

## Executive Summary & Introduction

A tale of two coasts: First, opportunities open in the West as [the three California utilities](#) agree to allocate direct-access space that remains from the implementation of [SB 237](#) to customers later this summer. In [Arizona](#) the Public Service Commission has agreed to attempt to create a [customer choice pilot program](#), which could include some kind of [Community Choice Aggregation element](#) for residential customers.

In the East, [New York](#) continues to take steps under its landmark [Climate Leadership and Community Protection Act](#) (CLCPA). The NYSEERDA and DPS staff published a white paper outlining the path to achieving the state's climate goals, including a proposal to create a Tier 4 program specific to New York City. In the City, the [Urban Green Council](#) published a white paper outlining a carbon emission savings trading program that could facilitate compliance for its building emission law. **Meanwhile, the Brattle Group predicts that for New York state to achieve its CLCPA goals, it must [more than double its generation capacity by 2030 and nearly double it again by 2040](#), in order to maintain reliability.**

[Massachusetts](#) has finalized its new [Clean Peak Standard](#), which unfortunately has retained the \$45 ACP rate, in addition to adjustments to compliance requirements and the ACP rate based on the market supply of Clean Peak RECs, making compliance both expensive and onerous.

Lastly, as the FERC mulls the application of the [Minimum Offer Price Rule](#) to the PJM capacity market, the states of [Maryland, Illinois and New Jersey explore potentially exiting that market](#) via the Fixed Resource Requirement rule, which would allow them to procure the amount and types of generation resources they want—but likely at a far higher cost than today [warns the Market Monitor](#).

## 1.1 Assessment Approach

Our analysis of the Regulatory risk(s) to our customers is summarized in the rating(s) categories defined below:

Potential Financial Impact to Customer(s):

Symbol	Description
\$+	Signifies potential increase in costs
\$-	Signifies potential decrease in costs

## Magnitude of Risk to Customer(s):

Symbol	Description	Description
	Major Impact	Represents a regulatory or policy change that is in the <u>process of being enacted</u> by Regulators (i.e., PUC, ISO, FERC, EDC) and is expected to result in a meaningful increase in cost(s) to load; likely require immediate action.
	Medium Impact	Represents a regulatory or policy change that is in the <u>proposal process</u> and being sponsored by one or more ISO stakeholders. Most of these Risk's will likely be elevated to RED. Medium Impact issues will require involvement but we expect to have time to coordinate load on these type(s) of issues.
	Actively Monitor	Represents a regulatory or policy discussions or trends that may evolve to either RED or ORANGE categories. No immediate action item for load.
	For Your Information	Industry developments or information, while not directly impacting the customer, may be of interest or import to the customer.

## 2.0 Overall Assessment

We have identified various issues that coalesce with the ratings categories described above. Notwithstanding, these are the Regulatory or Policy issues we consider extremely relevant to our retail customers. With respect to this Bulletin, the six categories which appear to represent the most significant impacts to retail customers are identified below and categorized according to ISO:

- [Section 2.1 – Policy](#)
- [Section 2.2 – Capacity / System Reliability](#)
- [Section 2.3 – Transmission \*No June 2020 update\*](#)
- [Section 2.4 – Ancillary Services \*No June 2020 update\*](#)
- [Section 2.5 – Energy \*No June 2020 update\*](#)
- [Section 2.6 – Industry Development \*No June 2020 update\*](#)

\*Where appropriate, we have provided links to articles and other relevant information for reference purposes.

