WPTF WESTERN POWER TRADING FORUM

QUARTERLY REPORT

April 2022

Western Market Integration? You need a flow-chart…

Before discussing the busy efforts at market integration, a note on this issue of the Quarterly Report: The reports of the CAISO, Wider West (2WC) and Carbon and Clean Energy Committees are combined in this issue as all three are focused on the CAISO Extended Day-Ahead Market (EDAM) effort.

Now back to our regularly scheduled programing.

If you have had course work in process management, you have seen flow charts that suggest what will result "if" one outcome occurs early in a process to be followed by another "if" and another outcome and… The same thing can be seen when contemplating sports playoff considerations as a season draws to a close. Well, if you are considering how the various efforts at Western Power Market integration might occur (not necessarily "when"), then a flow-chart diagram might be useful.

It was going to be so easy back in 2014. Early penetration of renewable energy with its variable output created an incentive for Western utilities to sell output they couldn't use into the "big sink" of CAISO, which led to the creation of the Energy Imbalance Market (EIM). That was to be the training wheels to get utilities around CAISO comfortable enough to fully join the ISO and create the big, Western RTO. Power would be moved efficiently, resources could be added or retired in a transparent market. The Energy Transition would be facilitated as would reliability.

But, as we all know, CAISO's governing board is appointed by the Governor of California which is a huge disincentive for non-California utilities to join. The high price of the CAISO Transmission Access Charge (TAC) also proved to be an impediment. CAISO sought to establish an "incremental" (the essential term in the West discussion) step to unlock the benefits of a day-ahead product. The EDAM was the offering short of an RTO that has been revived recently by CAISO. Stakeholders have been hard at work providing input into a possible "straw proposal," which is expected to be released soon. The term "waiting for Godot" *https://www.britannica.com/topic/Waiting-for-Godot* seems appropriate here.

Subsequently, a large part of the non-CAISO West began to consider how to better account for Resource Adequacy (RA) through the Northwest Power Pool (NWPP). Quite rapidly (two years), the NWPP hired the Southwest Power Pool (SPP) to be the technical operator and produced a counting scheme that was reasonably credible and seems on the cusp of filing an enforceable mechanism with FERC. Most astonishingly, it fashioned a governance structure that seemed "mostly" independent enough that it might result in the foundation of an RTO, as NWPP rebranded itself the Western Power Pool (WPP) operating the Western Resource Adequacy Program (WRAP).

A strange thing then happened. SPP began its "Markets +" offering with design support from many of the same companies and executives who got the WPP/WRAP off the ground. This began to look like a real "hedge" if not outright usurper of EDAM and the CAISO effort. The recent meeting of that group in Phoenix in late March left one with a palpable sense of real movement. We'll brief you on that in our next Quarterly Report when more detail emerges.

Scott Miller

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Save the Date

Check the WPTF website for all the details.

2022 Summer General Meeting
The Resort at Coeur d'Alene, Idaho
August 24-26, 2022
Registration opens in April 2022

JOINT COMMITTEE REPORT

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.

CAISO Launches its EDAM Process

Starting January 3, 2022, the CAISO hit the ground sprinting on its efforts to design an EDAM by launching three working groups: Resource Sufficiency Evaluation and Commitment, Transmission Commitment and Congestion Rent Allocation, and Greenhouse Gas Emissions Accounting and Costs. While still not perfectly defined, generally EDAM is intended as an extension of the existing CAISO day-ahead market and would in part facilitate, and in part replace, bilateral market trading by EIM participants. While it would have been more typical of the CAISO to start at a higher level and engage stakeholders on the benefits and principles behind the EDAM concept, instead the EDAM working groups jumped straight into the details of the market. The unprecedented approach and concentrated schedule were intended to engage with stakeholders on key topics to identify areas of general consensus and areas that require additional discussion (i.e., the sticky issues). While there were lots of intense discussions and debates on the details from the onset, it was clear that what was needed was an EDAM 101 discussion to set the stage. The most fundamental and important questions that an EDAM 101 course could have addressed were: is the EDAM simply an extension of the CAISO's current day-ahead market? Or is this an opportunity to re-design the existing day-ahead market in light of a larger footprint? It was clear that there were varying perspectives on the answers to those questions.

