QUARTERLY REPORT

January 2022

"I'm late, for a very important date…"

Ever read Alice and Wonderland and find yourself relating to one of the characters? Me neither. No, seriously, over the last few months, the pace and multiplicity of activities related to the integration of the Western region's power sector has become daunting. It reminded me of the White Rabbit (apologies to Grace Slick) looking frantic and saying "I'm late! I'm late! For a very important date!"

Following all that is going on to bring the Western region power market together to serve reliability, promote economic efficiency, and to facilitate the energy transformation might seem a bit overwhelming. We need to get there, but I cannot recall any time when so many efforts geared toward the same target were going on simultaneously. We have the Western Resource Adequacy Program (WRAP) that is nearing a tariff filing at FERC – pending some work on governance. We also have the CAISO working tirelessly to keep itself in the running as a foundation for a Western RTO by expanding its EIM into an RTO – also pending the evolution of California's governance. Meanwhile, SPP is in the ring as well with its own Imbalance Market in the Rockies but offering an RTO function in competition with CAISO. Finally, there is a group of utilities seeming to hedge their bets on where a market platform might evolve. They are studying the issue through a thing called the Western Markets Exploratory Group or WMEG.

If you think your head is spinning, imagine how public entities – including state regulators – must feel as they seek to follow and influence all of this. It is a lot to do, while still doing your "day job."

On the one hand, I am grateful that there is so much momentum and interest in promoting regional market integration. WPTF has even articulated a Board-approved policy on this subject. But on the other hand, will anyone have enough time to give to these efforts? WRAP, to be fair, is nearing a completion of sorts. There might be some clean-up work depending on FERC's ruling on the tariff filing, but that considerable effort should be subsiding for a time. CAISO's Extended Day-Ahead Market (EDAM) and the other efforts to form a regional market like SPP Markets+ and WMEG – essential to reliability in the new era of renewable integration, uncertain hydro, and fewer thermal units – are going to take time and resources.

While the joke is that the White Rabbit does not really realize for what he is late, we don't have the luxury of his folly. So, grab your pocket watch! We have lots to do and places to be. It may be a tough slog but getting to a regional market in conjunction with a regional approach to Resource Adequacy (RA) is a worthwhile – even critical – goal.

Scott Miller

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Save the Date

Check the WPTF website for all the details.

2022 Winter General Meeting
Park Hyatt Aviara
February 9-11, 2022
Registration open

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

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.

It's Snow dumping in California and fires raging in Colorado. Not what one would expect, but that seems to be the life and times these days. Our thoughts are with our friends and colleagues in Colorado.

Many initiatives were waylaid at CAISO this time last year while they worked fast and furiously on the Summer 2021 market enhancement development and implementation. These efforts are back, and it is already a busy start to 2022!

Extended Day-Ahead Market

CAISO is not fooling around when it comes to making progress on the EDAM effort. CAISO has formed three working groups to cover specific hot topics of regionalization: supply commitment and resource sufficiency evaluation, transmission commitment and congestion rent, and greenhouse gas (GHG) accounting and costs. Each of these working groups will meet for two hours at a time twice a week through March 17. Doing some back of the envelope math that equals 132 hours of EDAM meetings over the first eleven weeks of 2022. We appreciate the focus, but we always advocate for efficiency – both in markets and meetings.

After the first week (12 hours) of meetings, CAISO has yet to level-set the stakeholder community on the EDAM effort. This lack of clarity is concerning especially considering the lift this will be over the next few months. There are a lot of topics to cover, and some effort to get everyone on the same page as we start would be wise. We feel like a broken record always asking the CAISO to clearly define the problem at the outset of a market design initiative before proceeding to design solutions. Asking for a clear definition of the problem is a level setting of sorts. This is important and we will keep beating this drum.

While the number of meetings is like nothing we've seen in recent times at the CAISO, this intensity may be what's needed to dig into regional growing pains and keep everyone engaged. We applaud the CAISO for departing somewhat from the normal meeting format and taking a refreshed approach. We will all get through this together and live to tell the tales of the many efforts on electricity wholesale market expansion in the West.

