

WESTERN ENERGY MARKETS

Briefing on policy initiatives

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WEM Governing Body Meeting

General Session

July 22, 2025



EDAM congestion revenue allocation

- Final Proposal published on June 6th
- ISO Board of Governors and WEM Governing Body approved the proposed transitional design at the joint meeting session on June 19th
 - Proposal allocates parallel flow congestion revenues associated with the exercise of eligible transmission rights to the EDAM balancing area where these revenues accrued
- Tariff revisions supporting the proposal were filed with FERC on June 26th
- Comments at FERC were due July 17

Congestion revenue rights enhancements

- The congestion revenue rights working group has discussed:
 - The current program structure and function for stakeholders
 - ISO's root cause analysis on the 2018 reforms
 - Benchmarking other ISO/RTO's financial transmission right models
 - Potential goals and problem statements to guide future ISO CRR policy changes
- As part of the 2018 reforms designed to resolve observed inefficiencies with the auction, the ISO committed to:
 - Assess the impacts of the proposals
 - Consider more comprehensive changes to the allocation and auction design
- Proposed decisional classification: TBD

Storage design & modeling

- Scope of the initiative has been organized into four topic groups:
 - Outage Management, Uplift & Default Energy Bids, State-of-Charge Management, and Mixed-Fuel & Distribution-Level Resources
- Issue Paper & Straw Proposal on outage management and a Discussion Paper on mixed-fuel & distribution-level resources posted on June 3.
- Updated the state-of-charge formula to ensure availability of flexible ramp up from storage resources through a business practice manual modification
- Monthly stakeholder meetings continue to discuss the topic groups specified above
- Proposed decisional classification: TBD (by topic group)

Demand and distributed energy market integration

- Working group is exploring development or enhancement of participation models and market rules associated with demand response and distributed energy resource participation
- Stakeholder problem statement development topics
 - Performance Evaluation Methodology enhancements
 - Topic completed, problem statements finalized
 - Enhancing demand flexibility market options
 - Topic in progress, problem statements drafted receiving stakeholder review
 - Reliability based demand response
 - Economic demand response
 - Expanding demand side bidding options
 - Distributed energy resource participation
- Six remaining demand and distributed energy market integration working group sessions
 - Policy development phase proposed for Q4 2025
- Proposed decisional classification: TBD

Price formation enhancements initiative

- Internally developing straw proposal for scarcity pricing and market power mitigation at the balancing area level; publication expected in July.
- Incorporating suggestions from May 2 Market Surveillance Committee on market power mitigation
- Proposed decisional classification: TBD

Greenhouse gas coordination working group

- Working group has been focused on accounting for state policies without a price on carbon emissions
- Designing policy on an out-of-market “accounting and reporting” approach
- A sub-group and the working group are developing the report format
- Straw proposal published in Q2
- Tariff authority may be needed to outline the funding approach
- Proposed decisional classification: TBD

Policy initiatives catalog & roadmap

- Revised 2025 Roadmap
 - Published May 2025
 - Presented at May Joint WEM Governing Body and ISO Board of Governor meeting
 - Goal: update schedules for existing policy initiatives to accommodate stakeholder bandwidth
- 2025 Catalog published June 13
- Next step: 2026-2028 Roadmap development
 - Draft & final Roadmaps published Q4

2025 Policy Calendar

2025					
		Q1	Q2	Q3	Q4
Congestion Revenue Rights		Scoping working groups		Policy development	
Demand and Distributed Energy Market Integration		Scoping working groups			Policy Development
EDAM Congestion Revenue Allocation			Policy Development & Decision	Implementation	
					Working groups
Gas Resource Management		Proposal working groups	Straw proposal	Policy development	Decision
Greenhouse Gas Coordination					
	Topic 1: WEIM/EDAM GHG design	Scoping working groups		Postponed	
	Topic 2: Non-priced approaches for GHG reduction	Policy development	Straw proposal	Policy development	Decision
	Topic 3: Additional GHG-related metrics	Addressed & closed out			

Pre-proposal development
Proposal development
Decision
Implementation

2025 Policy Calendar (cont.)

2025					
		Q1	Q2	Q3	Q4
Price Formation Enhancements					
	Scarcity pricing & market power mitigation	Proposal working groups	Straw proposal	Policy development	
	Fast start pricing	Postponed			
Storage Bid Cost Recovery and Default Energy Bid Enhancements		Phase I Implementation			
Storage Design and Modeling		Scoping working groups Issue papers & straw proposals		Policy development	
WEIM Resource Sufficiency Evaluation Enhancements		Postponed			
WEIM Assistance Energy Transfer			Policy development	Decision	

Pre-proposal development
Proposal development
Decision
Implementation

2025 Policy Calendar: Items not under primary authority

2025					
		Q1	Q2	Q3	Q4
Resource Adequacy Modeling and Program Design					
	Track 1: Modeling, Defaults, and Accreditation	Policy development			Decision (Default Counting Rules/PRM)
	Track 2: Outage & substitution and availability and incentive mechanisms	Policy development			
	Track 3a: RA status visibility	Policy development			
	Track 3b: Backstop reform and long-term EDAM RSE solutions		Postponed		Policy development

Pre-proposal development
Proposal development
Decision
Implementation

Informational updates for ongoing policy initiatives not under primary authority

Resource adequacy policy development

The working group has produced several straw proposals and has more in development.

Track 1: Modeling & Default Standards

- Loss of load expectation modeling
- Updating ISO default planning reserve margin and default counting rules
- Unforced Capacity in collaboration with the CPUC and other local regulatory authorities
- Accounting for ambient derates due to temperature for resource adequacy resources

Track 2: Outage and Substitution & Availability and Performance Incentives

- Updating the ISO's outage and substitution processes
- Reforming availability and performance incentives

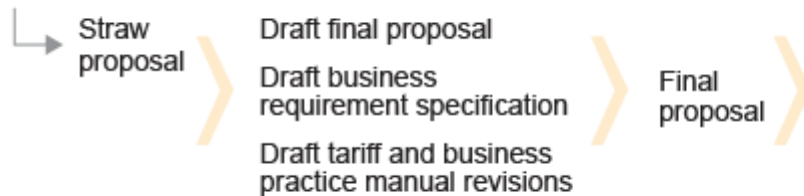
Track 3: Visibility and Backstop Reform

- Increase the ISO's visibility into available backstop capacity
- Increase transparency to stakeholders on backstop decision making
- Update the current backstop product
- Create longer-term solutions for the ISO Balancing Authority Area around curing deficiencies and assigning costs related to the EDAM resource sufficiency evaluation

Policy initiative process

PROPOSAL DEVELOPMENT

Issue paper and working groups



DECISION



IMPLEMENTATION



Stakeholder input

This represents the typical process, and often stages run in parallel.