Notably missing from the discussions all together was the topic of governance – the same issue that essentially halted this effort a few years ago. Interestingly, Governance is being discussed in a separate, but parallel, stakeholder effort lead by the Governance Review Committee (GRC). Their current schedule is to issue proposed governance structures as the EDAM design evolves such that they can adjust as needed.

With 180 hours of meetings in a 10-week period behind us, we are all left asking ourselves – was it worth it? Only time will tell, as we anxiously await the Straw Proposal that is expected at the end of April. In any case, the current, somewhat lighter CAISO meeting schedule has given us time to reflect on the progress and challenges still facing each of the working group topics. And with that, we share our perspectives on the working groups.

Working Group #1: Resource Sufficiency Evaluation and Commitment

The objective of Working Group #1 is to design a way to ensure that all entities bring enough capacity to the table. It's clear that one of the foundational

principals is that this be done through a fair and equitable application of a Resource Sufficiency Evaluation (RSE) test to all Balancing Authority Areas (BAAs), including the CAISO. Towards the beginning of the discussions, there was some conflation between RSE and RA, which is understandable and natural given that both are planning steps, one is just done more near term (RSE) than the other (RA).

This working group reached a general consensus that the RSE check will be a sufficiency optimization that looks at all 24 hours in the trading day simultaneously. The binding test will be done prior to the day-ahead market run. It's the details of that optimization and the implications when one does not pass that will require further discussions. For example, it's still unclear what exactly will be included in the optimization. Ideally it will check for capacity, flexibility, and uncertainty needs while respecting resource constraints; however, it's still an open question if deliverability should be included in the sufficiency optimization check.

Two hot topics that will continue into the formal stakeholder phase include the consequences of failing the RSE test and prioritization of transfers across the footprint under emergency conditions (who gets cut first?). This should not come as a surprise, especially since the CAISO is grappling with these two issues for its own BAA in two other stakeholder processes, resulting from the August 2020 blackouts. Other issues include the timing of the RSE test itself and whether or not there will be advanced or advisory RSE test. There was talk of an advisory RSE test 45 days in advance, which aligns with the RA monthly showing timeline. This seemed to have been dropped, but as we move into the formal stakeholder process, the IOUs may push for this again. EDAM BAAs would also like the ability to run ad hoc advisory RSE tests – as a "planning" tool for RSE purposes – which the CAISO committed to exploring. This is all to say, there are a lot of contentious issues still to discuss as we move towards the straw proposal phase, making for an interesting and lively stakeholder process.

In addition to discussing the RSE test, the working group went into the co-optimization of ancillary services, convergence bidding, and the Reliability Unit Commitment (RUC) process. Regarding ancillary services, its important to note that the feasibility and benefits study did not assume co-optimization of ancillary services. At this point, it seems as though the CAISO is also leaning towards not co-optimizing ancillary services across the entire EDAM footprint on day one. That's not to say the RSE test won't ensure sufficiency capacity is brought to the table to cover ancillary service obligations, its just that the market optimization itself will not procure or price ancillary services other than for the CAISO BAA as it does today. There is still the question of if and how convergence bidding would be included in EDAM BAAs. If the proposed design takes the perspective of simply extending the CAISO's current day-ahead market, one would reasonably assume it would include convergence bidding. However, it's an element of the design that warrants further discussion amongst the CAISO and EIM entities to determine if its beneficial to be included, especially from day-one. Likewise, the discussions around RUC were more for entities to understand what the current RUC process is, and to evaluate why and if it's needed for EDAM BAAs – another area that will likely continue to be discussed in the formal stakeholder process.