## 2.1 Policy

Issue#	Rating	Issue	Impact	Action/Result
<p><b>2.1a</b> <b>CAISO</b></p>		<p>Calpine Solutions has been working directly with PG&amp;E, SCE and SDG&amp;E in implementing a process whereby customers on the 2020 direct access <u>Wait List</u> will be notified of their eligibility to elect direct access starting January 2022.</p>	<p>While exact process is still being negotiated as of this writing, <u>the three IOUs have all agreed that the unmet direct-access space that remains from the implementation of SB 237 earlier this year is to be allocated to customers later this summer, providing customers 15-days to accept or decline the offer to shop and 45-days thereafter to secure a ESP.</u></p>	<p>Please contact your sales representative to obtain additional information.</p>
<p><b>2.1b</b> <b>AZ</b></p>		<p>As anticipated and reported in the February 2020 Regulatory Bulletin, it appears as though a way forward for the advocates in the Retail Electric Competition Docket (RE-00000A-18-0405) has been secured.</p> <p>At the ACC Special Open meeting on June 18th, 2020 the commissioners focused their debate on Arizona Public Service's (APS) controversial rate comparison tool that led customers to choose more expensive rate plans instead of less expensive rates.</p> <p>Commissioner Olson argued the APS debacle makes a strong case for customer choice and in the final 15 minutes he pushed hard to get a third vote to move forward with retail access rules.</p>	<p>The political pressure was on Commissioner Kennedy, but she refused to go along – repeating her call, instead, for a small geographic “pilot program” in APS’ and TEP’s territories.</p> <p><b><i>However, after the meeting adjourned, Commissioner Olson filed a letter in the Docket addressed to Commissioner Kennedy accepting her offer of a retail choice pilot program and offering to work together to fashion a proposal.</i></b></p> <p>Chairman Burns and Commissioner Olson of the ACC have been looking for a way forward to implement some kind of retail choice that is more expansive than the currently limited AG-X program with APS. However, trying to find the necessary third commissioner vote has been an exercise in politics.</p>	<p>If Commissioner Olson and Commissioner Kennedy can fashion a retail choice pilot program, <b><i>that will no doubt include some kind of Community Choice Aggregation (CCA) element to it for residential customers prior to the end of the year.</i></b> Then the odds are favorable that progress will be had on this issue.</p> <p>Please contact your sales representative to obtain additional information.</p>

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<p><b>2.1c</b> <b>NYISO</b></p>		<p>NYSERDA<sup>1</sup> and DPS<sup>2</sup> have released a white paper that provides a roadmap to achieving the goals mandated by the Climate Leadership and Community Protection Act (CLCPA), which requires 70% of electricity generation be generated by renewable resources by 2030 and zero carbon emission from the power sector by 2040. (See our June and July 2019 Regulatory Bulletins, Sections 2.1b and 2.1d, respectively, for summaries of the CLCPA).</p> <p>NYSERDA and DPS staff outline a number of reforms of the CES<sup>3</sup> and RES<sup>4</sup> programs, the most significant of which would be the creation of a Tier 4 program<sup>5</sup> specifically for New York City.</p> <p><a href="https://www.nyserda.ny.gov/About/Newsroom/2020-Announcements/2020-06-18-New-York-Advances-Framework-to-Implement-the-States-Climate-Law-and-Decarbonize-its-Power-Sector">https://www.nyserda.ny.gov/About/Newsroom/2020-Announcements/2020-06-18-New-York-Advances-Framework-to-Implement-the-States-Climate-Law-and-Decarbonize-its-Power-Sector</a></p> <p><sup>1</sup>New York State Energy Research and Development Authority  <sup>2</sup>Department of Public Service  <sup>3</sup>Clean Energy Standard  <sup>4</sup>Renewable Energy Standard  <sup>5</sup>Tier 1 resources are new large-scale wind, solar (and other) resources; Tier 2 are existing large-scale renewable resources; and Tier 3 are nuclear resources</p>	<p>Staff propose the creation of a Tier 4 category of renewable energy credit to be awarded for energy supplied by a renewable resource that is located in New York City (Zone J) or is directly transmitted into the City via a new transmission line. Qualifying resources are those in the Tier 1 category, plus large-scale hydro.</p> <p>To prevent Tier 4 renewable resources from supplying into New York City while backfilling with fossil-fueled generation to meet their existing supply requirements, staff recommend that the energy delivered to New York City must exceed the resource’s 3-year average energy baseline, while not exceeding its 3-year average GHG baseline. <b>Tier 4 RECs may qualify for compliance with New York City’s Local Law 97.</b></p> <p>The white paper is a positive step, indicating a holistic approach by the state in including potential solutions for New York City. The state also appears to be taking seriously the issue of greenwashing addressed in the <a href="#">Energyzt Study</a>, to ensure that the region’s overall GHG emission is actually reduced and not merely reshuffled.</p>	<p>Interestingly, the Brattle Group estimates that 42,858 GWh per year of new renewable energy resources must be procured in order to meet the 70x30 mandate, or about 28% of total electricity generated annually today.</p> <p><b>Further, New York state would require 80 GW of installed generation capacity by 2030, up from 38 GW today, to maintain reliability while meeting the 70x30 mandate. By 2040, Brattle estimates that 150 GW of installed capacity to maintain reliability to comply with the CLCPA.</b></p> <p>Whether this is actually achievable at reasonable cost remains to be seen. It is now up to the Climate Action Council to implement the recommendations made by NYSERDA and DPS. It opens up the possibility of competitive procurements for Tier 4 resources that can satisfy the requirements of NYC Local Law 97.</p> <p>Please feel free to contact your Calpine Solutions sales representative if you have further questions.</p>

