

## California Regulatory Happenings for the Week of June 21, 2019

### California Public Utilities Commission

Issue	Latest Developments
<b>CPUC Commissioner's Meeting</b>	<p>The next Commission meeting is scheduled for 6/27/19. On the Agenda are Resource Adequacy, RPS Procurement Quantity Requirements, Wildfire Cost Recovery.</p>
<b>IRP Framework Long-Term Procurement Planning Requirements R 16-02-007</b>	<p>This ruling formally initiates the "procurement track" as outlined in Decision (D.) 19-04-040. The ruling generally describes the scope and content of the procurement track, and seeks comments from parties on its framing and structure. Identifying a mechanism to identify and procure near- and medium-term renewable integration and reliability resources is prioritized, followed by renewables to meet the 2030 needs identified in the Preferred System Plan adopted in D.19-04-040. Comments are due no later than July 15, 2019, with reply comments by no later than July 25, 2019.</p>
<b>OIR to adopt rules and procedures governing Commission- regulated natural gas pipelines and facilities to reduce natural gas leakage consisted with SB1371 (R.15-01-008)</b>	<p>This proceeding will focus on the following broad policy issues: 1) what data is necessary in order for the CPUC to consider a "cost-effectiveness" framework in this proceeding; 2) how should the CPUC's annual report requirements and 26 best practices be harmonized with information or action required by other entities such as the PHMSA, DOGGR, ARB and local air quality management districts; 3) pursuant to 975(f) how should rules and procedures including best practices and repair standards developed in this proceeding be incorporated into the applicable general orders; 4) how should ratemaking treatment for LUAF be structured and evaluated?</p> <p>Comments on the workshop materials and staff proposals were filed in February.</p>
<b>Streamlining Interconnection of Distributed Energy Resources and Improvements to Rule 21 (R17-07- 007)</b>	<p>This rulemaking addresses streamlining interconnection of distributed energy resources and improvements to rule 21.</p> <p>A Proposed Decision was issued on February 22, 2019, adopting the Proposals from the March 15, 2018 workshop Group 1 Report. The Proposed Decision was approved at the Commission's Meeting March 28, 2019. Status reports from working groups have been filed.</p> <p>THE CALIFORNIA ENERGY STORAGE ALLIANCE filed a motion to establish a sub-group and schedule a joint workshop with R18-12-006 to introduce proposal on mobile inverter technical requirements for Rule 21 interconnection.</p>

## California Regulatory Happenings for the Week of June 21, 2019

<p><b>Resource Adequacy, Consider Program Refinements and Establish Annual Local and Flexible Procurement Obligations for the 2019 and 2020 Compliance Years. (R17-09-020)</b></p>	<p>On 9/28/17 the commission opened a <a href="#">rulemaking</a> to oversee the resource adequacy program, consider program refinements and establish annual local and flexible procurement obligations for the 2019 and 2020 compliance years.</p> <p>On 1/18/18 the Assigned Commissioner and ALJ issued a <a href="#">scoping memo and ruling</a>. The proceedings will be divided into three separate tracks. Track 1 will consider system, local and flexible capacity requirements for the next year as well as time-sensitive refinements to the Commission’s RA program. Track 2 will address less time sensitive topics, including adoption of multi-year local RA requirements and refinements to local area rules and RA program. Track 3 will consider the 2020 program year requirement and may revisit RA counting rules for weather-sensitive and local demand response resources.</p> <p>Decision 19-02-022 was adopted on February 21, 2019, “Decision Refining the Resource Adequacy Program.” The Decision states: “The Commission does not find a viable central buyer at this time and thus delays the designation of a central buyer in this decision. The Commission continues to find that a central buyer structure, as outlined in the Track 1 decision, is the appropriate structure to implement multi-year local RA requirements. In the interim, the Commission directs parties to undertake a series of workshops to develop workable central buyer proposals. The Commission intends to issue a decision in the fourth quarter of 2019 that addresses the central buyer designation” as well as the implementation details for a central procurement structure. The Commission did decide to adopt a minimum three-year forward multi-year RA requirement.</p> <p>Topics to be addressed in Track 3 were identified in the Amended Scoping Plan issued January 29, 2019: <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M262/K405/262405974.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M262/K405/262405974.PDF</a> and a decision on track 3 is scheduled for May, 2019.</p> <p>A Proposed Decision Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program was adopted on May 24.</p>
<p><b>Successor to Existing Net Energy Metering Tariffs pursuant to PUC Section 2827.1 (R.14-07-002)</b></p>	<p>This rulemaking addresses net energy metering. On 3/29/18 the Assigned Commissioner issued the <a href="#">fourth amended scoping memo</a> and ruling. The highest priority issues identified by the Commissioner include consumer protection and development of options for increasing use of renewable DG in disadvantaged communities.</p>