Working Group #2: Transmission Commitment and Congestion Rent Allocation

Working Group #2 made some progress, including insights and understandings that were gained from reviewing examples. However, in many ways, the general framework for transmission commitment that was presented and discussed during EDAM 1.0 (back in 2020)

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.

remains unchanged. And many of the key challenges, including questions around congestion rent allocation – especially within EDAM BAAs – remain unresolved. We are hopeful the Straw Proposal will also provide important clarifications around a number of topics, but also recognize the complete market design for this topic won't be known until individual EDAM Entity stakeholder processes and tariff revisions take place.

In discussing transmission commitment to EDAM, one key challenge this working group wrestled with is the underlying tension between getting as much transmission capacity into the market as possible to increase the ability of the day-ahead market to optimize generation on the one hand, and the need to continue recovering transmission costs on the other. The three "bucket" transmission concept presented to stakeholders in 2020, generally appeared to remain intact and gained approval from the majority of stakeholder participants as the framework for transmission use between EDAM BAAs. However, a number of questions and potential issues remain regarding transmission commitment. The concept of allowing Transmission Customers who wish to donate transmission to EDAM to recover costs they've incurred for that transmission via a hurdle rate was introduced and put forward in WPTF's informal comments in this working group. Allowing two "sub-buckets" under Bucket 2, one donated by customers for free – in exchange for congestion rents – and another provided for use, but only if a transmission hurdle rate can be cleared (and paid to the Transmission Customer), seemed to have gained some traction during working group discussions. But it is unclear whether CAISO will include this option in the upcoming Straw Proposal. The inclusion of a hurdle rate payment option for Transmission Customers under Bucket 2 may go a long way to helping a number of parties feel that their Open Access Transmission Tariff (OATT) rights and investments can be protected under the initial EDAM structure.

We anticipate some ongoing discussion and tension on the use of internal transmission rights within an EDAM BAA, including how internal transmission contracts can be protected. CAISO's proposed structure for EDAM's use of internal transmission would build off of the EIM structure, which assumes all internal transmission can be utilized by the market. While this proposal certainly helps increase the market's economic benefits, and ability to optimize across the system, there are likely to be concerns regarding this treatment and ensuring transmission customers using rights within a BAA will be properly protected. However, the current EDAM proposal would allow individual EDAM Entities to determine how

to allocate congestion rent within their footprints. Thus, the answer to questions around internal transmission rights (among other things) likely won't be known until the future EDAM Entities begin their stakeholder processes and provide additional information on their proposed congestion rent allocation processes within their footprints.

With respect to congestion rent allocation, the group evaluated how congestion rents might be allocated to CAISO and to each EDAM BAA. However, critical details on how EDAM BAAs would sub-allocate congestion rents to appropriate parties (i.e., loads and resources) within their BAAs were not tackled and will, presumably, be discussed at an individual EDAM Entity level in a future stakeholder process.

Another critical area, where we hope the Straw Proposal provides additional details, is how intertie bidding will function in an EDAM construct. There are several different issues related to intertie bidding under EDAM, including intertie bidding at the boundaries of EDAM and intertie bidding at the boundaries of CAISO (for both situations where CAISO is adjacent to non-EDAM BAAs and to EDAM BAAs). During the working group discussions, the EDAM BAAs made clear their concerns with allowing intertie bidding at the EDAM boundaries, which included transmission free-riding/ cost shift and reliability-related issues. While there are certainly economic benefits that would be achieved from allowing intertie bidding at the EDAM boundary, the issue appears to be a "non-starter" for EDAM Entities, who would prefer self-scheduling at EDAM boundaries (and to move through the EDAM footprint). It appears that, at locations where CAISO is adjacent to a non-EDAM BAA intertie bidding will continue to exist. What remains to be seen is whether, at intertie locations between CAISO and an EDAM BAA, intertie bidding will continue to exist or if it will be replaced by EDAM Transfers (and self-schedules). The continuation of intertie bidding at these locations would be beneficial for demonstration of delivery of resources to CAISO, which is critical for demonstration of delivery under Renewable Portfolio Standard (RPS) programs and other regulatory rules.

