

 California ISO	Board Policy	Revision Date Version No.	3/20/2024 9/23/2021 1.32
Guidance for Handling Policy Initiatives that may Come Before the <u>WEIM</u> Governing Body		Policy Adopted	12/15/2016



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I. Introduction

The ISO Board of Governors established the WEIM Governing Body as an independent body selected by regional stakeholders, and delegated to it a part of the Board’s own authority over the rules of the real-time market. When the ISO established the Extended-Day Ahead Market, or “EDAM,” the Board expanded its delegation to the WEIM Governing Body to include authority over rules of the day-ahead market as well.

The delegation is effected through the ISO’s corporate bylaws and the Charter for WEIM and EDAM~~Energy Imbalance Market~~ Governance. Those documents contemplate that the Board will adopt a separate guidance document to explain the delegation of authority and provide additional detail about the process that ISO Management should follow with policy initiatives during both the stakeholder process and the approval phase in order to ensure that the WEIM Governing Body can perform its functions effectively and with the full benefit of stakeholder input.

II. Core Concepts and Rules

The ~~EIM~~-market rules for WEIM and EDAM are embodied in the ISO’s FERC tariff, which may be amended only with the approval of the ISO Board of Governors. See Tariff § 15. The Board has committed to share this authority with the WEIM Governing Body with respect to certain proposed rule changes, and to formally receive advice from the WEIM Governing Body about other proposed rule changes, through a set of rules it adopted and embodied in the corporate bylaws and the Charter for ~~Energy Imbalance Market~~EIM and EDAM Governance. These rules are explained below.

A. Joint Authority of the WEIM Governing Body

The WEIM Governing Body has joint authority with the Board when the ISO is considering an element of a proposed policy change¹ that would change or establish a tariff rule applicable to the WEIM/EDAM entity balancing authority areas, WEIM/EDAM entities, or other market participants within the WEIM/EDAM entity balancing authority areas, in their capacity as participants in WEIM/EDAM. The WEIM Governing Body will also have joint authority with the Board of Governors to approve or reject a proposal to change or establish any tariff rule for the day-ahead or real-time markets that directly establishes or changes the formation of any locational marginal price(s) for a product that is common to the overall WEIM or EDAM markets. Joint authority does not include, among other things, elements of other proposals that would change or establish tariff rules applicable only to the ISO balancing authority area or to the ISO-controlled grid. Note: For the avoidance of any doubt, the joint authority definition is not intended to cover balancing authority-specific measures, such as any parameters or constraints, the CAISO may use to ensure reliable operation within its balancing authority area.

Before Management may file with FERC any element of a proposed tariff amendment that would change or establish tariff rules within the joint authority of the WEIM Governing Body

¹ Not every change to tariff language reflects a policy change requiring approval of the Board or the WEIM Governing Body. For example, policy approval is not required for ministerial changes, such as typographical corrections and clarifications of expression, or for changes that are directed by FERC.

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and the Board, they must have the approval of both the WEIM Governing Body and the Board of Governors, except as provided in the Charter for WEIM and EDAM Governance as it relates to resolving disputes about proposed tariff amendments that are within joint authority (Section 2.2.2).

B. Advisory Role

The WEIM Governing Body has a formal advisory role over any element of a proposal that would apply to the day-ahead or real-time market, but does not fall within the scope of joint authority.

C. Severable Elements of Policy Initiatives

Some ISO policy initiatives contain multiple elements that, for a variety of reasons, have been combined into a single initiative for purposes of stakeholder review. These different elements are not necessarily part of a single policy that will be approved or rejected together, but instead can be “severable” for decisional purposes. In other words, Management may plan to file some elements of a proposal assuming they are approved, even if other elements of the same initiative are not approved as proposed.

When an initiative contains severable elements, each element should be evaluated separately for purposes of determining how it will be presented for approval. For example, any severable element of an initiative that falls within the joint authority of the WEIM Governing Body should be separated after the conclusion of stakeholder review and identified as severable when it is presented to the WEIM Governing Body and the Board of Governors for decision. Of the remaining severable elements of the initiative, those that fall within the advisory role of the WEIM Governing Body should be presented in a manner that allows the Governing Body to provide any advice it may have to the Board before the Board votes.

