

What me, worry?

Back when I was working in National Security, I took a turn working for a defense contractor. Part of our writ was to provide scenario analysis for the future application of certain weapon systems or determine if the time for their usefulness had passed. Naturally, nobody was looking to absolutely nail what the future would resemble but taking a reasonable look at large geopolitical trend and then spinning out possible futures was a way to try for a framework for a sensitivity analysis of what US Defense needs might be.

I thought about this exercise recently when various news outlets were discussing the first “100 days” of the new Administration and what that might mean for the immediate future (four years). For our industry, that raises many questions; Will the resources that have been expected to be procured continue to be valued? Will the basis upon which borrowing or formation of capital relate to recent expectations? or will that change? Will the demand expectations of the last year be realized in the coming years? or will macroeconomic trends change those investments?

Nobody knows. While the new Administration has expressed a desire to pursue “all forms of energy,” including renewable resources, DoE and other forms of government funds remain frozen in some cases and uncertain in others. Will supply chains, which had improved from the difficulties of a couple of years ago, provide the necessary material to meet demand? or will trade uncertainty upset procurement of necessary equipment? While there has been renewed interest in combined cycle generation, will there be enough turbines available on the market to meet this new demand? And, if so, at what cost?

When confronted with change at the magnitude that we are experiencing, a reasonable assessment of what this means for previous plans is only prudent before attempting to deploy large amounts of capital necessary for the projected needs from our industry. This is true whenever any new Administration comes to power but even more so now. I engaged in a panel discussion recently where it was suggested that, for the time being, one must look at any plans for deploying capital in the electric space, try and do a real assessment of the reasonableness of those plans in the new environment, quickly make whatever adjustments necessary, and then execute. The point is to not get frozen by uncertainty – which is always good advice.

As with the analysis my firm did for DoD, we got some things close to right (the rise of China and a multi-polar world) and we got some things wrong (no land war in Europe). You win some, you lose some. Nobody’s perfect.

Scott Miller

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Save the Date

WPTF 2025 Summer Meeting

August 6 - 8, 2025

Grand Summit Hotel

Park City, Utah

Registration Opens May 7th

Check the WPTF website for details

CALIFORNIA LEGISLATIVE COMMITTEE

Jesus Arredondo

WPTF Legislative Committee consultant is Jesus Arredondo. Jesus is the principal and founder of Advantage Government Consulting LLC and has over 19 years of experience in media and government relations, including concentrated experience in energy policy. Prior to launching Advantage Consulting, Jesus worked as a senior advisor for two major public relations firms in the United States and Mexico. Jesus also served as a policy advisor to a major California transmission project, principal advisor on an education effort in California concerning natural gas and on a national education campaign concerning the FERC's push for standard market design. Before launching Advantage Consulting, Jesus was a bilingual spokesman for two California governors and served five years as director of regulatory and government affairs for a fortune 250 independent power producer and two years at the California Power Exchange, where he served as director of corporate communications.

Governor/Legislature: California Now 4th Largest Economy in World, but Will it Help?

The 2024 International Monetary Fund's World Economic Outlook found that California's \$4.1 trillion nominal gross domestic product placed the state behind only the United States, China and Germany. But what will that mean to the looming State Budget update coming early next month from Gov. Gavin Newsom?

The news is great. If California were a stand-alone country, the Golden State would be ahead of Japan – alone at 4th largest economy in the world. But there's a looming problem. Actually, there are many – and they translate into mammoth expenditures which the State may have problems covering in its current budget.

Healthcare, education, crime, homelessness, energy, fires – are all screaming for “funding” attention. Gov. Newsom will present an updated budget in early May. The Legislative leadership will present a budget on June 15. Newsom must sign the Budget by June 30.

Between now and then, there will be many discussions on spending – and very little on policy. While it's nice to be the 4th largest economy in the world, if it doesn't translate into revenue to cover Newsom's proposed \$322 billion in spending, regardless of the modified budget plan that he'll propose in his “May Revise,” then

the IMF's press release is just that – a nice press release.

As for energy policy? It will wait until after the Budget is signed.