Working Group #2 made some good progress during eleven weeks of meetings. Yet a large number of critical issues remain outstanding as we await the release of CAISO's Straw Proposal. Additionally, because many key policy decisions, such as internal BAA congestion rent allocation, will be left to individual EDAM BAAs to decide, we likely won't have a complete picture on transmission commitment and congestion rent allocation for EDAM for quite some time.

Working Group #3: Greenhouse Gas Emission Accounting and Costs

Working Group #3 attracted interest from several environmental organizations and other potential market participants with limited knowledge of the history of GHG accounting within the EIM. As a result, Group #3 spent the first two weeks of meetings on background and discussions of its scope. Much of this interest is due to the recent crop of clean energy legislation. At least six states in the WECC, including Washington and California, now have laws requiring utilities to achieve 100% zero-emission electricity by mid-century. Although corresponding regulations have not yet been developed in most states, concerns about facilitating and tracking compliance with the clean energy standards is front and center for many utilities and environmental organizations. These concerns created a tension early on around the question of whether the goal of the EDAM design should be to optimize only for carbon pricing (e.g. state cap and trade programs) or whether it could also optimize for RPS-style clean energy programs. Ultimately, stakeholders agree that the EDAM should optimize only for GHG costs, but that the CAISO should improve the reporting of emission information for public and state regulators.

Eventually, the Working Group discussed two alternative approaches for GHG optimization –

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.

a Resource-Specific approach proposed by the CAISO and modeled after the current EIM GHG optimization, and a GHG Zone approach presented by Powerex and PGP. Both approaches would be based on state boundaries, rather than on BAAs. For Washington, this would enable portions of multi-state BAAs that include Washington, such as Pac-west, to be included within the GHG area, and the remainder of the of the BAA to be external.

Under the Resource-Specific approach, all resources external to cap-and-trade states would have the option of making their output available to be deemed to serve load in those states and would submit a separate GHG bid adder reflecting anticipated GHG compliance costs. Because the nascent Washington program is unlikely to link to California's for several years, the EDAM design would need to accommodate separate bid adders for Washington and California. Resources bid into the EDAM would not have base schedules as in the EIM, so the CAISO proposes to use the RSE optimization to derive each resource's base schedule. The volume of a resource's electricity that could be deemed to the GHG states would be limited to the difference between the resource's upper economic limit and the base schedule derived from the RSE.

The GHG Zone approach was presented as an evolution of a proposal made by the EIM Entities back in 2019. As originally proposed, this approach envisaged a single GHG zone comprising both Washington and California. Utilities that wished to take advantage of the higher pricing within the GHG zone could elect for their entire system, both generation and load, to be included in the zone. Any other transfers from external resources into the zone would occur behind a GHG hurdle rate, and would not be attributed to individual resources. The applicable GHG hurdle rate would be factored into LMPs within each GHG zone and collected from load. Following discussions with other stakeholders, presenters indicated that that they could envisage two separate GHG zones and the ability for some external resources to bypass the hurdle, so that market optimization would consider resource-specific bid adders for those resources. There was also discussion regarding the need to limit the resource-specific option (or getting around the hurdle) to resources that meet some type of criteria – the exact qualifications have yet to be discussed in much detail. GhG Hurdle revenues could be used by a third-party or the regulator

for purchase of allowances from the cap and trade program, or if the allowance obligation were assigned by the regulator to LSEs, could be returned to the LSEs on a load-share basis.

From the get-go it was clear that the CAISO, or at least some key staff, had strong preferences for their own approach. Consequently, working group participants found it challenging to even have a substantive discussion around the GHG zone approach. WPTF has not taken a position, instead advocating for both approaches to be included in CAISO's straw proposal, and both to be fully tested. To this end, WPTF proposed modifications to each approach with the hope of having two viable options to consider, recognizing that both will likely be sub-optimal. For the Resource-Specific approach, WPTF advocated that transmission constraints be included in the RSE optimization to derive base schedules and to limit a resource's 'deemable' volume to incremental dispatch above its base schedule. For the GHG Zone approach, WPTF proposed that any portion of a resource's output that is contracted to one of the GHG states be attributed to the respective zones on a resource-specific basis and advocated that the emission rate for the GHG hurdle be set dynamically based on marginal fossil generation within the market footprint so as to prevent emission linkage and provide for accurate price formation. Although the details of the GHG Zone approach were not yet clear at press time, WPTF understands that conversations continue behind the scenes to elaborate the approach, and the CAISO has committed to include both approaches in the straw proposal.

