**APPENDIX A**

**Relevant Statutory Provisions to Order Instituting Rulemaking**

**<u>Issue 1. Participation Authorization</u>:**

Public Utilities (Pub. Util.) Code § 345.6(c): the Commission "shall make a determination through a formal decision in an existing or new proceeding that the requirements in subdivisions (a) and (b) have been satisfied before electrical corporations participate in an energy market governed by an independent regional organization."

Pub. Util. Code § 345.6(a) provides that "electrical corporations that are participating transmission owners who transmission systems are operated by the Independent System Operator may use voluntary energy markets governed by an independent regional organization only if all of the following requirements are satisfied:

(1) The independent regional organization is a nonprofit corporation whose governance documents, and the tariff approved by the Federal Energy Regulatory Commission, include a requirement to respect the authority of each state that has a load-serving entity or balancing authority participating in the market to set its own procurement, resource adequacy, environmental, reliability, and other public interest policies and exercise oversight over its regulated entities.

(2) The governing board of the independent regional organization maintains a public policy committee consisting of members of the governing board of the independent regional organization that engages with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies before it approves a tariff change for filing at the Federal Energy Regulatory Commission.

(3) The governing board of the independent regional organization maintains a relationship with and seeks input from a body of state regulators or similar body to receive the views of state regulators.

(4) The independent regional organization makes funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized in state law, including the Public Advocate's Office of the Public Utilities Commission, and facilitates engagement by those offices with the independent regional organization.

(5) The independent regional organization maintains an office of public participation to provide information and education to members of the public about issues and initiatives at the independent regional organization, including facilitating engagement in those processes.

(6) In addition to any independent market monitoring activity required by a Federal Energy Regulatory Commission order, the independent regional organization maintains access to independent market analysis for the governing board of the independent regional organization on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers.

(7) Subject to reasonable confidentiality provisions, market data is available to the commission and the Public Advocate's Office of the Public Utilities Commission, and other states' commissions and public advocate offices, to the same or greater extent as existed on December 31, 2024, for the markets governed by the Independent System Operator.

(8) There is a stakeholder process designed to provide nonbinding advice to the governing board of the independent regional organization.

(9) The independent regional organization is obligated to conduct meetings and make decisions in an open process with transparent, documented rationales, and all meetings of the governing board of the independent regional organization are publicly noticed and, excluding executive sessions, are available to remote participants, recorded and posted on the independent regional organization's internet website, open to the public, and

subject to open record requirements. The obligations in this paragraph shall be substantially similar to those that apply to the Independent System Operator at the time a resolution is adopted pursuant to subdivision (b).

(10) The Independent System Operator continues to operate the energy markets, subject to the market rules determined by the independent regional organization as accepted by the Federal Energy Regulatory Commission.

(11) The market rules of the independent regional organization provide greenhouse gas emissions information and protocols sufficient to enable compliance with the requirements of any state agency.

(12) All independent regional organization services are offered on a voluntary basis with each participant retaining its decision making autonomy regarding the extent of its participation.

(13) The tariff approved by the Federal Energy Regulatory Commission for the independent regional organization provides a procedure for unilateral withdrawal from the independent regional organization's energy markets by any participant on their own accord, or as required by an applicable regulatory authority or state statute, with reasonable prior notice and without any penalties, unreasonable costs, or further discretionary approvals.

Pub. Util. Code § 345.6(b) provides that: "On or after January 1, 2028, the Independent System Operator may implement tariff modifications accepted by the Federal Energy Regulatory Commission to operate the energy markets whose rules are governed by an independent regional organization, as provided in subdivision (a), if the governing board of the Independent System Operator has adopted a resolution finding that each of the requirements of paragraphs (1) to (13), inclusive, of subdivision (a) have been or will be adopted by the independent regional organization. The governing board of the Independent System Operator may adopt the resolution if the Independent System Operator satisfies all of the following requirements before adopting the resolution:

(1) The meeting is open to the public, available to remote participants, recorded, and posted on the Independent System Operator's internet website.