Legislature: Pathways Initiative Clears First Hurdle

The Senate Energy, Utilities and Communications Committee held a hearing this month (4/21) which included several bills, including an hour-long debate on [SB 540](#) (Becker/Stern) - the Pathways Initiative. As anticipated, it was approved unanimously on a 17-0 vote.

What's Next? The bill has been set for a hearing on April 29 in the Senate Judiciary Committee. If approved, it would then move to the Senate Appropriations Committee and be voted on by the end of May before being sent to the full Senate for a vote and then potentially onto the Assembly.

Then the process begins again in the Assembly, but with the Senate's support and the Administration and CPUC, CEC, and CAISO on board, among many others, this should pass the gauntlet and wind up on the Governor's Desk before the end of the session.

In the meantime, the commentary by Michael Wara (Stanford professor) will be invaluable in the Assembly, as he is well regarded by Sacramento politicians. An op-ed by Wara was published on 4/22 in [CalMatters](#).

Governor/Legislature/CARB: Cap & Trade Extension this Year

Gov. Gavin Newsom and the Legislative leadership seem to agree on one aspect of CARB's cap-and-trade market: They're preparing to "take a good, robust look" at the state's emissions market in the process of reauthorizing it past 2030.

The early conversations suggest that the Newsom administration prefers a "straightforward" reauthorization – meaning, no wholesale changes to the current structure (other than the regular policy updates already in the construct of the regulation).

Jaqui Irwin, the head of the Assembly's Climate Change Working Group, told the press this week *"We've had a lot of folks with anxiety coming in and saying, 'We just want a clean reauthorization.' But I think it's really up to the Legislature to take a good look at what's working and what could be improved upon."*

That means the Legislature will look at the 13-year-old program, revisiting things like the role of offsets under the program and the cost of the cheaper allowance reserves made available to companies when credit prices rise above a certain threshold.

"We're going to be looking at making sure that you really have offsets that are robust at doing what they are supposed to do," Irwin said.

That's in addition to the affordability moves they already wanted to make using proceeds from the quarterly emissions auctions, where Irwin said she'd like to look at using the Greenhouse Gas Reduction Fund to pay for utility spending on programs whose costs are borne by ratepayers.

Irwin's pronouncements were not welcome by environmentalists who are asking the Legislature to strengthen the program through things like reducing free allowances to industry and making sure the offsets companies buy represent real, permanent and verifiable emissions reductions.

The reauthorization of the program will likely come through Newsom's updated Budget proposal, in the form of a budget trailer bill, likely in mid-May.

The Newsom administration confirmed that the reauthorization would happen this year and that details of his proposal would be shared *"in the coming weeks."*

How much of a reauthorization? The current thinking is that it would be reauthorized from 2030 to 2045.

Legislature/LAO: Energy Affordability Bill Introduced

California Democrats in the State Senate have teased a package of bills that will supposedly cut down the expensive cost of living in the Golden State — this was

the promise in their post-election focus on affordability.

Senate President Mike McGuire, unveiled those plans this week (4/24) after what he called "months of laser-focused work." In the package of three bills, one would make reforms to the bureaucracies surrounding utilities, while aiming to give residents relief from "ever-rising electricity bills and renters' costs like late fees."

Backed by the Senate leadership, SB 254 (Becker) is likely the most influential yet of Democrats' proposals to bring down the high energy bills plaguing ratepayers.

Energy rates in California are on average nearly double the rest of the U.S., according to the nonpartisan state Legislative Analyst's Office (LAO), and more than double rates in neighboring states Oregon, Nevada and Arizona. That's largely because of destructive wildfires, fire liability insurance and mitigation projects like burying power lines underground that ratepayers fund.