What to Expect Next

While we are all enjoying (or still recovering?) the slower pace of EDAM stakeholder meetings, the CAISO has been drafting a comprehensive straw proposal that will kick off the formal stakeholder process. The first proposal will be issued at the end of April followed by two, back-to-back stakeholder meetings (in person!) to discuss. The CAISO – maybe optimistically – is aiming to have the design sufficiently developed by the end of 2022 to take to the Board of Governors. This really only allows for two formal iterations on the straw proposal before finalizing the design. Yikes.

CPUC COMMITTEE

Greg Klatt

Greg Klatt coordinates the CPUC Committee. Greg 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, Greg 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. Greg received his J.D. from UC Berkeley's School of Law and has a B.A. in History from the University of San Francisco.

California's Other Energy Agency

Over Among the many public agencies that play a role in implementing California's energy policies, the CPUC regularly steals the limelight. And rightly so. In addition to regulating the investor-owned gas and electric utilities (IOUs) that historically served the lion's share of demand in California, the CPUC is charged with ensuring the non-utility retail suppliers serving customers in the electric utilities' footprints—i.e., electric service providers and community choice aggregators—comply with the state's RPS and Emissions Performance Standard (EPS), resource adequacy requirements, and statutory requirements for integrated resource planning.

The CPUC is not, however, the state's primary energy policy and planning agency. That would be the California Energy Commission (CEC).

Established in 1974 in response to the energy crisis of the early 1970s, the CEC's initial responsibilities included the licensing of thermal power plants, the development and enforcement of energy efficiency standards, and the preparation of energy demand forecasts to guide the state's energy infrastructure planning. (It also played a central role in thwarting the development of nuclear power plants in California.)

In 1989, the CEC issued the state's first global warming report, which startlingly proclaimed "Most scientists researching climate change agree that manmade changes to the atmosphere will cause a temperature rise of 2°C in California by the year 2030." The CEC has prepared three more climate change assessments since then, and it has been given more responsibilities in response to the climate crisis.

Starting in the early 2000s, the CEC has been responsible for certifying the RPS-eligibility of renewable generation facilities and for verifying the RPS procurement claims of LSEs. Since 2007, the CEC has been charged with administering the New Solar Homes Partnership program and successor programs. The CEC's current responsibilities also include preparing biennial Integrated Energy Policy Reports (IEPRs), implementing and enforcing the RPS and the EPS for publicly owned utilities, and administering hundreds of millions of dollars in grants for scientific and technological research to advance the state's clean energy and climate goals.

The CEC also performs key functions in support of CPUC-administered regulatory programs and CAISO processes. For example, the CPUC uses the CEC's demand forecasts to set RA requirements, and CEC staff vets the individual load forecasts that are used by the CPUC to allocate RA requirements to the IOUs, ESPs and CCAs. The CPUC also uses the CEC's demand forecasts to model the resource portfolios developed through its

Integrated Resource Planning (IRP) process. Finally, CEC and CPUC staff work hand in hand to map resources from the CPUC's IRP portfolios to the grid (aka, "busbar mapping"), which is integral to the CAISO's transmission planning.

The CEC's policy-driven collaboration with the CPUC and the CAISO has also increased significantly in the past few years. That collaboration includes CEC research projects on critically important topics for the CPUC's resource planning and the CAISO's transmission planning, as well as holding joint workshops and preparing joint reports (e.g., the preliminary and final repots on the root causes of August 2020 heat wave and rotating outages). The CEC is also the lead agency for evaluating challenges and opportunities associated with achieving the goal of 100% clean energy by 2045 established by Senate Bill 100, including periodic assessments of the additional energy resources and the buildout rates needed to achieve that goal.

