

REGULATORY UPDATE FOR MARCH 29 (WEEK OF MARCH 22)**CALIFORNIA PUBLIC UTILITIES COMMISSION****Recent Advice Letter Approvals**

As required by D.21-02-028, Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E) filed Tier 1 advice letters on February 16, 2021, seeking approval of contracts for additional energy and capacity to meet summer 2021 demands. Those advice letters were:

PG&E Advice Letter No. 6088-E: This advice letter sought approval of 10 agreements with resources within PG&E's portfolio for incremental energy supply. Nine of these agreements are Letter Agreements for Additional Energy that provide incremental energy through increased exports via one or a combination of (1) the reduction of host load (for Combined Heat and Power resources) or (2) increased output above what would otherwise be scheduled or contractually allowed. In a CAISO system emergency or Flex Alert conditions, these letter agreements allow PG&E to call on resources for incremental energy. The tenth agreement takes the form of a contract amendment and secures incremental energy supply in peak and net peak periods.

PG&E Advice Letter No. 6089-E: This advice letter sought approval of two firm energy import agreements with Calpine and TransAlta.

SCE Advice Letter 4415-E: This advice letter sought approval of a resource adequacy only agreement with Calpine Energy Services, L.P. and two tolling agreements with Walnut Creek Energy, LLC and El Segundo Energy Center, LLC.

SDG&E Advice Letter 3689-E: This advice letter sought approval of an resource adequacy only agreement with Sentinel Energy Center, LLC and two firm energy import agreements with TransAlta Energy Marketing (U.S.) Inc. and Calpine Energy Services, L.P.

On March 17 and 18, 2021, the Energy Division issued disposition letters approving PG&E Advice Letters 6088-E and 6089-E, SCE Advice Letter 4415-E, and SDG&E Advice Letters 3689-E and 3689-E-A.

New Proposed Decisions and Draft Resolutions¹

A.20-04-023 (Wildfire Stress Test and Cost Financing). This decision determines that PG&E satisfies the Stress Test Methodology created pursuant to Public Utilities Code Section

¹ Per California Public Regulatory Commission (CPUC or Commission) 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 Commission's daily calendar, per Rule 14.5.

451.2(b) and that \$7.5 billion of 2017 catastrophic wildfire costs and expenses are Stress Test Costs that may be financed through the issuance of recovery bonds pursuant to Public Utilities Code Section 850, et seq. This decision authorizes PG&E to establish a Customer Credit Trust, funded by PG&E shareholders, that will provide a monthly Customer Credit to ratepayers to offset the Fixed Recovery Charge that may be created to pay the costs and expenses of the recovery bonds in order to achieve a ratepayer neutral result. Consideration of the creation of the Fixed Recovery Charge and associated authorization to issue the recovery bonds is discussed in a coordinated proceeding, Application 21-01-004.

Voting Meetings

March 25, 2021 Voting Meeting

The CPUC held a voting meeting on March 25, 2021. The agenda included the following items:

Item 10: R.20-11-003 (2021 Reliability). This proposed decision directs PG&E, SCE, and SDG&E to take specific actions to decrease peak and net peak demand and increase peak and net peak supply to avert the potential need in the summers of 2021 and 2022 for rotating outages that are similar to the events that occurred in the summer of 2020. Those actions include:

1. Fund a Statewide Flex Alert Paid Media campaign, to be paid by ratepayers.
2. Modify Critical Peak Pricing rate design programs.
3. Develop and administer an Emergency Load Reduction Program pilot, to be in place and operable no later than June 20, 2021.
4. Modify existing demand response programs.

The proposed decision would also effectively raise the planning reserve margin (PRM) to 17.5%, to remain in effect until superseded by Commission decision. PG&E, SCE, and SDG&E are ordered to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve this effective 17.5% PRM for the months of concern. **Signed, D.21-03-056.**

CALIFORNIA INDEPENDENT SYSTEM OPERATOR

Board of Governors Meeting. The California ISO held a Board of Governors meeting on March 24-25, 2021. The Board issued decisions on Market Enhancements for the Summer 2021 Readiness initiative, Resource Adequacy Enhancements Phase 1 initiative, and 2020-2021 Transmission Plan.

Four Publicly Owned Utilities Begin Participating in the Western EIM. On March 25, 2021, four publicly owned utilities began participating in the Western Energy Imbalance Market (EIM): Turlock Irrigation District and the Balancing Area of Northern California

(BANC) Phase 2, comprised of the Modesto Irrigation District, the City of Redding, the City of Roseville, and the Western Area Power Administration – Sierra Nevada Region. The Western EIM will also add three additional participating balancing authorities in the coming months: the Los Angeles Department of Water and Power, Public Service of New Mexico, and NorthWestern Energy, which will expand the Western EIM’s footprint to Montana and New Mexico.

Stakeholder Initiatives: Upcoming Meetings and Deadlines

Western EIM Sub-Entity Scheduling Coordinator Role. Comments on the draft final proposal are due April 9, 2021.