Becker's bill would give ratepayers relief by paying for some projects with other sources of funds, expand subsidies for low-income residents and provide all customers with credits to use during summer months when bills are priciest. It would also expand oversight and transparency of rate increases and utilities' profits.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO) COMMITTEE

Carrie Bentley

Carrie Bentley is the co-founder and CEO of Gridwell Consulting and has over a decade experience in the energy industry across the ISO/RTO markets. Ms. Bentley currently provides analysis and strategic support on “all things California ISO,” including transmission, interconnection, capacity, storage assets, and the energy markets. Prior to becoming a consultant, Ms. Bentley most recently had been acting as a lead market design and regulatory policy developer at the CAISO, leading design and stakeholder initiatives in critical areas such as flexible ramping, resource adequacy, and renewable integration. Prior to the CAISO, Ms. Bentley was a consultant for GDS Associates, an engineering and economics consulting firm where she specialized in power supply contracting, natural gas hedging, and energy market design for a large range of clients in ERCOT, PJM, MISO, and SPP.

Resource Adequacy: A Quarter of Rapid Change and Rising Concerns

The first quarter of 2025 marked one of the busiest periods for CAISO’s Resource Adequacy (RA) initiative in recent memory. A flurry of stakeholder calls, comment deadlines, and design proposals culminated in significant movement — and mounting concern. Stakeholders, particularly WPTF, raised strong objections over the direction, pace, and market impacts of key elements like outage substitution reform, the proposed Unforced Capacity (UCAP) framework, and a suite of near-term RA rule changes. While CAISO’s goal of modernizing RA is broadly supported, the lack of detail, transparency, and time for evaluation threatens to undermine the goals of the initiative.

Outage Substitution Reform: Breaking a Fragile System

One of the most hotly debated topics this quarter was CAISO’s proposed overhaul of outage substitution rules. Today, outage substitution plays a critical role in allowing load-serving entities to manage RA performance obligations flexibly and cost-effectively. CAISO’s proposal would fundamentally change how outages are substituted, greatly restricting flexibility, layering on new performance tests, and adding punitive consequences for substitution failures.

Stakeholders, including WPTF and others, strongly criticized the proposal for lacking adequate modeling and impact analysis. Many noted that the current substitution system, while imperfect, is essential for coping with generator maintenance needs and unexpected events. CAISO’s suggested changes risk driving up procurement costs, forcing inefficient market behavior, and worsening availability problems during critical system conditions. Perhaps most concerning, CAISO admitted that it had not yet analyzed the operational or market consequences of its new design. In stakeholder calls, the Department of Market Monitoring also flagged major concerns, calling for greater transparency and warning of possible market distortions if CAISO’s framework moves forward without major adjustments.

UCAP: A Good Concept, Poorly Executed

CAISO also advanced its initial proposals for transitioning the RA program to a UCAP (Unforced Capacity) framework — a major philosophical shift from today’s Nameplate and NQC-based system. In theory, UCAP would better align RA counting with actual resource availability, particularly important as the fleet becomes more variable.

However, WPTF and other stakeholders repeatedly raised alarms about CAISO’s proposed

approach. Critical design elements, such as how ambient derates would be calculated, how outages would be normalized, and whether forced outages or maintenance would be counted, remain unresolved. The CAISO indicated that many of these details would not be determined until later implementation stages, but stakeholders emphasized that these elements are fundamental to the economic impact and feasibility of UCAP. Without clear answers, entities cannot assess risks or costs — a point made strongly in written comments and multiple workshops.

There is also concern that the UCAP transition could create a two-tier RA market, distort bidding incentives, and unfairly penalize resource types that have inherently different outage profiles. As WPTF noted, while UCAP may be a worthy long-term goal, rushing to implement a poorly thought-out system will do more harm than good.

Immediate RA Changes: Complexity Without Clear Gains

In parallel with longer-term reforms, CAISO also proposed near-term changes to the RA program for 2026 and 2027. These include adjusting the Capacity Procurement Mechanism (CPM) rules, modifying counting methodologies for certain hybrid and storage resources, and

introducing new requirements around derate reporting.

While many of these changes are positioned as incremental, stakeholders expressed concern that the volume and interaction of changes will add major complexity to RA procurement without clear reliability benefits. The visibility solution proposed by Middle River Power received some support and is a solid idea, but stakeholders again urged caution: layering additional obligations without fixing core issues — like outage management and capacity valuation — risks creating more administrative burden.