## California Regulatory Happenings for the Week of June 21, 2019

	<p>On March 8, 2019, a Ruling Regarding Enhanced Consumer Protections for Net Energy Metering Customers was filed. It proposed additional consumer protection rules for net-energy metering customers and suggested that the Commission might assert authority over third-party solar providers.</p> <p>On March 26, 2019, a Decision was issued <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M277/K012/277012630.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M277/K012/277012630.PDF</a> on an application for rehearing over how best to interpret Decision 16-01-044 regarding assessment of nonbypassable charges under net energy metering successor tariffs. The decision clarifies the determination in Resolution E-4792 that nonbypassable charges shall be assessed on the net kilowatt-hours consumed in each metered interval, and not on the basis of instantaneous netting, under the net energy metering successor tariff. The Decision (19-04-019) was adopted on April 25.</p>
<p><b>Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters (R.18-07-017)</b></p>	<p>On 7/26/18 the Commission <a href="#">opened the rulemaking</a>. The rulemaking is intended to consider adoption of a new standard offer contract that will be available to any Qualifying Facility of 20 MW or less seeking to sell electricity to a Commission-jurisdictional utility pursuant to PURPA. The rulemaking will also consider adoption of a price to be paid at the time of delivery where a QF has opted to sell as-available energy to the utility without a contract.</p> <p>A Scoping Memo and Ruling was issued on November 2, 2018. <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M236/K009/236009738.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M236/K009/236009738.PDF</a></p>
<p><b>Power Charge Indifference Adjustment: Order Instituting Rulemaking to Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment (R1706026)</b></p>	<p>D1810019 was adopted on October 11, 2018, to address concerns that the existing cost allocation and recovery mechanism does not prevent cost shifting between different groups of customers, contrary to statutes that (1) authorized customers to engage in direct access transactions for electricity and (2) provided for formation of CCAs. The Commission adopted revised inputs to the market price benchmark (MPB) that is used to calculate the Power Charge Indifference Adjustment (PCIA), the rate intended to equalize cost sharing between departing load and bundled load. The revised methodology will be used to calculate the PCIA that took effect as of January 1, 2019. A second phase was initiated to enable parties to continue working together to develop longer-term solutions and to consider the development and implementation of a comprehensive solution to the issue of excess resources in utility portfolios. Requests for rehearing were filed by many parties, including Buchalter on behalf of the California Community Choice Association. The Phase 2 Scoping Ruling was issued 2/1/19. <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M263/K449/263449702.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M263/K449/263449702.PDF</a></p>

