

WESTERN ENERGY MARKETS

Briefing on policy initiatives

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General Session

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EDAM congestion revenue allocation for parallel flows

- This initiative examines congestion revenue allocation associated with day-ahead schedules impacting transmission constraints in a separate balancing area
- The ISO is planning to present a proposal for decision in June
- This additional time allows us to explore further enhancements suggested and supported by stakeholders, including consideration of:
 - Allocation of congestion revenue for OATT rights based on balanced cleared economic bids as well as self-schedules, and
 - the effects of the proposal on congestion revenue rights provided within the ISO balancing area

WEIM assistance energy transfer extension

- The ISO is proposing to extend the existing design by removing the sunset date
 - Tariff provisions currently sunset December 31, 2025
 - Decision is informed by analysis of performance
 - Ensures we retain an available tool to increase WEIM reliability
- The ISO is also proposing a minor tariff revision to ensure operator actions taken in coordination with a Reliability Coordinator do not create additional financial exposure
 - Consistent with intent to increase reliability in the WEIM
- Proposed decisional classification: Joint authority

Price formation enhancements initiative

- Planned stakeholder working group meetings have been adjusted to accommodate other initiatives
 - Long term prioritization of scarcity pricing, market power mitigation at the balancing area level and fast start pricing have been assessed through stakeholder survey
- Market power mitigation analysis presented at the Market Surveillance Committee meeting
- Internally developing straw proposal for scarcity pricing and market power mitigation at the balancing area level; publication expected Q2 2025

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
- We are planning to publish a straw proposal in Q2 2025
- Tariff authority may be needed to outline the funding approach
- Proposed decisional classification: Joint authority

Gas resource management initiative

- ISO staff developing a straw proposal informed by stakeholder comments and preferred prioritization; expected Q2 2025 publication
- Stakeholders indicated a preference to focus on enhancing advisory gas burn information in advance of the extended day-ahead market, exploring exceptional circumstance cost recovery, and ISO coordination with gas pipelines during restrictive operating conditions
 - Some of these changes would be process enhancements, whereas others may require tariff changes.
- Proposed decisional classification: Joint authority

Congestion revenue rights

- 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
- 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

Demand and distributed energy market integration

- The working group is exploring the development or enhancement of participation models and market rules associated with demand response and distributed energy resource participation
 - Discussion paper: organizes stakeholder feedback and assists with policy prioritization
 - Six topics were identified within which problem statements have been drafted for stakeholder examination and refinement
 - Latest working group examined the first of those topics: performance evaluation methodologies, including recognition of registration and metering alternatives
- Proposed decisional classification: TBD

Storage design and modeling

- The ISO hosted monthly stakeholder meetings including discussions on stakeholder-requested topic overviews
 - Stakeholders such as Vistra, PG&E, and Terra-Gen have presented on topics including outage management, novel participation pathways, and hybrid resources
- The ISO released the issue paper and straw proposal on outage management, nonlinearity, and state-of-charge clarification topics
- The ISO is planning to update the state-of-charge formula to ensure availability of flexible ramp up from storage resources
- Proposed decisional classification: TBD

Policy initiatives catalog & roadmap process

- Stakeholders submitted discretionary policy initiative proposals to the ISO during February 2025
- Stakeholder prioritization workshops & Regional Issues Forum Roundtable: April 2025
- Stakeholder prioritization & ranking survey: May 2025
- 2025 Roadmap updates
 - Present revised 2025 Roadmap - May 21 Joint WEM Governing Body and ISO Board of Governor meeting
 - Goal: update schedules for existing policy initiatives to accommodate stakeholder bandwidth

Informational updates for ongoing policy initiatives not under joint authority

Resource adequacy policy development

The working group is progressing toward straw proposals.

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

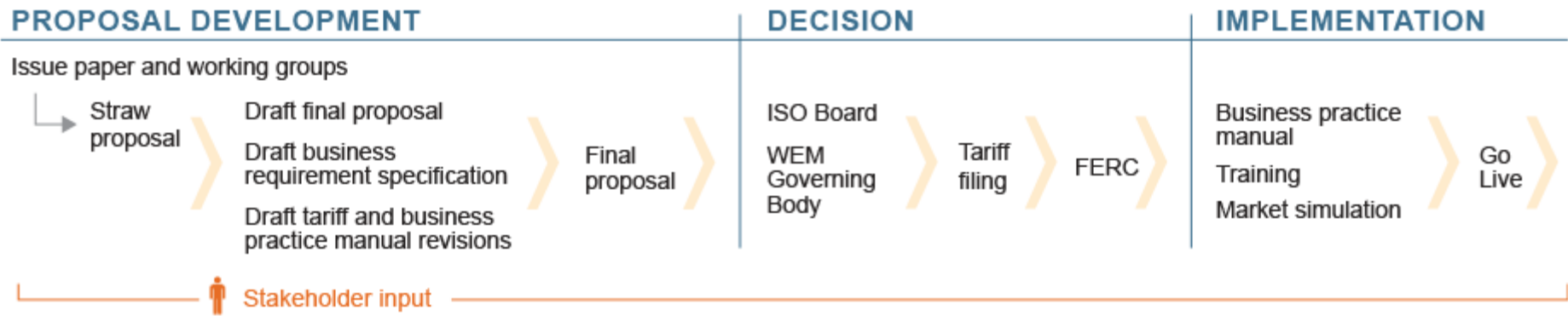
Track 2: Outage and Substitution & Availability and Performance Incentives

- 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



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