Moreover, WPTF and others emphasized that CAISO is advancing these changes while simultaneously launching the EDAM, DAME, and other major initiatives. The industry is already facing an unprecedented volume of market redesigns. Without proper sequencing and stakeholder engagement, RA reforms could introduce instability at exactly the wrong time.

Final Thoughts

There is broad agreement across the stakeholder community that CAISO's RA program needs to evolve. However, this quarter showed that the path forward remains uncertain and fraught with risk. CAISO's current proposals, particularly around outage substitution and UCAP, require significant refinement and better alignment with market realities. WPTF continues to support modernization — but only through deliberate, transparent, and well-justified changes. With so much at stake, rushing RA reform would be a mistake California's grid cannot afford.

WIDER WEST COMMITTEE (2WC)

Caitlin Liotiris

Caitlin Liotiris is a Principal at Energy Strategies, where she has more than 15 years of experience supporting a wide range of clients in the electricity sector, including supporting market analyses and transmission development activities. Caitlin coordinates WPTF's Wider West Committee (2WC), which engages on market, policy, reliability and technical developments in the "wider West," generally outside of California. The 2WC is active in advocating for broader western energy markets, which includes active participation in the NorthWest Power Pool's Western Resource Adequacy Program (WRAP), and in coordination with the CAISO Committee on the EIM and EDAM, especially as they relate to tariff provisions and impacts outside of the CAISO. Caitlin brings her analytical, regulatory, policy and strategic expertise to bear in supporting 2WC members by providing information and advocacy on a wide variety of issues affecting the electricity industry.

Despite Notable Progress on Congestion Revenue Allocation, Stakeholders are Still Playing Tariff and Business Practice "Whac-A-Mole" on the Issue

In the last Quarterly Report, we reviewed concerns related to congestion revenue allocation and treatment of firm transmission in the Extended Day-Ahead Market (EDAM). The issue came into focus after the first expected EDAM entrant, PacifiCorp, filed its tariff proposal at the Federal Energy Regulatory Commission (FERC). Since that initial filing, there has been notable and important progress.

But, the clunky structure for EDAM means that stakeholders are still playing "Whac-A-Mole" and having to engage on the issue in a plethora of forums. This game of "Whac-a-Mole" is created because of the unique way that EDAM is structured, which effectively result in layered tariffs and requirements across multiple parties and venues. That means solving many EDAM-related problems will inherently require engagement and consideration in the CAISO stakeholder process, each EDAM Entity tariff, and the EDAM Entity business practices. This structure makes ensuring a just and reasonable outcome much more challenging for everyone involved (including CAISO, the EDAM Entities, and regulators). As EDAM continues to evolve, it will be critical to move more terms and conditions

into the market operator's tariff, to combat this problem of proliferating stakeholder engagement venues and to ensure greater consistency across the market footprint.

The focus on congestion revenue allocation in EDAM came into sharp focus with an initial tariff filing by PacifiCorp in November 2024. The proposal did not provide any meaningful market pricing protection for firm transmission customers of PacifiCorp, even when those transmission rights were associated with a balanced self-schedule submitted ahead of the day-ahead market run.

To PacifiCorp's credit, it diligently listened to stakeholder concerns and worked with CAISO to implement a solution and, ultimately, refiled a new tariff proposal in January 2025 (ER25-951). The updated tariff proposal included targeted, but important, modifications to PacifiCorp's congestion revenue allocation approach. In this new docket, PacifiCorp proposed a "two-step" approach intended to help protect transmission rights that are scheduled in the day-ahead timeframe from congestion exposure. The proposal would first allocate congestion revenues to customers with balanced self-schedules and then allocate remaining congestion revenues to other load and exports (on a flat \$/MWh basis). While an improvement, the proposal caused renewed focus on how CAISO allocates congestion revenues

between EDAM Entities. And concerns quickly arose over how CAISO will allocate congestion revenues to PacifiCorp, PacifiCorp may not be able to fully protect firm transmission customers from congestion exposure and PacifiCorp's customers may be exposed to new risks and costs.