Flexible Ramping Product Refinements. The California ISO has posted revised draft tariff language for the Flexible Ramping Product Refinements initiative and is planning to file the language with the Federal Energy Regulatory Commission in April 2021.

New Initiative: Maximum Import Capability Enhancements. The California ISO has launched a new initiative called Maximum Import Capability Enhancements. Comments on the issue paper for this initiative are due April 1, 2021.

Generator Interconnection Application Window 4/1/21 – 4/15/21. The Cluster 14 Generation Interconnection Request window for new applications will be open April 1 through April 15, 2021.

CALIFORNIA ENERGY COMMISSION

On March 15, 2021, the California Energy Commission (CEC) issued the final SB 100 Joint Agency Report. In response to public comment, the final Report made the following changes to the draft Report issued December 3, 2020:

- Clarifying language and updating statistics
- Adding a summary of the Draft 2021 Report Workshop
- Clarifying renewable and zero-carbon resource eligibility, including clarifying that the list of modeled resources may be updated for future SB 100-related modeling
- Updating generation resources to include a missing resource (1,600 MW pumped hydro energy storage) and several smaller resources that were miscategorized (300 MW of existing large hydro that are actually small hydro)
- Updating geothermal capacity factors to better reflect actual operations
- Updating charts and graphs to meet accessibility requirements

These changes resulted in a 2 GW increase in utility-scale solar built, a 1 GW decrease in battery storage built, a 1 GW decrease in gas capacity retention, and a \$200 million increase in total resource cost for the SB 100 Core scenario. Other scenarios resulted in similar changes.

In addition to the Final 2021 SB 100 Report, the SB 100 RESOLVE model package has been posted on the CEC’s website.

The Report is available here: [California Energy Commission – Docket Log](#).

On March 16, 2021, the CEC posted the 2021 Integrated Energy Policy Report (IEPR) Scoping Order. According to the Scoping Order, the 2021 IEPR will address four major areas: (1) energy reliability over the next five years; (2) natural gas outlook and assessments; (3) building decarbonization and energy efficiency; and (4) energy demand. The 2021 IEPR will also include an analysis of the benefits of transitioning to a clean transportation system, as required by statute. For additional information, visit <https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2021-integrated-energy-policy-report>.

The CEC released the [*2020 California Clean Energy Almanac – Road to 100 Percent Clean Energy*](#) (Almanac). The Almanac addresses nine distinct areas:

- Greenhouse gas emissions
- Energy equity
- Innovation
- Efficiency
- Impacts of COVID-19
- Clean transportation
- Investments in clean energy
- Energy storage
- Renewable energy

MINNESOTA

Minnesota Public Utilities Commissioner Appointment

On March 25, 2021, Minnesota Governor Tim Walz and Lieutenant Governor Peggy Flanagan announced the reappointment of Commissioner John Tuma to the Minnesota Public Utilities Commission. Commissioner Tuma was originally appointed in 2015. After being reappointed, Commissioner Tuma's second term begins on March 29, 2021 and expires on January 4, 2027.

Northern States Power Company, dba Xcel Energy, Petition for Approval of its Renewable Energy Standards (RES) Rider Revenue Requirements for 2019 and 2020 and RES Adjustment Factors, MPUC Docket No. 19-732

On March 25, 2021, the Minnesota Public Utilities Commission (Commission) held a hearing on Xcel's 2019-2020 RES Rider. Xcel's proposal included \$101.8 million of costs to be recovered through a RES Rider adjustment factor of 4.736% of revenue. After hearing oral argument on the remaining contested issues from both the Xcel and Minnesota Department of Commerce (Department), the Commission approved Xcel's request. The Commission, however, required Xcel to limit its recovery of costs related to four separate wind projects. Additionally, the Commission rejected Xcel's proposed 2.25% weighted cost of debt, and instead approved the Department's recommended 2.06%, which is consistent with Xcel's most recent rate case filing (PUC Docket No. E-002/GR-20-564). A written order is pending. However, per the

Commission's decision, Xcel is required to submit a compliance filing within 10 days of receiving the Commission's written order. The compliance filing must include the final tariff sheet and supporting documentation for the calculation of the new RES Rider adjustment factor.

OREGON

New Rules Adopted for PURPA Alternative Dispute Resolution – AR 629

On March 25, 2021, the Oregon Public Utility Commission issued an order adopting new administrative rules for dispute resolution related to PURPA contracts. Under the new rules, a respondent of a dispute, complaint, or request for declaratory ruling may elect to file a petition for alternative dispute resolution (ADR). The original petitioner must expressly agree to participate in ADR before mediation can begin. The new administrative rules can be located [here](#).