Energy Storage Enhancements

The intense EDAM schedule comes on top of an active effort on the Energy Storage Enhancements front. CAISO unveiled the next step in ESE which includes a new participation model: the energy storage resource (ESR) model. This model is pitched as a non-generator resource (NGR) model enhanced to allow storage to bid different costs associated with different states of charge. CAISO believes this bidding flexibility will help scheduling coordinators and storage resources better manage the state of charge. It is unclear whether this new model will solve the challenges of optimizing energy storage in the real-time market. Fundamentally, it doesn't seem to address the limited look-ahead time horizon or diverging real-time advisory and market prices. But the concept is interesting and in the early stages, so a lot remains to be seen. We look forward to CAISO fleshing the proposal out so we can really examine the model.

Q3 2021 Department of Market Monitoring (DMM) Report

CAISO's DMM issued the Q3 2021 Report on Market Issues and Performance on December 9 and there were a few interesting items. The DMM reported on RA resource capacity availability in the day-ahead and real-time markets and found that, during the top 200 load hours of the year, 90 percent of system RA capacity was offered in the day-ahead market and 88 percent was offered in the real-time market. These numbers are in line with the findings from Q3 2020. When drilling into the data, over half of RA capacity was classified as use-limited during peak load hours indicating that those resources with use-limitations are being used when most needed for grid reliability. Availability of some use-limited resources was lower: storage (86%), hydro (83%), wind (77%), solar (71%), and non-utility DR (42%). When accounting for non-RA capacity from these resource types, availability rose significantly: storage (111%), solar (147%), wind (140%), and hydro (88%). Our key take-away is that demand response is still lagging significantly behind other resource types in being available when needed.

Market prices were significantly higher than the same quarter of 2020 on average. Day-ahead prices in the ISO rose more than 35% primarily driven by higher natural gas prices and ongoing drought conditions leading to low hydro production. Additionally, generation outages increased by 20% over Q3 2020. Outages were mostly gas, hydro, and storage. Load peaked September 8 at 43,947 MW, well below any annual peak load in the last decade. So, while peak load was lower than past years, it seems the capacity limitations were enough to bolster market prices.

DMM also reported on the changes made in September 2020 after the August 2020 curtailment events. As a result of the September 2020 changes and the ISO's process for setting export scheduling priorities, significant volumes of exports clearing the day-ahead market in 2021 were curtailed through the residual unit commitment (RUC) process. These curtailments occurred on most of the highest load days of June and July. Some of the high load days experienced more than 2.5 GW of exports cleared in the day-ahead market which were subsequently cut in the RUC process. Exports that clear the day-ahead and RUC are automatically scheduled in the real-time market with a relatively high scheduling priority, while exports that do not clear RUC are not. DMM found that some exports that did not clear RUC were rebid into the real-time market and cleared, ultimately meeting high demand in other regions. CAISO enhanced this with August 2021 changes to ensure that exports clearing day-ahead market and RUC can be curtailed before internal load in the real-time market. Thus far, no curtailment has been necessary.

WIDER WEST COMMITTEE (2WC)

Caitlin Liotiris

Caitlin Liotiris 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, especially the EIM and other regional market expansion opportunities. The 2WC also follows important developments at Peak Reliability and the Western Electricity Coordinating Council. Caitlin has over a decade of experience in energy issues in the West and has spent most of those years actively engaged on market development efforts across the Western Interconnection footprint, including a major role in developing the policies for implementing the EIM. She is skilled in understanding and distilling the interaction of energy policy and energy market dynamics. In addition to her work with WPTF, Caitlin has worked on various energy policy and market related issues throughout the county. Caitlin is currently a member of Peak Reliability's Member Advisory Committee (MAC) and has also co-authored various reports exploring the benefits of proposed transmission facilities in the West.

Stakeholders Spread Thin as Regional Efforts Proliferate

Several years ago, multiple generation-only Balancing Authorities (BAs) were stood up – over a relatively short period of time – across the Western Interconnection. At that time there was a lot of talk about the "proliferation of BAs." In 2022, there appears to be a different type of proliferation: stakeholder processes evaluating regional coordination opportunities. In addition to the ongoing/recuring forums – for examples the Regional Issues Forum (RIF), and the Western Energy Imbalance Service's (WEIS) various committees – there are also several new efforts that have sprung up. This is making participation, and choice of forum to focus on, exceedingly difficult for stakeholders across the board. Even large, well-resourced organizations are struggling to manage the competing and sometimes conflicting set of meetings and priorities around Western collaboration that will take place this year.