## California Regulatory Happenings for the Week of June 21, 2019

<p><b>Order Instituting Rulemaking to Implement Public Utilities Code Section 451.2 Regarding Criteria and Methodology for Wildfire Cost Recovery Pursuant to Senate Bill 901 (2018) R19-01-006</b></p>	<p>The goal of this Rulemaking is to adopt criteria and a methodology for the Commission to use in future applications for cost recovery of wildfire costs. A Scoping Memo and Ruling was issued on March 29, 2019:  <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M277/K012/277012679.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M277/K012/277012679.PDF</a></p> <p>A proposed framework for conducting a financial "Stress Test" is on the CPUC's Agenda for the 6/27/19 meeting.</p>
<p><b>Order Instituting Investigation to Determine PG&amp;E Corporation's Organizational Culture and Governance Prioritize Safety. I.15-08-019</b></p>	<p>At the June 13<sup>th</sup> meeting, the Commission considered an Order Instituting Investigation on the Commission's Own Motion to Determine Whether Pacific Gas and Electric Company and PG&amp;E Corporation's Organizational Culture and Governance Prioritize Safety.</p> <p>A ruling issued June 18, 2019, established a process for parties to comment on proposals that may improve the safety culture of PG&amp;E. The proposals are: 1) Separating PG&amp;E into separate gas and electric utilities or selling the gas assets; 2) Establishing periodic review of PG&amp;E's Certificate of Convenience and Necessity (CPCN); 3) Modification or elimination of PG&amp;E Corp.'s holding company structure; and 4) Linking PG&amp;E's rate of return or return on equity to safety performance metrics. Comments are due July 19, 2019.</p>
<p><b>DECISION ON SB100 RPS PROCUREMENT QUANTITIES R 18 07 003</b></p>	<p>A preliminary decision was issued establishing the procurement requirements at 44% by 2024, 52% by 2027, and 60% by 2030 for SB 100 compliance.</p> <p>It is set for hearing 6/27/19.</p>
<p><b>AB 2868 ENERGY STORAGE PROGRAM AND INVESTMENT FRAMEWORK AND IOU APPLICATIONS A1802016, A1803001, A1803002</b></p>	<p>A proposed decision and proposed alternate decision were issued outlining energy storage under AB 2868 and approving IOU's applications:  <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M294/K810/294810130.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M294/K810/294810130.PDF</a></p> <p>Assembly Bill (AB) 2868, signed into law on September 26, 2016, adds Sections 2838.2 and 2838.3 to the Public Utilities Code. It directs the Commission, in consultation with the California Air Resources Board and the Energy Commission, to direct the three Investor Owned Utilities (IOU) to file applications for programs and investments to accelerate widespread deployment of distributed energy storage systems to achieve ratepayer benefits, reduce dependence on petroleum, meet air quality standards, and reduce emissions of greenhouse gases.</p>

## California Regulatory Happenings for the Week of June 21, 2019

	<p>The three large utilities' program plans are on the CPUC Agenda for 6/27/19. The proposed outcome if approved by the Commission would:</p> <ul style="list-style-type: none"> <li>• Approve 2018 Assembly Bill (AB) 2868 investment and program Plans of San Diego Gas &amp; Electric Company (SDG&amp;E), Pacific Gas and Electric Company (PG&amp;E), and Southern California Edison Company (SCE) with modification.</li> <li>• Authorize PG&amp;E to implement, with cost recovery, a behind-the-meter thermal energy storage program.</li> <li>• Allow SDG&amp;E, PG&amp;E, and SCE to conduct RFOs for resources and provides guidance for how the RFOs may be approved pursuant to AB 2868.</li> </ul>
<p><b>DECISION ADDRESSING AUCTION MECHANISM, BASELINES, AND AUTO DEMAND RESPONSE FOR BATTERY STORAGE</b></p> <p><b>A1701012, A1701018, A1701019</b></p>	<p>The decision addresses the demand response auction mechanism (Auction Mechanism) which needs several immediate critical changes to address shortcomings in performance, reliability, and offering competitive prices in the wholesale energy market. The ALJ's proposed decision would approve a four-year continuation of the Auction Mechanism to improve these shortcomings, beginning with critical improvements in a 2019 solicitation. Related policy matters are scheduled to be addressed by the end of 2019, which will be followed by an informal process to address technical and contractual improvements to the Auction Mechanism.</p>

## California Energy Commission

Issue	Latest Developments
<p><b>CEC Business Meeting</b></p>	<p>The next regularly scheduled Business Meeting will be held 7/15/19.</p>
<p><b>AB 1110 Revised Power Source Reporting to Disclose GHG Intensity Factors</b></p>	<p>The California Energy Commission (Energy Commission) has completed pre-rulemaking to amend the Power Source Disclosure (PSD) regulations as required with the recent passage of AB 1110 and formal rulemaking will commence in May 2019 with an effective date of Spring 2020. The PSD program discloses to consumers a retail supplier's various sources of electricity compared with the electricity mix of California as a whole. This program will fundamentally shift under AB 1110 by additionally requiring disclosure of a retail supplier's greenhouse gas (GHG) emissions intensity factors for its retail electricity offerings. Retail suppliers will begin disclosing their emissions in 2020 for the 2019 calendar on the Power</p>

