

WESTERN ENERGY MARKETS

Briefing on Policy Initiatives and WEM Governing Body Planning Calendar

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WEM Governing Body Meeting

General Session

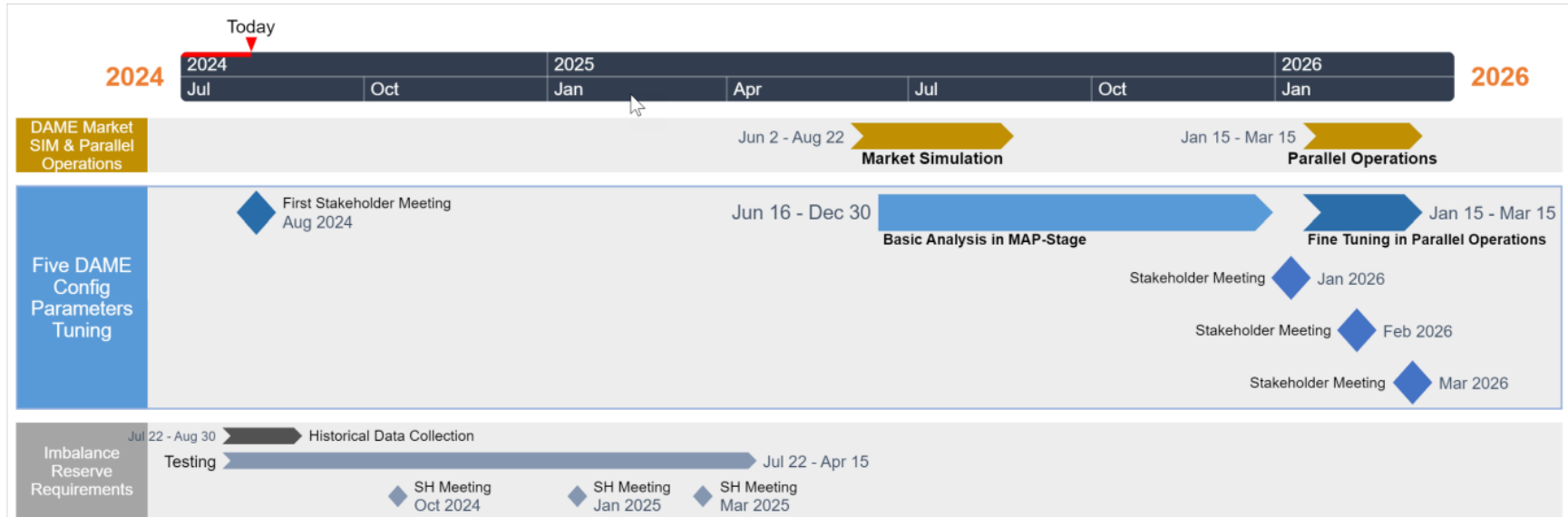
September 25, 2024



Extended Day Ahead Market (EDAM) & Day Ahead Market Enhancements (DAME)

- On June 11th, FERC issued an order accepting the EDAM Access Charge design
 - With that order, the EDAM Tariff is fully FERC-approved
- In July, we held a DAME implementation stakeholder meeting to provide a testing timeline, testing approach, and set expectations on communications and engagement with stakeholders
 - This was a precursor to our commitment to hold implementation working groups to test and refine certain “tunable parameters”
 - Stakeholder comments received September 4

DAME Implementation Working Group Schedule



WEIM Resource Sufficiency Evaluation Enhancements (RSEE)

- Implementation of enhancements to E-tagging process
 - Align market E-tags to market results to enable identification of lower priority exports in the event post-market curtailments are necessary
 - Fully implemented as of July 2024
- July 2024 Assistance Energy Transfer activity: 10 BAs that represent majority of load served by the WEIM opted in
- Planned 2024 kick-off for RSEE Phase 3
 - Scope informed by analysis of recent peak seasons
 - Proposed Decisional Classification: Joint Authority

Price Formation Enhancements working groups

- On July 31, FERC accepted our tariff amendment to allow limited energy resources to include their opportunity costs in supply offers when they exceed the \$1,000 soft offer cap
 - The ISO implemented this functionality on August 1
 - The ISO will be implementing changes to the Max Import Bid Price in Q4 2024
- On September 5, the ISO published a Discussion Paper on next steps on scarcity pricing, BAA-level market power mitigation, and fast-start pricing
 - Working groups will begin October 2024; we encourage stakeholders to engage in these to develop the market design to form a straw proposal

