at 9:30 a.m. PST, the OPUC is holding a public meeting discuss a wide range of dockets including UM 1930 (related to Oregon’s Community Solar Program). Later in the week on January 26, 2022, from 9:30 a.m. to 12 p.m. PST, the OPUC is hosting a staff workshop to discuss AR 651 (related to direct access rulemaking). The full agenda and dial in details can be located [here](#).

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION (“WUTC”)

WUTC Approves of Utilities’ 10-Year Conservation Targets

Under the Energy Independence Act, electric utilities serving 25,000 or more customers must set and achieve energy conservation targets every two years. The WUTC also requires that each utility file a 10-year conservation potential and biennial conservation target every two years. In fall of 2021, Avista, PacifiCorp, and Puget Sound Energy (“PSE”) filed their conservation plans. Last Tuesday, the WUTC approved each utilities’ plan subject to a few minor conditions. The projected energy savings for 2022-2023 are 101,194 MWh (PacifiCorp), 107,549 MWh (Avista), and 537,698 MWh (PSE). The final orders can be located here: [Avista](#) , [PSE](#) , [PacifiCorp](#).

WUTC Meetings This Week

On January 27, 2022 at 9:30 a.m. PST, the WUTC is holding an open meeting to discuss a wide range of dockets including UE-210878 (related to PSE’s 2022 Draft Distributed Energy Resources RFP). The full agenda and dial in details can be located [here](#).

FEDERAL ENERGY REGULATORY COMMISSION (“FERC”)

FERC issued a [Notice of Proposed Rulemaking](#) (“NOPR”) that proposes to direct the North American Electric Reliability Corporation to develop and submit for FERC approval new or modified Critical Infrastructure Protection (“CIP”) Reliability Standards that require internal network security monitoring for high and medium impact Bulk Electric System (“BES”) Cyber Systems. The current CIP Reliability Standards address perimeter requirements but do not address internal network security monitoring, which creates a gap. The NOPR also requests comments on the potential usefulness and practicality of implementing internal network security monitoring to detect malicious activity in networks with low impact BES Cyber Systems, including any potential benefits, technical barriers, and associated costs. Comments on the NOPR will be due 60 days following publication in the Federal Register.

FERC has extended the waiver of its requirement that filings be notarized or supported by sworn declarations until March 31, 2022. FERC also extended the waiver of its requirements to hold in-person meetings or submit notarized documents for open access transmission tariffs.

Market-Based Rate (“MBR”) Database: Less than one week left! The deadline for baseline submissions to the new MBR relational database is February 1, 2022. Baseline submissions are required for all entities with MBR authorization.

Reactive Power Capability Compensation: On November 18, 2021, FERC issued a Notice of Inquiry (“NOI”) seeking comments on reactive power capability compensation and market design. ([Link to NOI here.](#)) Reactive power is a critical component of the BES and over the last decade has become a key component in cost recovery for renewable resources including

solar and wind facilities. In 1999, FERC approved a method proposed by American Electric Power Service Corporation (“AEP”) for allocating costs for a synchronous generator between real and reactive power capability. This so-called AEP methodology is now recommended by FERC when an entity seeks to recover reactive power capability costs. In the NOI, FERC is performing a holistic review of the applicability of the AEP methodology to renewable resources. Initial Comments are due on January 31, 2022, and Reply Comments are due on February 28, 2022. Please see our related [blog post](#) for details regarding this NOI.

On January 21, 2021, the DC Circuit of Appeals upheld FERC’s interpretation of provisions in a Purchase Power Agreement (“PPA”) between Duke Energy Progress (“Duke”) and the North Carolina Eastern Municipal Power Agency (“NCEMPA”) that NCEMPA could use storage to reduce its capacity charges. ([Link to opinion here.](#)) NCEMPA relied on sections 9.4 and 9.5 of its PPA that permit use of demand-side management (“DSM”) and demand response (“DR”) during high-demand periods to curtail demand and thereby reduce Duke’s capacity charges. FERC’s [Declaratory Order](#) interpreted these provisions to include the installation of battery storage, but Duke argued on appeal that battery storage does not qualify as DSM or DR. The DC Circuit Court deferred to FERC’s reading of the provisions and denied Duke’s petition for review.