On the "Western markets" front, there is an effort to expand the Southwest Power Pool (SPP) Regional Transmission Organization (RTO) into the Western Interconnection by adding members including certain Western Area Power Administration (WAPA) regions, Tri-State, and other parties. There are also two separate, but very similar, efforts to develop a day-ahead only market: SPP's Markets+ and the CAISO's EDAM. Both of these efforts to design day-ahead markets are ramping up starting early this year. While there are separate forums and meetings for each, they are looking to answer many of the same questions. For instance, both efforts are looking at transmission provision and compensation, congestion rent allocation, and GHG accounting among other common areas. Both EDAM and Markets+ are vying for participation and support from the same set of potential utility customers and other stakeholder participants.

From a stakeholder perspective – including, I would imagine, the utilities being courted by these market operators – it seems incredibly inefficient to have two different forums discussing and debating the essentially same issues under two different potential market operators. It is especially difficult to manage when one forum alone (EDAM) has twelve hours of stakeholder meetings per week! That doesn't include time reviewing material, reporting back, note-taking, etc. The pace and magnitude of the efforts to develop a day-ahead market in the West appears unsustainable. It feels as if there may need to be a central forum that arises to take over answering key day-ahead market design questions. Perhaps that single centralized process – one agnostic to the question of the ultimate market operator – could then turn the high-level design back to the market operators to come up with more detailed implementation and governance plans.

One forum through which this type of "centralized stakeholder process" could emerge might be the (WMEG – a group of utilities that has banded together to explore coordination. But to be satisfactory to other stakeholders, that would require an "opening" of WMEG discussions which is something the group doesn't appear ready for in the near term. Alternatively, perhaps that forum could be the Northwest Power Pool (NWPP), which is nearing the completion its WRAP design. The WRAP itself is beginning to stand up stakeholder committees that will support the program and is yet another process that requires Western stakeholder time and attention.

Without the emergence of a centralized forum for these types of discussion, we will all be spread thin between the new and pre-existing initiatives in the West. The Wider West Committee (2WC) will be "keeping a pulse" on all these issues and forums as they unfold and has brought on additional staff to help cover the proliferation of regional efforts that require time and attention. With respect to EDAM, the 2WC will primarily be focused on work group #2 (transmission provision/ congestion allocation), but we will be closely coordinating with the CAISO and Carbon & Clean Energy Committees to help ensure adequate EDAM work group coverage for WPTF.

First-Ready, First-Served Cluster Study Processes Are Proving to Be a Mixed Bag

During the past several years, the 2WC has been involved in the stakeholder and/or FERC tariff approval processes for several Western transmission providers' implementation of "first-ready, first-served" interconnection queue reforms. The first-ready, first-served approach in some ways flips development on its head – resulting in a definitive queue position often not achieved until after substantial progress on an offtake agreement. The industry was generally unsure how this would work in practice when it was first proposed by Public Service Company of Colorado (PSCo).

After a couple of years' worth of experience, it seems that the reforms have fared well in some areas and not so well in others. For instance, while there have been some hiccups, the process appears to have been working reasonably well in the PSCo region. PacifiCorp's reforms, however, have been frustrating for the development community. This year PacifiCorp will fail to reasonably align its queue cluster study window with the timing of selections in its 2022 Request for Proposals (RFP).

When PacifiCorp initially proposed queue reform to FERC, PacifiCorp mentioned in its filing that it was seeking to have the new queue process in place before the issuance of its 2020 RFP. The rationale was that, as many generators had articulated during the stakeholder process, "selection in the [PacifiCorp] RFP may be the primary means by which certain projects demonstrate commercial readiness." And that demonstration would be key to their eligibility to participate in the next cluster study. While PacifiCorp's 2020 RFP was plagued with a (somewhat predictable) set of issues due to the composition of the queue at the time, developers hoped that PacifiCorp's future RFPs – including the 2022 RFP – would better align with the cluster study process and would allow for more effective competition within the RFP window.