As a result of these discussions, and in response to stakeholder concerns, including protests from WPTF (jointly with NIPPC, available [here](#)) in the PacifiCorp tariff docket, CAISO opened an expedited stakeholder initiative to consider a targeted revision to its congestion revenue allocation approach between EDAM Entities. The [Draft Final Proposal](#) puts forward an approach which appears to enable a better (but not perfect) end result. WPTF has been deeply engaged on this topic, with participation from the leads of both the CAISO Committee and the Wider West Committee. And WPTF is greatly appreciative of all of work that CAISO, PacifiCorp, and, presumably, other EDAM Entities have put into pushing this expedited proposal forward.

While we are optimistic about the potential outcomes if this revision is enacted by CAISO, the work is far from over. There are many venues where the Wider West Committee continues to engage to help ensure this revision actually works as intended and results in a more appropriate allocation of congestion revenues to customers.

That means continuing to engage in the PacifiCorp EDAM tariff docket, where another round of comments are expected following PacifiCorp's response to the [Deficiency Letter](#) it received from FERC. WPTF must continue to engage in this venue because it is imperative that any modifications that CAISO makes to the congestion revenue allocation process are fully in place before PacifiCorp's proposal can be found to be a just and reasonable outcome. And we must ensure the PacifiCorp tariff language interacts appropriately with the CAISO language to enable the outcomes envisioned for end customers.

WPTF is also engaged in PacifiCorp's EDAM implementation process, where PacifiCorp has proposed a [Draft Markets Business Practice](#) which includes restrictions that could undermine the intended outcome of the congestion revenue allocation process for an entire class of customers. In that Business Practice, PacifiCorp proposed to not allow internal transmission to register with CAISO or self-schedule. (See Section 5.1.4 of PacifiCorp's Draft Markets Business Practice, available [here](#).) The implication of this restriction is that all internal transmission rights (including internal network rights) will not be able to obtain a "Step 1" congestion revenue allocation. This restriction undermines the achievement of

an appropriate outcome for internal firm transmission customers, even if the CAISO revisions are approved (and work as intended with the PacifiCorp tariff).

In addition, WPTF is now engaged in the docket where Portland General Electric (PGE) filed its tariff revisions to implement EDAM (ER25-1686). PGE proposed similar revisions to PacifiCorp and, thus, WPTF's concerns with PGE's tariff are effectively the same as those raised in the Protest of PacifiCorp's docket.

The multitude of venues and tariffs make regulating EDAM, and making changes to it, a significant challenge. WPTF has long advocated for consistency in how EDAM is implemented across the footprint to ensure more consistent and understandable market outcomes. And, as governance changes potentially come to EDAM, it would be wise for all involved to contemplate what provisions of EDAM might be able to be moved into the market operator's tariff.

For instance, if congestion revenue allocation – at least for firm transmission customers – was in the market operator tariff, we could all theoretically engage in a single forum to resolve this issue, rather than having to engage in four right now (and more as future EDAM Entities join). In the meantime, WPTF will continue to play "Whac-A-Mole" in seeking to ensure improved outcomes.

CARBON AND CLEAN ENERGY COMMITTEE

Clare Breidenich

Clare Breidenich coordinates WPTF's Carbon and Clean Energy Committee. In this role, Clare has been actively involved in the development of California's cap and trade program since its inception and has particular expertise on issues related to the treatment of electricity imports under the program and the interactions of the carbon market and the markets operated by the CAISO. Clare also represents WPTF on matters related to carbon and clean energy policies in other western states.

Prior to joining WPTF, Clare worked on international climate issues at the Environmental Protection Agency, the US Department of State and the United Nations Framework Convention on Climate Change Secretariat. Clare has extensive knowledge of the technical and policy options for greenhouse gas mitigation, including market mechanisms, and methodologies and protocols for estimation, reporting and verification of greenhouse gas emissions and reductions. She has served on the Washington Governor's Climate Action Team, the Washington Carbon and Electricity Markets Workgroup and on a National Academy of Sciences' Committee on monitoring of greenhouse gas emissions. Clare is a graduate of the University of Michigan and has a Master of Public Affairs and a Master of Science in Environmental Science from Indiana University School of Public and Environmental Affairs.