House Negotiations Continue in Regard to HB 2520

On March 29, 2021, at 1:00 p.m. PT, the House Committee on Energy and Environment will hold a public hearing to discuss HB 2520. This bill, if passed, will require that the Land Conservation and Development Commission (LCDC) amend the scope and content of its land use planning goals related to energy conservation. Specifically, this bill will require that LCDC mirror other statewide energy policies and set objectives related to the development of renewable energy projects and reduction of greenhouse gas emissions. The current form of the bill is located [here](#).

Senate Negotiations Continue in Regard to SB 154

On March 30, 2021, the Senate Committee on Energy and Environment will hold a working session to discuss SB 154. This bill, if passed, will extend a program that allows owners of solar generation property to pay a fixed fee in lieu of property taxes. The current form of the bill is located [here](#).

WASHINGTON

Puget Sound Energy Granted Extension for Demand Response and Distributed Energy RFPs – UE-200413

On March 25, 2021, the Washington Utilities and Transportation Commission issued an order granting Puget Sound Energy an extension for filing its draft request for proposal (RFP) for

distributed energy resources and demand response resources. The filing deadline, which was originally set at April 1, 2021, is now extended to November 15, 2021.

NEW YORK INDEPENDENT SYSTEM OPERATOR

New York Independent System Operator (NYISO) Comments on FERC's Notice of Proposed Rulemaking (NOPR) Regarding Transmission Service

On March 22, 2021, NYISO commented on the Federal Energy Regulatory Commission's (Commission) NOPR regarding the requirements for (1) transmission providers to implement ambient-adjusted ratings (AARs) on the transmission lines over which they provide transmission service, and (2) Regional Transmission Operators (RTOs) and Independent System Operators (ISOs) to establish and implement the systems and procedures necessary to allow transmission owners to electronically update transmission line ratings at least hourly.

NYISO's comments focused on ensuring sufficient flexibility in the proposed rules. NYISO argued against a uniform implementation approach for managing transmission line ratings because of the differences between each RTO/ISO. Specifically, RTOs/ISOs employ different power system modeling techniques, pricing methodologies, and market rules, and rely on a different mix of transmission and generation resources. NYISO argued that flexibility is required to accommodate these various mechanisms.

NYISO argued that AARs in New York would not provide universal benefits to NYISO, asset owners, or electric system reliability, and that allowing AARs to modify day-ahead transmission line ratings would reduce efficiency of the market by complicating the Day-Ahead Market (DAM) solution. NYISO also noted the proposed rules' potential for reliability issues in the real-time market. If transmission line ratings are reduced in real time, compared to the values from the DAM solution, NYISO might need to quickly curtail and ramp generation resources. As the real-time market inherently has less system flexibility, NYISO argued this situation could create reliability issues if sufficient generation were not available for dispatch.

The NYISO recommended an incremental approach to any rule changes, arguing that the creation of a set of seasonal transmission line ratings for shoulder months was a potential first step. Lastly, NYISO encouraged the Commission to allow ISOs/RTOs to engage with stakeholders to create a proposal that resolves the Commission's concerns detailed in the NOPR while better maintaining flexibility in approach.

FEDERAL ENERGY REGULATORY COMMISSION

1. Last week FERC held a [technical conference](#) on resource adequacy. The Commissioners participated in the conference and Chairman Glick signaled his desire for swift action to reform or eliminate the minimum offer price rule (MOPR) in PJM. Discussions among panelists and the Commissioners focused on the benefits of the capacity market and need to reform the MOPR to preserve the capacity market (several states have indicated a willingness to leave the capacity markets as a result of the MOPR's impact on their state-

subsidized renewable resources), the speed with which the Commission could eliminate or reform the MOPR, and whether and what form potential replacements or alternatives could take. The panelists discussed maintaining the status quo, reverting to a targeted version of the MOPR (as it existed pre-2019), or eliminating the MOPR altogether. Several panelists advocated for new constructs, such as integrating carbon pricing, refining capacity calculations through effective load-carrying capability, a hybrid market that included both competitive bilateral contracts and a residual auction, or the creation of a voluntary clean energy capacity market. In response to a question from Commissioner Glick regarding potentially incorporating changes prior to the December auction, panelists emphasized the need to ensure scheduled auctions were not delayed and PJM indicated that it did not foresee any reliability problems in the short term if the Commission were to take swift action to eliminate the MOPR or return to a targeted MOPR.

2. The Commission's next open meeting is April 15, 2021.
3. The timeframe for market-based rate (MBR) sellers to file their baseline filings in compliance with FERC Order No. 860 is drawing near—April 1, 2021. The relational database system is open through March 31, 2021 for testing, and then the system will be open for baseline filings until early August 2021. FERC has scheduled a [technical workshop](#) on April 22, 2021 to discuss the functionality and features of the relational database that will collect certain MBR information.
4. FERC has scheduled a [technical conference](#) to discuss electrification and the grid of the future on April 29, 2021.
5. FERC has scheduled a [technical conference](#) to discuss issues surrounding the threat to electric system reliability posed by climate change and extreme weather events on June 1-2, 2021.