Presumably understanding the need for alignment, PacifiCorp initially sought to sync up the timing of its 2022 RFP such that a short list would be available before the 2022 queue cluster study window closed. Unfortunately, following a notice filed in Utah and elsewhere, we now know that will not be the case. PacifiCorp noted that the 2022 RFP will be delayed and the selection of the short-list in the RFP will no longer align with the timing of the upcoming interconnection Cluster Study windows. In the Utah filing, PacifiCorp indicated that it "has determined that sufficient options exist for bidders to participate in PacifiCorp Transmission's annual cluster study before they have been selected as a resource through the 2022 All-Source RFP."

The options for entering the Cluster Study, however, generally rely on having an executed term sheet, contract, or being selected in a short list. Alternatives to these options are providing site-specific purchase orders for equipment or a submitting a large deposit which makes the project subject to larger withdrawal penalties, if it ultimately withdraws from the queue. This dynamic creates a number of likely problems for the upcoming cluster study and generators that are a part of it. Because a short-list will not yet be identified, generators that have submitted bids into the RFP will likely feel a strong need to submit their projects into the 2022 Cluster study window using one of the two “alternative” options described above. This in turn is likely to result in a cluster of generators that is far larger than what will ultimately be selected in the RFP. Such a large cluster of potential projects will inflate the network upgrade cost estimates and therefore likely require restudies in the cluster study process. Additionally, many generators will make large deposits and may become subject to withdrawal penalties, paid to PacifiCorp (for use on future study costs), if they end up withdrawing due to not being selected in the 2022 RFP.

There doesn’t appear to be a reasonable way to “change” this dynamic for the 2022 RFP. But it is important for policy makers to understand that first-ready, first-served queue reform, like that enacted by PacifiCorp, works best when appropriately aligned with major procurement activities in the area. WPTF, through the 2WC, is preparing to hold conversations and make public comments highlighting this issue with the hope of avoiding these same pitfalls in the future.

CPUC COMMITTEE

Greg Klatt

Greg Klatt coordinates the [CPUC Committee](). Greg is a practicing attorney with over 20 years of energy industry experience. His practice focuses on state and federal regulation of the electric power and natural gas industries. He has represented clients in numerous ratemaking and rulemaking proceedings before the CPUC. He regularly advises energy companies regarding regulatory requirements applicable to their product and service offerings. He represents marketers and retailers in CPUC licensing, compliance and enforcement matters. He also commonly acts as regulatory counsel in energy-related transactional matters, including procurement contracting, resource development projects, repower projects, major asset acquisitions and related financing arrangements.

Greg received his J.D. from UC Berkeley's School of Law (Boalt Hall). He graduated magna cum laude with a B.A. in History from the University of San Francisco and is a lifetime member of the Alpha Sigma Nu honor society.

A (Very Full) Year in Review

Over the past year, the CPUC has produced a steady stream of rulings, decisions, and resolutions aimed at bolstering system reliability while advancing the state's clean energy goals. (Easier said than done!) There was also a seemingly endless series of workshops on procurement issues grand and small. All this activity has, to quote Bilbo Baggins, left me and my regulatory affairs colleagues feeling "thin, sort of stretched, like butter scraped over too much bread."

I am not complaining. The constant regulatory churn in California is what butters my bread, so to speak. But it does present a challenge in picking what to cover in year-in-review pieces like this. Fortunately, I have received some helpful input in that regard. More than a few people have told me they struggle to keep straight all the CPUC procurement directives issued in 2021, much less their relation to the major procurement directive that came out of the Commission's inaugural IRP proceeding (R.16-02-007) in November 2019. I was also told that an overview of the resulting procurement to date would be helpful. Say no more!

"Near-term and mid-term and long-term supply, oh my!"

In November 2019, the CPUC demonstrated it was finally getting serious about addressing the reliability crisis lurking under all the solar panels that have sprouted across the California landscape in the past decade. To wit, the Commission directed CPUC-jurisdictional load-serving entities (LSEs) to procure 3.3 GW of new system resources to come online by June 1, 2023—the first significant procurement directive from the CPUC in many moons.

The Commission also asked the State Water Board to allow approximately 3.75 GW of very old, seawater-cooled gas-fired generation units dotting California's coastline to continue operating for a couple more years. Although those resources were slated to shut down by the end of 2020, the Board obliged.