## 2.1 Policy

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<p><b>2.1d</b> <b>ISO-NE</b></p>	 <p><b>\$+</b></p>	<p><b>The Massachusetts Department of Energy Resources (DOER) has finalized the state’s Clean Peak Standard (CPS).</b> (See our April 2020 Regulatory Bulletin, Sec. 2.1a for a detailed explanation of the proposed CPS.)</p> <p><b>The second draft of the CPS was problematic in its high cost, complexity of compliance, and unmitigated hedging risks for retail suppliers.</b></p> <p><a href="https://www.mass.gov/service-details/clean-peak-energy-standard#:~:text=2020%20Clean%20Peak%20Minimum%20Standard&amp;text=DOER%20has%20determined%20that%201.5,.cps%40mass.gov">https://www.mass.gov/service-details/clean-peak-energy-standard#:~:text=2020%20Clean%20Peak%20Minimum%20Standard&amp;text=DOER%20has%20determined%20that%201.5,.cps%40mass.gov</a></p>	<p>Calpine had requested the DOER amend the CPS as follows:</p> <ol style="list-style-type: none"> <li><b>Reduce the Alternative Compliance Payment (ACP) Rate of \$45 to \$30 (as in the original CPS draft);</b></li> <li><b>Eliminate adjustments to compliance requirements and the ACP rate in the subsequent year based on the “market supply” of Clean Peak RECs in the current year; and</b></li> <li><b>Grandfather supply contracts for compliance through the effective date of the CPS.</b></li> </ol> <p>Despite our efforts, the DOER has rejected our recommendations, apart from granting grandfathered status for supply contracts signed before 1/1/2020.</p>	<p>Unfortunately, the final version of the CPS propagates Massachusetts’ path towards <b>more complex and higher cost</b> Renewable Portfolio Standard (RPS) programs—which the customers of the state will ultimately bear.</p> <p>We will continue to explore ways to amend the CPS to a more workable and less costly program, but it appears to be a fait accompli at this point.</p> <p>Please contact your Calpine Solutions sales representative if you have further questions or concerns.</p>