III. Policy Development Phase: Keeping Stakeholders and the WEIM Governing Body Informed

The ISO’s established stakeholder process should support the WEIM Governing Body and allow it to exercise its responsibilities effectively, and with the full benefit of stakeholder input. All ISO personnel, including the Department of Market Monitoring and the Market Surveillance Committee, should support the work of the WEIM Governing Body in the same way they support the work of the Board. Only a few additional steps are necessary, as explained below, to ensure that stakeholders and the WEIM Governing Body can identify policy initiatives that might affect the WEIM or EDAM, and that interested stakeholders can provide feedback about Management’s tentative decisional classifications for an initiative.

A. Identifying Policy Initiatives that Likely Implicate WEIM or EDAM

The ISO website should identify those stakeholder initiatives that are likely to propose changes to the tariff rules that are within the WEIM Governing Body’s joint authority or subject to its advisory input. All such initiatives should be identified in one place on the ISO website, so that a stakeholder can easily find them.

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B. Informing Stakeholders about Tentative Decisional Designation

Every policy paper published for stakeholder review should state Management’s tentative plan for obtaining approval to file tariff amendments associated with the current version of the proposal – i.e., whether the proposed changes fall within either the joint authority of the WEIM Governing Body or its advisory role, or are not subject to review by the WEIM Governing Body. This tentative classification may change during the stakeholder process as the proposal evolves. The purpose of explaining the tentative classification as early as possible in a stakeholder process is to provide stakeholders the opportunity to comment if they disagree.

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In rare circumstances, Management could bring a tariff amendment to the Board or WEIM Governing Body for approval in executive session only, for example where the filing itself involves a rule change that could be market sensitive, such as changing a market rule that could be exploited for manipulation, and thus cannot be shared publicly before it is filed with FERC. In these circumstances, it would not be necessary to publish a proposed decisional classification for stakeholder review.

C. Informing the WEIM Governing Body about Pending Initiatives

At least quarterly, Management should brief the WEIM Governing Body about all policy initiatives scheduled for decision within the next six months that propose tariff rule changes that are likely to affect the WEIM or EDAM, including initiatives that are not expected to fall within the decisional authority of the WEIM Governing Body. These briefings should include, for each item, the current tentative decisional designation and enough information to enable the WEIM Governing Body to evaluate that designation and, where applicable, to determine whether it wishes to provide advisory input to the Board.

IV. Decisional Phase: Initial Decisional Classification, Dispute Resolution and Presentations to the WEIM Governing Body

A. Initial Decisional Classification

After stakeholder comments are due on the draft final proposal for an initiative, Management will reach its conclusion about the initial decisional classification and its plans to seek approval for the initiative. Management will notify the Chair of the ISO Board and the Chair of the WEIM Governing Body of this initial decisional classification and provide links to the relevant papers about the initiative. If any stakeholders have submitted written comments on the final proposal disagreeing with Management’s proposed decisional classification, the notice will also include a link to the relevant written comments from stakeholders regarding the initial classification. The notice, which will be posted on the ISO website, should also include a date when any responses from the Chairs are due back to Management. Under ordinary circumstances, the Chairs will have at least one week to review the notice before any response is due.

Unless Management receives an objection from either the Chair of the WEIM Governing Body or the Chair of the Board, Management should proceed to present the initiative for approval as proposed in its notification. If an objection is submitted, the Chairs of the two bodies shall confer on the matter. Unless the Chairs agree on the proper decisional classification, the following dispute resolution process will be triggered.

B. Dispute Resolution

The ISO will notify stakeholders that the dispute resolution process has been initiated so that stakeholders may submit any additional comments on the proposed decisional classification. After the deadline for stakeholder comment has passed, the Board and the WEIM Governing Body will meet as a “committee of the whole” to discuss and resolve the matter. This meeting may be held remotely or in person, and must include a quorum of each body. Final resolution will be made by a vote of the combined members of both bodies who have participated in the meeting, with the majority prevailing. If the WEIM Governing Body or the Board of Governors

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does not have five members seated at the time of the vote on the proposed decisional classification, the votes of the remaining members will be weighted so that a body that is missing one or more members will have five full votes. In the event of a tie, the Chair of the Board of Governors shall decide.

V. Advice of the WEIM Governing Body to be Included in FERC Filings

The substance of any advisory input from the WEIM Governing Body to the Board about a proposed initiative should be included with any associated FERC filing.