The Commission cited several reasons for these actions, the most immediate being "a significant possibility of a system resource adequacy shortfall in California by Summer 2021." Others included the need to integrate the large volumes of renewable energy being procured by California LSEs, increasing demand for the Northwest hydro capacity upon which California is heavily dependent, and California's system peak—more specifically, the system net peak—moving later in the day and later in the year. The challenges associated with these dynamics are significant and persistent across all planning horizons.

Of the 3.3 GW of capacity directed to come online by 2023, California's three largest investor-owned utilities—PG&E, SCE and SDG&E—are responsible for approximately 2.3 GW, which includes a small amount of capacity they will be procuring on behalf of other LSEs. To date, the IOUs have procured a little over 2 GW of new system resources under this directive, virtually all of which is stand-alone or co-located battery storage.

Heading into 2020, the Commission probably thought it had bought itself sufficient time to address the aforesaid reliability challenges in a methodical fashion in subsequent IRP proceedings. Then came the rolling blackouts of August 2020.

The blackouts precipitated something of a come-to-Jesus moment for the CPUC, which quickly opened a new proceeding (R.20-11-003) focused solely on keeping the lights on during the following summer and the next after that. (The "reliability emergency" was recently extended through the summer of 2023.) That proceeding produced three decisions in 2021, which taken together authorize the IOUs to procure between 2 and 3 GW of incremental load reduction and supply resources to come online in 2021, 2022, and 2023. Besides a smattering of short-term PPAs for incremental capacity from existing resources, the IOUs have procured 1.05 GW of new battery storage pursuant to the emergency procurement directives, with additional proposed procurement pending Commission approval.

The largest and most consequential directive to be issued in 2021 came out of the Procurement Track of the current IRP proceeding (R.20-05-003). In June, the Commission issued its landmark Mid-Term Reliability (MTR) decision (D.21-06-035) directing LSEs to procure 11.5 GW of new system resources—measured in Net Qualifying Capacity (NQC)—to come online in the 2023-2026 timeframe.

Under the MTR decision, LSEs are required to procure 9.5 GW of new NQC to come online by June 1, 2025, including 2.5 GW of zero-emission resources to help offset the loss of Diablo Canyon, California's last remaining nuclear power plant. LSEs are also required to procure 2 GW of long lead-time (LLT) resources, namely long duration storage (LDS) and baseload zero-emissions and/or RPS-eligible resources, to come online by June 1, 2026.

The 11.5 GW procurement directive is in addition to the 3.3 GW of procurement ordered in the Commission's November 2019 decision (D.19-11-016). However, new resources that the IOUs procured pursuant to the emergency directives discussed above can count toward the 11.5 GW requirement, provided they tick all the relevant boxes.

To count toward the MTR requirements, a resource must be procured under a contract with a term of at least ten years, cannot be fossil fueled, and must not appear in the list of baseline resources used to calculate the MTR requirements. (Firm import contracts can count toward the basic requirement if the contract meets the requirements for RA imports, the imports are sourced from new resources or incremental capacity, and the contract delivery period includes 2023-2026.)

To count toward the Diablo Canyon replacement requirement, resources must not only meet the requirements listed above but must also have zero emissions, must be either generation or hybrid resources or demand response, must be available daily from the start of HE 1800 through HE 2200, and must be able to deliver 5 MWh for each MW of capacity during the daily availability period. And energy storage that is procured under this requirement cannot be charged from the grid.

The LLT resources to come online in 2026 are subject to additional requirements: LDS must be able to discharge at maximum capacity for 8 continuous hours; and clean baseload generation cannot be energy storage, must have an 80% capacity factor, and must not be use-limited or weather dependent. (The decision allows for extensions of up to two years for LLT resources to come online if needed.)

How could anyone hope to keep all that straight? For the benefit of CPUC Committee members, I synthesized and summarized the MTR requirements by category and online date, and delineated the eligibility criteria for each procurement category, in a set of tables. It is still a lot to take in, but if you would like to have the tables or otherwise have questions, you can email at klatt@energyattorney.com.

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.