## California Regulatory Happenings for the Week of June 21, 2019

	Content Label (PCL). At the same time, AB 1110 requires the Energy Commission to develop guidance for the disclosure of unbundled renewable energy credits (RECs).
<b>2019 IEPR</b>	Scoping and topic workshops for the 2019 IEPR are underway.
<b>Publicly Owned Utilities Voluntary Green Program &amp; RPS Obligation</b>	The Energy Commission is considering initiating rulemaking on local publicly owner utilities' renewable portfolio standards, in particular, the ability under PUC 399.30(c)(4) to exclude from its total retail sales the kilowatthours generated by an eligible renewable energy resource that is credited to a participating customer pursuant to a voluntary green pricing or shared renewable generation program
<b>EPIC Renewable Energy Generation Technology Research Opportunities</b>	On Friday, June 28, 2019, Energy Commission staff will conduct a webinar to request public comments on the research and development (R&D) opportunities identified for the Electric Program Investment Fund (EPIC) research roadmap on renewable energy generation technologies for utility-scale applications. This webinar will open the discussion to the public. A detailed meeting schedule will be available prior to the June 28 webinar at <a href="https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-ERDD-01">https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-ERDD-01</a> .
<b>Solar + Storage Optimization Modeling Tool</b>	On June 13 <sup>th</sup> a workshop to discuss the a Solar + Storage Optimization Modeling Tool developed by E3. Workshop presentation and materials may be viewed at: <a href="https://www.energy.ca.gov/research/mod_tool_max_solar_storage/documents/">https://www.energy.ca.gov/research/mod_tool_max_solar_storage/documents/</a>

## California Air Resources Board

Issue	Latest Developments
<b>Cap and Trade &amp; GHG Reporting</b>	Proposed amendments to the Cap and Trade Regulation and GHG reporting were adopted: <a href="https://www.arb.ca.gov/regact/2018/capandtrade18/ct18fro.pdf?_ga=2.157207678.454829370.1558645715-1807396273.1549227562">https://www.arb.ca.gov/regact/2018/capandtrade18/ct18fro.pdf?_ga=2.157207678.454829370.1558645715-1807396273.1549227562</a> . The amendments made a number of changes to reflect current laws, to streamline and improve market rules, and to de-link Ontario, Canada which terminated its participation in the cap & trade program.
<b>Low Carbon Fuel Standard</b>	The goal of the LCFS is to reduce carbon intensity of transportation fuel by at least 10% by 2020.  The Amendments to the Low Carbon Fuel Standard Regulation and to the Regulation on Commercialization of Alternative Diesel Fuels went into effect January 4, 2019: <a href="https://www.arb.ca.gov/regact/2018/lcfs18/frolcfs.pdf?_ga=2.242137538.135273941.1553110131-194524719.1536243891">https://www.arb.ca.gov/regact/2018/lcfs18/frolcfs.pdf?_ga=2.242137538.135273941.1553110131-194524719.1536243891</a>

## California Regulatory Happenings for the Week of June 21, 2019

	<p>There was a <b>Public Workshop</b> on April 5<sup>th</sup> to discuss potential amendments to the cost containment features of the LCFS. The workshop followed up on Board direction at the September 2018 hearing to explore options to provide greater certainty that future credit prices do not exceed the cap imposed by the credit clearance market. Handouts, Staff Presentation and CCM Timeline Handout are available at:</p> <p><a href="https://www.arb.ca.gov/fuels/lcfs/lcfs_meetings/lcfs_meetings.htm">https://www.arb.ca.gov/fuels/lcfs/lcfs_meetings/lcfs_meetings.htm</a></p>
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## California Independent System Operator

Issue	Latest Developments
<b>Board of Governors Meeting</b>	The Board meeting will be held July 24-25.
<b>Flex Alert June 11, 2019</b>	Due to high temperatures and high energy demand, the CAISO issued a statewide Flex Alert calling for voluntary electricity conservation from 4 p.m. to 10 p.m. Because of widespread heat, the ISO anticipated energy demand to reach a peak of 42,800 megawatts (MW) this evening. Also, two units with a total generation of 1,260 MW were offline due to mechanical failures.