Greenhouse Gas Coordination (GHG) working group

- GHG accounting for state policies without a price on carbon emissions
 - Moving forward to design policy on an out-of-market GHG “accounting and reporting” approach, introduced and supported by stakeholders
 - Issue paper to be published this fall and continue design discussions in upcoming working groups
- GHG information and metrics
 - Heard stakeholder requests for additional GHG metrics and information to help support compliance with different state programs
 - The ISO started publishing average GHG emissions rate monthly and annual reports
 - Additional metrics reports will become available through the accounting and reporting approach
 - Finalizing GHG metrics that will be monitored with EDAM launch
- Ongoing review of GHG design in the WEIM and EDAM

Gas Resource Management working groups

- Stakeholders identified problem statements, and potential solutions, associated with three main issue areas:
 - Increasing certainty for advance fuel procurement
 - Precision of gas market inputs used for electricity market operations, and
 - Facilitation of resource-specific cost adjustments
- Working groups discussed analysis of gas price volatility and cost adjustment functionality to ensure diverse stakeholder experiences are accurately represented
- Published a working group discussion paper with stakeholder recommendations for policy development in May 2024
Planning to publish an issue paper in September

Storage Bid Cost Recovery and Default Energy Bid Enhancements

- Current rules create two concerns specifically for storage resources:
 - Storage assets are not exposed to real-time prices for deviating from day-ahead schedules
 - Storage assets may have an incentive to bid strategically to maximize the combined BCR and market payments
- The ISO has held six stakeholder meetings since July and on September 4th published a Revised Straw Proposal that describes and evaluates different potential solutions
- Policy efforts are currently focused on mitigating strategic bidding concerns in the near-term, targeting the November BOG/GB meeting
 - Efforts on this matter will continue beyond November, focusing on a holistic review of how BCR applies to energy storage resources

Informational updates for ongoing policy initiatives not under joint authority

Transmission Services and Market Scheduling Priorities (TSMSP)

- Wheeling through priority automated systems implemented seamlessly in April
 - Support the calculation of ATC and processing of requests for ATC
 - New functionality for Daily ATC now implemented and market participants can now request to reserve daily ATC
 - As of June 1 wheel through priority established through the new process (monthly and daily) can be scheduled
- On July 8, FERC granted our petition for a limited waiver of the tariff provisions for the resale of wheeling through priority filed in April
 - FERC waiver is through December 17, 2024
 - Anticipate implementation of this feature in Q4 2024
- TSMSP phase 2, focused on the study and expansion process for establishing long-term wheel through priority, is being evaluated in light of Order No. 2023 interconnection process enhancements and FERC guidance

Resource Adequacy (RA) working groups

The working group issued a *Revised Discussion Paper and Final Recommendations* paper. The ISO will publish an Issue paper on the topics in the tracks this Fall, while remaining items will be discussed in a future working group

Track 1: Modeling & Default Standards

- LOLE Modeling
- Default PRM and default counting
- UCAP for default counting, in collaboration with the CPUC and other LRAs
- Incorporating ambient derates due to temperature

Track 2: Outage and Substitution & Availability and Performance Incentives

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

Track 3: Backstop Reform

- Increase the ISO's visibility into available backstop capacity
- Increase transparency to stakeholders on backstop decision making
- Updating the current backstop product
- Longer-term solutions for the ISO BAA around curing deficiencies and assigning costs related to the EDAM RSE

Continued Working Group Topics

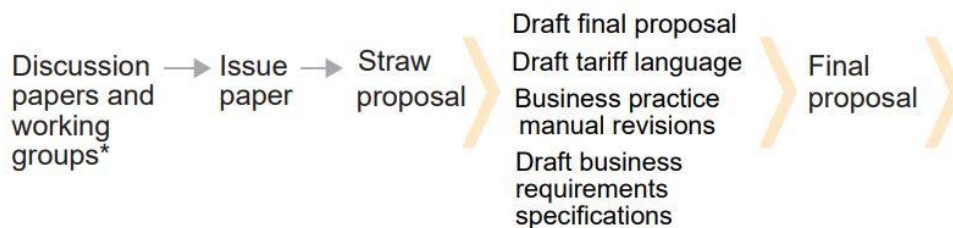
- Requirements for RA capacity (energy sufficiency, Flex RA)
- Deliverability
- Continual assessment of interoperability with existing and emerging RA programs

Policy Initiatives Catalog & Roadmap

- 2024 Final Discretionary Policy Initiatives Catalog released in July
 - Describes stakeholder-identified priorities among the discretionary policy initiatives submitted by stakeholders
 - Catalog items & stakeholder prioritization considered as an input to the Policy Roadmap, the work plan for future policy initiatives
- Draft Policy Roadmap to be released October
- Final Policy Roadmap by end of year
- 2025 Catalog & Roadmap development begins January with stakeholder submissions of policy initiative proposals

Policy initiative process

PROPOSAL DEVELOPMENT



DECISION



IMPLEMENTATION



Stakeholder meetings, working groups and workshops may occur throughout the process