The CEC's current "hot topic" research projects and initiatives include:

- Assessing the role of long-duration storage (LDS) and developing LSD deployment scenarios
- Evaluating and quantifying the maximum feasible capacity of offshore wind (OSW) and establishing OSW planning goals for 2030 and 2045
- Developing requirements for energy storage devices paired with renewable resources that participate in the RPS program
- Exploring the potential role of green hydrogen in California's clean energy economy
- Engaging state agencies and stakeholders in planning for the transition away from fossil gas and addressing the challenges the state faces in decarbonizing the gas system
- Funding research to develop safety standards and practices for blending hydrogen into the natural gas pipeline system

Historically, WPTF has not had a committee dedicated to monitoring and reporting on CEC proceedings. Nor has WPTF engaged in any significant CEC advocacy. That was fine when the CEC toiled in relative obscurity. Given, however, the expanded scope and importance of the CEC's activities, it may be time for that to change.

CPUC Updates

In February, the CPUC issued a decision in its IRP proceeding (R.20-05-003) adopting a "preferred system portfolio" that reliably meets a 38 MMT GHG planning target in 2030. The decision recommends the CAISO include the portfolio in both the reliability and policy-driven scenarios for its 2022-2023 transmission planning process. The recommended portfolio is based on the CEC's mid-demand plus high EV penetration forecast from its 2020 IEPR and the preferred resource buildout identified in load-serving entities' 2020 integrated resource plans. The portfolio retains the existing thermal fleet in toto and adds 34.7 GW of new supply resources between now and the end of 2030, including 17.5 GW of solar, 13.6 MW of 4-hour storage, 7.5 GW of in-state, offshore, and out-of-state wind, over 1.1 GW of geothermal, and 1.0 GW of long-duration storage. The incremental transmission capability needed for the portfolio is estimated to be between 13 and 17 GW.

Also in February, nearly four and a half months of workshops on slice-of-day proposals and other proposed structural reforms to the CPUC's Resource Adequacy (RA) program were concluded with the submission of a 336-page workshop report. Ironically, PG&E's slice-of-day proposal, which the CPUC had previously selected for further consideration, did not survive the workshops. Instead, the workshops produced two new proposals: SCE's 24-slice proposal, and Gridwell Consulting's two-slice proposal. Under SCE's proposal, load-serving entities would be assigned 24 hour-specific RA requirements in each month. Gridwell's proposal builds on the RA program's existing framework by adding a net peak RA requirement for each month. The CPUC is expected to issue a proposed decision on the slice-of-day proposals sometime this summer.

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 and Legislature Prepare to Argue Over Spending and Energy Policy Priorities

Governor Gavin Newsom unveiled his $286 billion budget proposal earlier this year. While the budget addresses the pandemic and homelessness, Newsom also tackled climate change by calling for $6.1 billion to be spent over the next five years on incentives for electric cars, buses, and trucks, as well as the infrastructure to charge those vehicles.

"These bold investments will deliver safer, faster, and greener transportation options connecting communities across the state while creating thousands of jobs and tackling our largest source of harmful pollution and emissions," Governor Newsom said, "With California on the frontlines of the intensifying climate crisis, the state is committed to building a clean transportation future that protects the health of our communities, environment, and economy."

Newsom's spending on electric vehicles coincides with his call for only electric vehicles to be sold in California by 2035. Newsom believes that by building charging stations, Californians will embrace electric vehicles. The state has seen electric vehicles grow from less than a thousand in 2010 to more than 560,000 cars in 2019. However, there are more than 38 million cars on California roads, so the "if you build it and they will come" model is not yet delivering in the manner Newsom had hoped.

Gas Tax Holiday?

Newsom was optimistic about the state's trajectory in his annual State of the State address on March 8, 2022, while pledging action on gas prices, homelessness and crime.