Uncertainty about Washington and California's efforts to extend and link the cap and trade programs and the Trump administration's hostility to these efforts wreak havoc with the carbon markets.

In the January edition of the Quarterly Report, I discussed the potential vulnerabilities of state carbon and clean energy programs to an effort by the Trump administration to dismantle policies to address climate change. Three months on, the possibility of such an effort is no longer idle speculation.

On April 8, Trump issued an Executive Order entitled "[Protecting America from State Overreach](#)", which declares state climate policies to be burdensome, ideologically motivated and a threat to "American energy dominance and our economic and national security." The order directs the Attorney General to identify state laws that may be unconstitutional, in particular those "purporting to address climate change" or involving "environmental, social, and governance" initiatives, "environmental justice," carbon or "greenhouse gas" emissions, and funds to collect carbon penalties or carbon taxes", and to take all action to stop the enforcement of any laws that are determined to be illegal.

Despite this development, or perhaps because of it in California's case, Washington and California efforts to extend and

link their cap-and-trade programs continue apace.

In California, after months of signals that the Legislature would not seek to extend the cap-and-trade program this year, on April 15th Governor Newsom and the Senate President reversed course and announced that they would do just that. (See Jesus Arredondo's Legislative report for more color.)

Although there's wide Democratic support in the legislature for extending the program, getting there may not be as simple as simply authorizing a new date. Recent [comments](#) by Assemblywoman Jacqui Irwin suggest that there is appetite in at least some quarters to direct CARB to make substantive reforms of the programs. The more significant the changes that are sought, the more time that will be needed to negotiate an extension bill.

Throughout 2023 and 2024, the California Air Resources Board (CARB) conducted a series of workshops in preparation for formal rulemaking, which had been planned to launch last fall. That rulemaking was widely anticipated to result in reductions to the program caps for the pre-2030 period and lay out a trajectory for the program after 2030. However, due to other CARB priorities (response to the LA wildfires and revision of the Low Carbon Fuel Standard) as well as Newsom's previous apparent interest in delaying

extension of the cap-and-trade program until the 2026 legislation session, CARB has not yet moved to rulemaking. Formal program extension by the Legislature this session would open the door for CARB to proceed with the broader rulemaking addressing both pre and post 2030 later this year. However, the earliest a revised rule could go into effect would be January 2027 – and that presumes that extension legislation passes this year, so that CARB could launch its rulemaking this fall.

CARB's timeframe poses a potential problem for Washington. The Washington Department of Ecology (Ecology) recently launched its own rulemaking to make amendments to its cap-and-trade program necessary to facilitate linkage to that of California and Quebec. These amendments would allow Ecology to target linkage for Washington's second compliance period, which begins in 2027.

However to date, most observers have believed that CARB would not begin to consider linkage to Washington until it has completed the rulemaking for the California program. Sticking to that timeline would mean that linkage (which requires a separate formal process in both states and a formal linkage agreement) could not possibly occur by 2027. Given the importance of linkage to constrain Washington program costs and the likely interest of both regulators in presenting a unified opposition to

the Trump administration's hostility to the state climate programs, it is more likely that CARB will consider linkage in parallel to the cap-and-trade rulemaking.

In the meantime, the uncertainty about California's regulatory processes, program extension and the trajectory of emissions caps, plus the Executive Order have resulted in significant volatility in allowance prices.

California allowances started 2024 high, peaking at \$44 in the secondary market in February on expectations of CARB rolling out tighter greenhouse emission caps. By December when it became clear that the rulemaking was delayed, prices were in the low 30's and held relatively steady until last month. Prices dropped to \$22 immediately after the White House Order on April 8th but rallied back to around \$27 on the Newson announcement on April 15th... only to fall back again after Irwin's remarks on the 22nd.

Meanwhile, Washington allowances prices are back in the \$60 range, following a March auction clearing price of \$50. This auction clearing price was double the 2024 low of \$24 when market concerns about the initiative to repeal the cap-and-trade program were high, and nearly 25% higher than the December auction.