2022 will be another Important Year for Carbon and Clean Energy Policy in the West

2022 is shaping up to be another important year for state-level carbon and clean energy policy in the West. Starting in the Northwest, the Washington Departments of Ecology and Commerce and the Utilities and Transportation Commission (UTC) are up to their collective eyeballs in rulemaking. Ecology has less than a year to develop program rules and infrastructure to implement the state's new cap-and-trade program – the Climate Commitment Act, which is scheduled to go into effect in January of 2023. Rules for greenhouse gas (GHG) reporting are closest to completion; Ecology released a draft rule for covered sectors in November. Rules for electricity imports are similar to California's rules which place the reporting requirement (and compliance obligation) for bilateral transactions on the purchasing-selling entity on the leg of the physical path as it crosses the state border. However, Ecology's draft does not provide sufficient clarity for many other import scenarios, including imports by the Bonneville Power Administration and imports via the EIM. Hopefully, the next (and likely final) version will address these holes.

Simultaneously, Ecology is running two other rulemakings related to the Climate Commitment Act – one that addresses criteria for energy-intensive, trade-exposed industries and a much larger umbrella rulemaking that addresses everything else. For examples, the umbrella rulemaking delineates rules for allowance transactions, allocations, auctions, account registration and the like. As with the GHG reporting rule, Ecology has modeled the draft sections proposed so far on California's rules. Thus, entities that participate in California's program can expect similar requirements in Washington. While Ecology has not yet determined annual program caps, early indications are that they will be fairly aggressive. Ecology intends for program caps to be consistent with the state's 2030 GHG target of a 45% reduction below 1990 emission levels and has proposed that the caps decline 7% annually. (In comparison, California has been reducing its caps 2-3% annually.) If Ecology sticks with this approach, the combination of the stringent program caps and a relatively small and likely illiquid allowance market could make for high allowance prices in the first compliance period.

The rulemaking has not yet gotten into the trickier issues around auction design and allowance price collars. As in California, the Washington legislation requires establishment of an auction price floor and allowance price ceiling. However, it also calls for a separate "emission containment reserve" with a floor price set above that of the auction floor. Climate Commitment Act also provides that the price containment reserve will operate through auction, rather than distributing price containment allowances a fixed price. These differences in the price collar design could complicate the linkage of the program to California's. Ecology recently announced that it has joined the Western Climate Initiative (WCI). This should increase the likelihood of formal consultations between staff in Washington and California, which will hopefully help stave off incompatible program elements, and enable Washington to leverage the existing WCI infrastructure for auctions and allowance tracking. The latter will be essential if the program is to be operational by January 2023. Senator Reuven Carlyle, who chairs the Senate Environment, Energy and Technology Committee, has recently signaled that he intends to table a "clean-up" bill during the short (60 day) legislative session. This may be intended to put back the clause, which Governor Inslee vetoed, which would tie enforcement of the program to a 5 cent increase in the state's fuel tax.

The parallel Clean Energy Transformation Act (CETA) rulemakings by UTC and Commerce also continue. UTC in particular has been trying to thread the needle between utility and environmental perspectives on what it means to "use" renewable and non-emitting electricity. Does use of renewable electricity require matching generation to load on an hourly basis, as several environmental organizations insist, or does it allow for more temporal flexibility which the utilities argue is implicit in the legislation's 4-year compliance periods? If the environmental groups get their way, the Washington energy agencies may not have to resolve this contentious issue.

Further south, the issues around CETA implementation are already seeping into the CAISO's EDAM GHG deliberations. In addition to how to appropriately consider and account for GHG emissions in support of cap-and-trade programs, several stakeholders appear to want the EDAM design to support utility compliance with clean energy standards. There is likely room to improve information on resources and associated emissions beyond what is currently provided for the EIM for both market participants and state regulators. Even so, proposals to require the market operator or the algorithm itself to track electricity from resources to individual utility load will be a non-starter for most stakeholders and the CAISO.

Lastly, 2022 will also be an important year for California carbon and clean energy policy on two fronts. The first is the 2022 Scoping Plan, which will set out the framework for achievement of the state's GHG targets from 2030 to 2045, at which time the state aims to be carbon neutral. The scenario proposed by the California Air Resources Board in the draft Scoping Plan to be released this spring will indicate whether the agency is likely to tighten cap-and-trade caps before 2030 and then pick up the pace of emission reductions after 2030. Additionally, the draft Scoping Plan will provide further guidance for California's own clean energy standard established under SB100. The more aggressive Scoping Plan emissions scenarios being considered would increase pressure on the CPUC to develop rules – beyond those in the current IRP planning process – for utilities to demonstrate progress toward and, eventually, retrospective compliance with the SB100 targets.