## CAISO Stakeholder Initiatives

Issue	Latest Developments
<b>Energy Imbalance Market</b>	<p>A public stakeholder call was held Wednesday, May 29, 2019 to discuss the Western Energy Imbalance Market (EIM) Governance Review draft final proposal for Governance Review Committee formation and draft Governance Review Committee Charter.</p> <p><a href="https://www.westerneim.com/Documents/EIMGovernanceReview-DraftFinalProposal-DraftCharter-GovernanceReviewCommitteeFormationPosted-Call052919.html">https://www.westerneim.com/Documents/EIMGovernanceReview-DraftFinalProposal-DraftCharter-GovernanceReviewCommitteeFormationPosted-Call052919.html</a></p> <p>The EIM Regional Issues Forum met June 18, 2019 to discuss state carbon policies and considerations for alignment with the Western EIM.</p> <p><a href="https://www.westerneim.com/Pages/Governance/RegionalIssuesForum.aspx">https://www.westerneim.com/Pages/Governance/RegionalIssuesForum.aspx</a></p>
<b>Energy Storage and Distributed Energy Resources</b>	Phase 3 was approved by the Board and is in tariff development.

## California Regulatory Happenings for the Week of June 21, 2019

<p><b>Participation (Phases 3 and 4)</b></p>	<p>Phase 4 addresses the following topics: 1. Adding a state of charge parameter in the non-generator resource model; 2. Applying market power mitigation to energy storage resources; 3. Streamlining interconnection agreements for non-generator resource participants 4. Establishing parameters to better reflect demand response resource operational characteristics; 5. Vetting qualification and operational processes for variable-output demand response resources; and 6. Discussing the non-24x7 settlement implications of behind the meter resources within the non-generator resource model. <a href="http://www.caiso.com/Documents/StrawProposal-EnergyStorageandDistributedEnergyResourcesPhase4.pdf">http://www.caiso.com/Documents/StrawProposal-EnergyStorageandDistributedEnergyResourcesPhase4.pdf</a>.</p>
<p><b>Resource Adequacy Enhancement</b></p>	<p>Purpose: The rapid transformation of the resource fleet to a cleaner, more variable and energy limited fleet is generating the need to reexamine all aspects of the ISO's Resource Adequacy (RA) program. In 2006, at the onset of the RA program in California, the dominant technology used for energy production in California was gas fired generation paired with a large quantity of hydroelectric resources. While some of these resources were subject to use-limitations due to environmental, start limits or air permits, they were generally available to produce energy when and where needed.</p> <p>However, as the fleet is transitioning away from its traditional make-up to a fleet that can achieve the objectives of SB 100,1 the ISO must rely on very different resource portfolio to reliably operate the grid. In this stakeholder initiative, the ISO, in collaboration with the CPUC and stakeholders, will explore reforms needed to the ISO's resource adequacy rules, requirements, and processes to ensure the future reliability and operability of the grid.</p> <p>The current proposal and comments submitted can be found at <a href="http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx">http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx</a></p>
<p><b>Day-Ahead Market Enhancements</b></p>	<p>On 2/8/18 CAISO launched a new initiative, Day-Ahead Market Enhancements to address ramping and uncertainty previously left to be resolved by the real-time market. Enhancements to be considered include combining the Integrated Forward Market with the Residual Unit Commitment process, changing the day-ahead scheduling granularity from hourly to 15-minute and adding an imbalance reserve product.</p> <p>The CAISO dropped the effort to achieve a 15-minute granularity due to waning interest. Phase 2 will continue the efforts to develop a day-ahead product to procure 15-minute ramp capability and uncertainty needs in the real-time, with implementation planned for the Fall of 2021.</p> <p>A Technical Workshop was held June 20 to discuss proposed options for developing a new day-ahead product that will address ramping needs between</p>