## 2.1 Policy

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<p><b>2.1e</b> <b>NYISO</b></p>		<p><b>The Urban Green Council of New York City has published a white paper outlining a roadmap for the trading of carbon emission savings among participants who own large buildings in the City.</b></p> <p>New York City Local Law 97 limits GHG emission rates beginning 2024 (see our <i>May 2019 Regulatory Bulletin, Sec. 2.1c</i>). The law allows for the creation of a carbon emission savings trading platform as one of the tools to facilitate compliance.</p> <p>The basic idea is that building owners will be incentivized to reduce their buildings' carbon footprint, because they can then monetize their retrofit capital investments by selling carbon emission savings credits, while also meeting the requirements of LL 97.</p> <p><a href="https://www.urbangreencouncil.org/sites/default/files/trading_report_urban_green_2020.pdf">https://www.urbangreencouncil.org/sites/default/files/trading_report_urban_green_2020.pdf</a></p>	<p>The white paper summarizes various policy and trading platform options that the City may adopt to facilitate carbon emission savings trading, including its scope, regulatory and legal compliance, environmental justice, credit requirements, program education and implementation.</p> <p>The authors of the paper cite as potential models, the U.S. RGGI program, the Tokyo Cap-and-Trade program, among others, listing the pros and cons of each.</p>	<p>The authors, however, do not make specific recommendations, nor identify clear next steps. The white paper is simply the first conceptual step to creating a carbon trading platform.</p> <p>It will be up to the Climate Advisory Board, as established by Local Law 97, to use this paper as a guide to design and implement the optimal trading program for New York City.</p>

## 2.2 Capacity / System Reliability

Issue#	Rating	Issue	Impact	Action/Result
<p><b>2.2a PJM</b></p>		<p>As PJM stakeholders await the final FERC decision on the ISO’s plan to implement the MOPR order, several states are considering exiting the ISO’s capacity market through the Fixed Resource Requirement (FRR) mechanism.</p> <p>Maryland, Illinois, and New Jersey are exploring the potential of exiting the PJM capacity market via the FRR. If these states were to exit the PJM capacity market, they must then procure capacity for their own respective load, which could lead to far higher costs than under the broader RTO market system.</p> <p>It is not a move that is to be taken lightly, particularly since once the FRR is executed the state cannot opt back into the PJM capacity market for at least five years.</p> <p><a href="https://files.constantcontact.com/d1545042101/4416b122-afe3-4f8c-ad5d-45ee1a823e40.pdf">https://files.constantcontact.com/d1545042101/4416b122-afe3-4f8c-ad5d-45ee1a823e40.pdf</a></p>	<p><i>The PJM Market Monitor has provided an analysis showing that New Jersey customers could see a <b>\$386 million increase in electricity rates (or 30%), if the state opts out of the PJM capacity market via the FRR.</b></i></p> <p>From the states’ perspective the key benefit of FRR would be to secure the ability to procure the <u>amount and type</u> of capacity resources they desire.</p> <p>The PJM capacity auction mechanism has long resulted in procuring far more capacity than is needed to maintain reliability, thus incurring unnecessary cost.</p> <p><i>Many states also have a climate policy agenda, whereby they seek to develop renewable resources such as offshore wind, large-scale solar, energy storage, or retain nuclear plants—for both carbon emission reduction and job creation.</i></p>	<p>However, the FRR path is not without its perils. <b>Market power garnered by the small number of <u>very large utilities</u> who own generation in the state must be mitigated, or else the state could wind up paying a lot more for generation capacity, as the PJM Market Monitor has warned. <i>At the end of the day, the <u>benefit of scale</u> offered by a <u>regional RTO</u> may outweigh the increased costs for states going it alone.</i></b></p> <p>We will continue to monitor the progress of capacity reform in PJM.</p>

## 3.0 Contact Information

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### Public/ISO Regulatory Contacts:

- PJM - <http://pjm.com/about-pjm/who-we-are/contact-us.aspx>
- MISO - <https://www.misoenergy.org/AboutUs/ContactUs/Pages/ContactUs.aspx>
- NEISO - [http://iso-ne.com/contact/contact\\_us.jsp](http://iso-ne.com/contact/contact_us.jsp)
- NYISO - [http://www.nyiso.com/public/markets\\_operations/services/customer\\_support/index.jsp](http://www.nyiso.com/public/markets_operations/services/customer_support/index.jsp)
- ERCOT - <http://ercot.com/about/contact/>
- CAISO - <http://www.caiso.com/Pages/ContactUs.aspx>
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