Given that linkage is extremely unlikely to occur during Washington's current compliance period, and the supply of

Washington allowances remains extremely tight compared to forecast emissions for covered sectors, one would expect that prices will continue to rise through 2026.

These expectations have been dampened by the passage of HB1975, which currently sits on Governor Ferguson's desk. That bill reduces the program's allowance price cap to \$80 for 2026 (it otherwise would be north of \$100.) Although this change will meet the bill sponsors' objective of constraining overall program costs and thus mitigating political opposition, because the bill did not address the fundamental mismatch of allowance supply and demand for the current compliance period, it will also increase the probability that the program will blow the cap – at \$80 Ecology would have to simply issue and sell additional allowances at that price.

Not only would this undercut the program's emission targets, it could also pose a significant barrier to linkage, if CARB does not believe that the program has environmental integrity. As linkage is widely considered the single best way to constrain allowance prices in Washington, an outcome that runs counter to that objective would be an unfortunate and unintended consequence of HB1975.

All this is to say, that uncertainty and allowance price volatility is here to stay...

CPUC COMMITTEE

Gregg Klatt

Gregg Klatt coordinates the CPUC Committee. Gregg is a practicing attorney with over 20 years of energy industry experience. With a practice focused on state and federal regulation of the electric power and natural gas industries, Gregg has represented clients in numerous rulemaking proceedings before the CPUC, CEC and CARB. He advises energy companies concerning regulatory requirements affecting their product and service offerings. He represents generators, marketers and retail suppliers in licensing, compliance and enforcement matters. And he provides regulatory counsel in energy-related transactional matters, including procurement contracting, resource development and repower projects, asset dispositions, and related financing arrangements. Gregg received his J.D. from UC Berkeley's School of Law and has a B.A. in History from the University of San Francisco.

DWR Procurement 2.0

Some of you are old enough to have been around when the State of California had the Department of Water Resources (DWR) execute a raft of relatively high-priced PPAs during the Western Electricity Crisis of 2000-2001. Even more of you were around for the messy fallout, with FERC still issuing refund orders decades later. Now all of you will have a ringside seat to the State's next big foray into the procurement arena, this time for resources that have relatively long development timelines (LLT) and thus pose significant procurement challenges for individual load-serving entities (LSEs).

In 2023, California enacted Assembly Bill (AB) 1373, which authorizes DWR to procure, subject to a need determination by the CPUC, new generation resources that meet all of the following criteria:

- Directly supports attainment of the State's zero-carbon procurement goals without increasing its dependence on any fossil fuel-based resources.
- Not being contracted by LSEs at sufficient levels to achieve those goals.
- Has a construction and development lead time of at least five years.
- Does not generate electricity using fossil fuels or fuels derived from fossil fuels.

- Does not use combustion to generate electricity, unless to facilitate geothermal generation.

Last August, the CPUC issued a decision identifying a need for DWR procurement of up to 10.6 GW (nameplate) of LLT resources, including up to 1 GW of new geothermal, 1 GW of multi-day energy storage, and 1 GW of long-duration energy storage with a discharge period of at least 12 hours, all to start coming online by June 1, 2031, and up to 7.6 GW of offshore wind to start coming online by June 1, 2037. (These needs are on top of the mid-term reliability procurement requirements for CPUC-jurisdictional LSEs.) In February, the Commission conveyed a formal request to DWR to exercise its AB 1373 authority to procure the identified resources. However, DWR's first solicitation is not scheduled to get underway until late 2026, so there's plenty of time left to sharpen your pencils.

Transmission Planning

Besides overseeing resource planning for CPUC-jurisdictional LSE (and now, DWR), the CPUC also plays a significant role in the CAISO's transmission planning. At the start of each year, the CPUC recommends resource portfolios for study in the CAISO's next Transmission Planning Process (TPP) cycle. The Commission typically asks the CAISO to study two portfolios: a base case that achieves greenhouse-

gas emissions reductions to a specified target for the energy sector, and a sensitivity case that tests for incremental transmission needs that could be driven by a more aggressive, policy-driven buildout of new generation.