## California Regulatory Happenings for the Week of June 21, 2019

	intervals and uncertainty that can occur between the day-ahead and real-time markets. The agenda and presentation is available at <a href="http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx">http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx</a> .
<b>Reliability must-run and capacity procurement mechanism enhancements</b>	The Board approved the proposal aimed at enhancing its reliability must-run (RMR) and capacity procurement mechanism programs. The Third Draft Tariff Proposal was released:  <a href="http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityMust-Run_CapacityProcurementMechanismEnhancements.aspx">http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityMust-Run_CapacityProcurementMechanismEnhancements.aspx</a>
<b>Storage as a transmission asset</b>	Through this initiative, the ISO will explore how to enable storage providing cost-based transmission services to also participate in ISO markets and receive market revenues to provide ratepayer benefits and greater flexibility to the grid. A web conference was held on January 14, 2019. This initiative is currently inactive.
<b>2019-2020 transmission planning process</b>	The California ISO 2019-2020 transmission planning cycle involves key stakeholder activities from 2019 through early 2020. Each year, the ISO conducts its transmission planning process to identify potential system limitations as well as opportunities for system reinforcements that improve reliability and efficiency. The transmission planning process core product is the ISO Transmission Plan, which provides an evaluation of the ISO control grid, examines conventional grid reliability requirements and projects, summarizes key collaborative activities and provides details on key study areas and associated findings. Background and materials such as studies may be found at: <a href="http://www.caiso.com/planning/Pages/TransmissionPlanning/2019-2020TransmissionPlanningProcess.aspx">http://www.caiso.com/planning/Pages/TransmissionPlanning/2019-2020TransmissionPlanningProcess.aspx</a>

## Federal Energy Regulatory Commission

<b>Issue</b>	<b>Latest Developments</b>
<b>Federal Energy Regulatory Commission</b>	At the June 20, 2019 meeting the Commission initiated a proposed rulemaking to approve Reliability Standard TPL-001-5 (Transmission System Planning Performance Requirements). The next Commission meeting is July 18, 2019.
<b>Grid Reliability and Resilience Pricing (AD18-7)</b>	On 1/8/18 FERC initiated this proceeding after terminating RM18-1, a rulemaking tasked with evaluating the DOE pricing proposal. This proceeding will holistically examine the resiliency of the market and asks RTOs and ISOs to provide information on whether the Commission needs to act regarding resiliency. A large number of comments were submitted on May 9, 2019.

## California Regulatory Happenings for the Week of June 21, 2019

<b>NERC Reliability</b>	<p>FERC announced that a Technical Conference will be held on June 27, 2019. The purpose of the conference is to discuss policy issues related to the reliability of the Bulk-Power System.</p> <p>FERC issued a Staff Report on Lessons Learned from Commission-Led CIP Reliability Audits <a href="https://www.ferc.gov/legal/staff-reports/2019/2018-report-audits.pdf">https://www.ferc.gov/legal/staff-reports/2019/2018-report-audits.pdf</a></p> <p>FERC issued a Notice of Proposed Rulemaking to adopt a new Reliability Standard CIP-012-1 to mitigate cybersecurity risks associated with communications between bulk electric system Control Centers. <a href="file:///C:/Users/pbernardy/Downloads/20190418-3038(33517874).pdf">file:///C:/Users/pbernardy/Downloads/20190418-3038(33517874).pdf</a></p> <p>FERC approved a new Critical Infrastructure Protection Reliability Standard (CIP 008-6) to require reporting of cyber security incidents that either compromise or attempt to compromise Electronic Security Perimeters, Electronic Access Control or Monitoring Systems, and Physical Security Perimeters associated cyber systems. The new Reliability Standard also encompasses disruptions or attempts to disrupt the operation of a bulk electric system cyber system. <a href="https://www.ferc.gov/media/news-releases/2019/2019-2/06-20-19-E-2.asp#.XQwP8IhKjcs">https://www.ferc.gov/media/news-releases/2019/2019-2/06-20-19-E-2.asp#.XQwP8IhKjcs</a></p> <p>At the June 20, 2019 meeting the Commission initiated a proposed rulemaking to approve Reliability Standard TPL-001-5 (Transmission System Planning Performance Requirements) submitted by the North American Electric Reliability Corporation (NERC) that revises the current standard to address (1) reliability issues concerning the study of single points of failure of protection systems; and (2) directives from a previous Commission order (Order No. 786) regarding planned maintenance outages and stability analysis for spare equipment strategy. In addition, the NOPR proposes to direct NERC to develop and submit modifications to the NERC Reliability Standard to require corrective action plans for protection system single points of failure in combination with a 3-phase fault if planning studies indicate potential cascading.</p>
<b>Return on Equity Policy Review</b>	<p>FERC opened a Notice of Inquiry PL19-4-000 to examine whether, and if so how, to revise its policies on determining the return on equity (ROE) used in setting rates charged by jurisdictional public utilities.</p> <p>This step follows the 2017 decision <i>Emera Maine v. FERC</i> (854 F.3d 9) that reversed and vacated Opinion No. 531. In that opinion, FERC set the ROE for New England Transmission Owners at the midpoint of the upper half of the zone of reasonableness produced by a two-step discounted cash flow (DCF) analysis.</p>