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.

Legislature Reconvenes with Redistricting Distractions, COVID, and Holiday Appointments

Political Redistricting

At the end of December, the California Redistricting Commission unanimously approved the final legislative redistricting maps. Conventional wisdom is that, under the new districts, the Democrats will continue to hold a supermajority in the Senate and the Assembly, and Governor Newsom is on a path to an easy re-election.

While legislators and campaign consultants are still reviewing the new districts, two dozen members have already announced that they will not be seeking re-election to the State Assembly. Of those, five are simply not seeking re-election, seven are leaving office due to term limits, and twelve are either running for a different public office or taking a new appointed position. Notably, six members will be running for seats in the U.S. Congress.

It also appears that some legislators are destined to face off in the upcoming election. Democratic State Senators Anna Caballero and Melissa Hurtado have both expressed interest in the same Senate seat. Democratic Assemblymembers Laura Freidman and Adrin Nazarian are also planning to fight for the same Assembly seat. In addition, Republican Assemblymembers Thurston "Smitty" Smith and Tom Lackey have filed for the same seat.

Aside from the election, the changes in the Capitol also led to shifts in committee assignments. With four Assemblymembers resigning, Assembly Speaker Rendon appointed Assemblyman Chris Holden to chair the influential Appropriations Committee. In receiving the Appropriations Chair, Holden had to give up his chairmanship but stayed on the Assembly Utilities & Energy Committee. The new chair of the Utilities & Energy Committee is Eduardo Garcia. Assemblymember Garcia is known for pushing for renewable projects in the Salton Sea region.

Political Appointments on Major Holidays

Just before Thanksgiving, Governor Gavin Newsom nominated Alice Reynolds, who is the Senior Advisor to the Governor for Energy, to succeed Marybel Batjer as CPUC president. In a press release, Newsom said,

> *Alice has been indispensable in our work to move California toward a cleaner, affordable and reliable energy future, navigate the bankruptcy of the state's largest investor-owned utility and accelerate the state's progress toward meeting our clean energy goals, among other critical issues.*

Batjer's departure was official on December 30, 2021. Newsom had appointed her Commission president in July 2019 to serve until the beginning of 2027.

Two days before Christmas, Newsom appointed attorney John Reynolds to fill the California Public Utilities Commission vacancy created by the departure of Martha Guzman-Aceves, who left the CPUC to lead the U.S. Environmental Protection Agency's Southwest region.

John Reynolds is relatively unknown outside of the CPUC. He recently served as Managing Counsel at Cruise LLC. Prior to that, Reynolds served in several positions at the CPUC including Interim Chief of Staff to Commissioner Genevieve Shiroma in 2018, Advisor to Commissioner Carla Peterman from 2015 to 2018 and Public Utilities Counsel from 2013 to 2015.

John Reynolds and the new CPUC President Alice Reynolds, not related, will participate in their first Voting Meeting on January 13. With these two recent appointments, four of the five members of the Commission are now Governor Newsom appointees. Both nominations must be confirmed by the Senate in 2022, but this seems a formality.

New Legislative Year, Old Problems

Assembly Speaker Anthony Rendon had a short message for his members on the first day of California's 2022 legislative session: "Let's get to work." Unfortunately, two days later, Rendon and nearly three-dozen members were forced to miss "work" after potentially being exposed to COVID-19 at a going-away party. With the omicron variant propelling another surge of coronavirus cases across California, absences have been unusually high for the start of the year. The Assembly reported twenty-seven absences among its eighty members on the first Thursday of session, but a representative said more than half of those were requested earlier in the week and were not related to the Tuesday night event. Other reasons included paternity leave, illness, and medical conditions. The Senate also reported the absences of eight of its forty members on Thursday, not all of which were linked to COVID-19 exposure.

Should a large number of members ultimately test positive for COVID-19, the authors of those pending measures may find themselves short of crucial votes. Friday, quarantined senators were told they will be allowed to vote remotely next week.

With both houses of the legislature closely tracking exposures, the 2022 session has already gotten off to a bumpy start. How disruptive might COVID-19 continue to be? Time will tell.