In the current TPP cycle, the CAISO is studying a base case that cycle meets a sector-wide GHG target of 25 million metric tons (MMT) in 2035. The CAISO is also studying a sensitivity case that assumes 15 GW of natural gas generation retirement by 2039.

The CPUC's recommended base case for the next TPP cycle is essentially an update of the previous base case, with the same GHG emissions target. Due, however, to an increased demand forecast and other factors, the base case includes an additional 15.5 GW of wind, solar and 8-hour battery storage resources to come online by 2040, with nearly 3 GW of the previously assumed gas retirements removed. (Notably, the CPUC has asked the CAISO to reserve deliverability for the full amounts of geothermal, biomass, offshore wind, and non-battery long-duration energy storage, and for slightly over 11 GW of in-state and out-of-state wind, in the base case.) The recommended sensitivity case builds on the base case by "forcing" nearly 12 GW of additional geothermal, long-duration energy storage, and offshore wind resources to come online by 2035, which includes the long lead-time resources to be procured by

DWR under its AB 1373 authority. That means we can expect a slew of new transmission projects, for thousands of megawatts of incremental deliverability, to be approved in both the current and next TPP cycles.

Gas System Decommissioning

Last September, the CPUC opened a new proceeding to "continue the work" of the Long-Term Gas System Planning proceeding. Shortly thereafter, the scope of the new proceeding was expanded to include gas distribution system decommissioning, as required by Senate Bill (SB) 1221. Under that legislation, CPUC-jurisdictional gas utilities are required to produce annual maps of their distribution systems, with the first maps to be submitted to the CPUC by July 1, 2025. The bill also directs the Commission to identify priority neighborhood decarbonization zones by January 1, 2026. And the bill further directs the CPUC, in consultation with the gas utilities, to identify, by July 1, 2026, up to 30 gas distribution system decommissioning pilot projects in priority neighborhood decarbonization zones. While the initial decommissioning projects are expected to involve only small portions of each gas utility's distribution system, it is clear that California has no intention of slowing down its building electrification and gas system decarbonization efforts over the coming decades.

Energy Storage Safety Standards

In addition to grabbing national headlines, the fire that engulfed Vistra Corporation's flagship battery energy storage project in Moss Landing has prompted the CPUC to expand its operation and maintenance standards for generation resources to include battery storage systems. The new regulations, which are codified in General Order (GO) 167-C, extend the application of the order's operation standards to large- and medium-sized ESS owners (ESSOs), establish logbook standards and related recordkeeping requirements for ESSOs, revise existing maintenance standards to apply to ESSOs and add relevant technical language, require ESSOs to report safety incidents, apply CAISO Outage Coordination Protocol to ESSOs, apply data collection requirements to ESSOs, require ESSOs to cooperate during any CPUC audits, inspections, or investigations, and apply to order's compliance and enforcement provisions to ESSOs. While no ESSOs were willing to go on record with their thoughts about the new regulations, consultants across the state welcomed their adoption with enthusiasm.

The bill “is California’s most ambitious effort yet to rein in rising energy costs and put ratepayers first,” Becker said in a statement to the press. “This bill — which will save Californians billions — ensures wildfire mitigation dollars are spent where they have the greatest impact and sharpens scrutiny of utility budgets through stronger laws that will help control excessive profits and rate increases.”

SB 254 Highlights

Given that this is a priority of the Senate Leadership, SB 254 (Becker) will likely sail through the Senate. If approved, the bill, among many things would create several changes:

- ✓ *Creates the Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program within the California Energy Commission (CEC)*

- ✓ *Changes Wildfire Mitigation Plan Submittal Timeline at the California Public Utilities Commission’s (CPUC) Wildfire Safety Advisory Board*
- ✓ *Creates a CEQA EIR for Battery Storage within the existing AB 205 (Committee on Budget, 2022) statewide opt-in CEC permitting process for clean energy by clarifying the independence of the CEC pathway*
- ✓ *Creates the Clean Energy Infrastructure Authority to lead the state’s efforts to build critical clean energy infrastructure necessary to enable the state to transition to 100% clean energy.*

SB 254 is not a light bill, and the IOUs are opposed. It will be an interesting balance of the Legislative session which concludes on September 12.