He offered familiar themes of "California exceptionalism" as he cast the state as a national model, touting its success in fighting COVID-19 and other "victories" like clean energy investments.

Newsom said Russia's invasion of Ukraine, and the White House's subsequent decision to cut off Russian oil imports, will likely further inflate gas prices that have already soared well above $5 a gallon in many parts of California. In an acknowledgment that spiking gas prices are burdening Californians, Newsom pledged to channel some of California's booming budget reserves to a gas tax rebate.

To mitigate high gas prices, similar to other U.S. States, Newsom proposed pausing a slight increase in the state gas tax scheduled to take effect this summer – calling it "a $523 million gas tax holiday."

Speaker Anthony Rendon and Senate President Pro Tem Toni Atkins both pushed back on Newsom's plan to halt the scheduled gas tax increase, spotlighting a point of contention in budget talks.

Speaker Rendon: "I certainly have concern, and some members of my caucus have expressed concern."

Senate President Pro Tem Atkins: "The loss of over $500 million to critical projects that benefit our whole transportation network is concerning."

The whole matter will be revisited in May, when Newsom updates his budget proposal with the "May Revise," which will launch budgetary discussions with the Legislature. Given what the legislative leaders said, Newsom's proposal may be DOA, absent some alternative to compensate for the loss of transportation revenue.

Legislation 2022

With the Legislature entering the second year of the biennium, and members facing a midterm election, it's unlikely that any contentious, big-ticket issues will actually happen this year. However, major themes will continue to be discussed. These themes will include: Oil and natural gas bans (extraction and storage), Electrification, EV Charging, Hydrogen, and Lithium as energy sources, and Environmental Justice. Many of these are already represented in over 70 legislative measures that the Legislative Committee is tracking this year.

Among several measures that are beginning to take shape – and worth discussing – is the early closure of the Aliso Canyon natural gas storage facility.

Senator Henry Stern represents the community of Porter Ranch, which was most affected by the leak at the storage facility in October 2015. He's introduced SB 1486, which directs the CPUC to close Aliso Canyon by 2027, the faster of two timelines the Commission is currently studying. Stern is backing off his initial idea to shutter the facility by 2023.

Stern is pressing the matter amid state regulators' (CPUC/CEC) "continued indecision" over when to shutter the site. SB 1486 is part of a broader bicameral energy package that would reduce reliance on natural gas and boost clean sources of electricity in California, according to Stern.

To prepare for Aliso Canyon going offline, SB 1486 would require the CAISO to establish a local reliability plan for SCE's service territory; LADWP would develop a plan for its own territory. Stern's measure also directs regulators and companies to publish a natural gas demand reduction plan by the middle of next year, with 2030 and 2035 targets.

Stern's plan also calls for the CEC to help displaced workers. SoCal Gas told the CPUC last week that it supports "the ultimate closure" of the facility. But the company didn't specify when it wants Aliso Canyon shuttered.

Stern and other members of the State Senate's new climate working group, along with several Assembly members like Utilities and Energy Committee Chair Eduardo Garcia, are advancing a number of other clean energy bills.

SB 1376 (Stern) would require the CEC to adopt by November 1, 2023, a strategic plan enabling six gigawatts of zero-carbon resources to be connected annually to the grid starting in 2025. This builds on the Commission's SB 100 report that the State needs to develop that much capacity every year to achieve 100 percent clean electricity by 2045.

Two other related bills would help bring online heavy-duty power lines for new energy supplies. AB 2696 (Eduardo Garcia) would direct the CEC to study lowering costs and alternate financing for transmission development, and SB 1274 (McGuire) would streamline environmental review for transmission projects connecting future Humboldt offshore wind power.

Legislators have also introduced bills on building decarbonization, renewables procurement and carbon capture, among other issues. Garcia has intent bills dealing with the supply chain, labor standards and community workforce agreements for lithium extraction and battery manufacturing tied to the Salton Sea, which is in his district, in addition to state revenue that would be derived these activities.

The proposals have until April 29 to pass policy committees.