## California Regulatory Happenings for the Week of June 21, 2019

	<p>Although the court did not expressly question the Commission’s specific finding, it did conclude that FERC failed to show that setting the ROE at the upper midpoint, rather than the midpoint, was just and reasonable.</p> <p>Following the court’s ruling, the Commission issued two orders proposing an alternative ROE methodology and establishing a paper hearing on whether and how it should apply to ROE complaint proceedings in New England and the Midcontinent Independent System Operator. Those orders proposed to change FERC’s approach for determining base ROE by giving equal weight to four financial models instead of primarily relying on the DCF methodology. Comments on the Notice of Inquiry will be due in mid-June.</p>
<p><b>Electric Transmission Incentives Policy</b></p>	<p>FERC issued a Notice of Inquiry PL19-3-000 into possible improvements to its electric transmission incentives policy to ensure that it appropriately encourages the development of the infrastructure needed to ensure grid reliability and reduce congestion to reduce the cost of power for consumers. The NOI recognizes that nearly 13 years have passed since the issuance of Order No. 679. Since then, there have been a number of significant developments in how transmission is planned, developed, operated, and maintained. The NOI examines whether incentives should continue to be granted based on a project’s risks and challenges or should be based on the benefits that a project provide. Examples of other topics addressed in the NOI include: consideration of incentives based upon measurable criteria for economic efficiency and reliability benefits, providing incentives for improvements to existing transmission facilities, considering the costs and benefits of projects in awarding incentives, and determining whether to review incentive applications on a case-specific or standardized basis.</p> <p>In addition, today’s NOI also seeks comment on various ROE incentives, including how they interact with the base ROE and other transmission incentives. Finally, the NOI seeks input about possible metrics for evaluating the effectiveness of incentives. Comments on the NOI were due in mid-June.</p>
<p><b>TECHNICAL CONFERENCE ON INCREASING REAL-TIME AND DAY-AHEAD MARKET EFFICIENCY AND ENHANCING RESILIENCE THROUGH IMPROVED SOFTWARE</b></p>	<p>FERC announced that Commission staff will convene a technical conference (AD19-13-000) on June 25, 26, and 27, 2019 to discuss opportunities for increasing real-time and day-ahead market efficiency and enhancing the resilience of the bulk power system through improved software.</p>

Prepared by

# Buchalter

## California Regulatory Happenings for the Week of June 21, 2019

---

### Contact Info



**Gwenneth O'Hara**

**Chair: Energy and Natural Resources Group**

Shareholder

916-945-5174

[gohara@buchalter.com](mailto:gohara@buchalter.com)



**Peggy Bernardy**

Of Counsel

916-945-5168

[pbernardy@buchalter.com](mailto:pbernardy@buchalter.com)