(2) The Independent System Operator issues a notice of the meeting and proposed findings not less than 90 days before the meeting.

(3) The notice explains the basis for finding that each requirement of paragraphs (1) to (13), inclusive, of subdivision (a) will be met.

(4) The notice provides an opportunity for written comments on the proposed findings.

(5) The Independent System Operator issues written responses to any comments not less than 20 days before the meeting.

(6) After issuing the written responses described in paragraph (5), but before adopting the resolution, the Independent System Operator shall offer to provide testimony to the legislative committee in each house of the Legislature with primary jurisdiction over electrical corporations on its proposed findings and responses and shall provide testimony to hearings of those committees if those committees request testimony.

(7) The Independent System Operator receives and accepts written comments from the commission, Public Advocate's Office, and Energy Commission provided pursuant to paragraph (4) regarding the proposed findings."

**Issue 2. Withdrawal Authorization**:

Pub. Util. Code § 345.6(d) provides that: "This section does not diminish the commission's authority to direct an electrical corporation to withdraw from an energy market governed by an independent regional organization. The commission may direct an electrical corporation to withdraw from an energy market governed by an independent regional organization on its own volition through a proceeding or any other commission process, including if the commission identifies any activities of the independent regional organization that would undermine or jeopardize the commission's authority regarding resource adequacy, integrated resource planning, or procuring resources under Section 380, 454.51, or 454.52."

Pub. Util. Code § 345.6(e) provides:

(1) “The Independent System Operator shall maintain the necessary technical capability to operate energy markets in a manner that enables California electrical corporations, local publicly owned electric utilities, and other applicable market participants to withdraw from the markets governed by the independent regional organization and instead the Independent System Operator would provide separate market services for those entities.”

(2) Beginning one year after the implementation of the independent regional organization’s markets, and annually thereafter, the Independent System Operator, in consultation with the independent regional organization, shall report to the commission, Energy Commission, and the legislative committees with primary jurisdiction over electrical corporations, in compliance with Section 9795 of the Government Code, on the status of the development and compliance with this section.

(3) The commission and Energy Commission shall review each report required pursuant to paragraph (2) and shall publicly post an acknowledgment to their internet websites that they have reviewed the contents of each report.”

Pub. Util. Code § 345.6(g) provides:

(1) “The Independent System Operator shall continue its functions and responsibilities as a balancing authority as they existed before enactment of this section...”

(2) “The Independent System Operator shall not change its balancing authority area from that which existed on December 31, 2024, except as follows:

(A) Standard addition or removal of transmission lines, substations, and other equipment by participating transmission owners or other asset owners.

(B) The Independent System Operator may combine its balancing authority area with another California balancing authority if the combination is mutually agreed upon.

(C) The Independent System Operator may use its subscriber participating transmission owner tariff.”

**<u>Issue 3. Additional Products/Service Participation</u>.**

Pub. Util. Code § 345.6(h)(4) provides: "This section does not change the authority of the commission over an electrical corporation's participation in any additional products or services offered by the independent regional organization and the electrical corporations shall not participate in any additional products and services offered by the independent regional organization unless authorized by the commission."

Pub. Util. Code § 345.6(j) provides: "This section does not prohibit the independent regional organization from offering additional products or services on a voluntary basis, including, but not limited to, cooptimization of ancillary services, administration of a resource adequacy program, or transmission planning or service."

**<u>Issue 4. Rule Revisions.</u>**

Pub. Util. Code § 399.16.5 provides: "The commission and the Energy Commission shall coordinate to revise any relevant rules, regulations, or guidance to ensure that the transition to a regional energy market governed by the Independent System Operator or the independent regional organization described in Section 345.6 does not expand the types of transactions that meet the portfolio content category requirements of paragraph (1) of subdivision (b) of Section 399.16, as compared to the transactions that would meet those requirements on December 31, 2025."

**(END OF APPENDIX A)**