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

**Discussion papers and working groups will be incorporated into the process as needed.*

Current policy initiative status

	2024			
	Q1	Q2	Q3	Q4
EDAM	Implementation activities			
Gas Resource Management	Working groups	Discussion paper	Issue paper	Straw Proposal
Greenhouse Gas Coordination	Working groups			Action plan Issue Paper
Inter-SC Trades in Regional Markets			Straw proposal Final prosal	Decision
Penalty Enhancements: Demand Response, Investigation, and Tolling		Straw proposal	Final proposal	Implementation
			Decision	
Policy Catalog & Roadmap	Working groups		Final Catalog	Final Roadmap

Pre-proposal development
Proposal development
Decision
Implementation

Current policy initiative status

Price Formation Enhancements	Working groups		Discussion paper	Working groups for Straw Proposal Development
Rules for Bidding Above Soft Offer Cap		Straw proposal	Implementation	
		Final Proposal		
Storage Bid Cost Recovery & Default Energy Bids Enhancements		Decision		
WEIM Resource Sufficiency Evaluation Enhancements			Straw proposal	Final proposal
				Decision
		Phase 2 implementation enhancements		Phase 3 issue paper
Items not under Joint Authority				
Resource Adequacy Modeling and Program Design	Working groups	Discussion papers	Issue paper	Straw proposals
Transmission Services and Market Scheduling Priorities	Manual implementation activities	Discussion papers		

Pre-proposal development
Proposal development
Decision
Implementation

WEM Governing Body planning calendar

	September 25-26, 2024	November 6-7, 2024
<p><i>Please note classifications and planned meeting dates are subject to change. For the most current information, visit the ISO website at:</i></p> <ul style="list-style-type: none"> • Policy Initiatives webpage 	<p>Decisional:</p> <ul style="list-style-type: none"> • Penalty enhancements – demand response, investigation and tolling (joint) • Inter-SC trades in regional markets (joint) <p>Briefing:</p> <ul style="list-style-type: none"> • Briefing by DMM Oversight Committee (executive session) • WEM Governing Body planning (executive session) • BOSR and RIF updates (general session) • Policy initiatives and WEM Governing Body planning calendar update (general session) • WEIM benefits and market update (general session) • WEM Governing Body market expert discussion on bid cost recovery (general session) • Western utility experts panel: Insights on key Issues for western utilities (general session) • Western utility regulators panel: Current initiatives and challenges for utility regulators (joint general session) • West-Wide Governance Pathways Step 2 (joint general session) • Arizona State University Climate Plan (joint general session) <p>Informational:</p> <ul style="list-style-type: none"> • Department of market monitoring update (joint general session) • Market performance update (joint general session) • Market Surveillance Committee update (joint general session) • Policy initiative milestones update (joint general session) • Quarterly budget report (general session) <p>Fyi: Board only decisional (Oct 4 meeting):</p> <ul style="list-style-type: none"> • Southwest Intertie Project – North participating transmission owner 	<p>Decisional:</p> <ul style="list-style-type: none"> • Storage bid cost recovery and default energy bids enhancements (joint) <p>Briefing:</p> <ul style="list-style-type: none"> • Briefing by DMM Oversight Committee (executive session) • WEM Governing Body planning (executive session) • BOSR and RIF updates (general session) • Policy initiatives and WEM Governing Body planning calendar update (general session) • WEIM benefits and market update (placeholder; general session) • WEIM implementations update (placeholder; general session) • EDAM onboarding and implementation update (placeholder; joint general session) <p>Informational:</p> <ul style="list-style-type: none"> • Department of market monitoring update (joint general session) • Market performance update (joint general session) • Market Surveillance Committee update (joint general session) • Policy initiative milestones update (joint general session) • Quarterly budget report (general session) <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> • None for this meeting

WEM Governing Body planning calendar

Quarter 1 – 2024	Quarter 2 – 2024	Quarter 3 and 4 – 2024
<p>Proposed Joint:</p> <ul style="list-style-type: none"> Market Surveillance Committee appointment <p>Proposed Decisional:</p> <ul style="list-style-type: none"> None <p>Proposed Advisory:</p> <ul style="list-style-type: none"> Amendments to documents to implement extended day-ahead market governance <p>Informational:</p> <ul style="list-style-type: none"> Department of Market Monitoring update (joint) Market performance update (joint) Market Surveillance Committee update (joint) Policy initiative milestones update (joint) Budget (February) WEIM implementation update (placeholder) WEIM benefits and market update (placeholder) Policy initiatives update <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> Implementing extended day-ahead market governance Funding request for day-ahead market enhancements and extended day-ahead market projects 	<p>Decisional:</p> <ul style="list-style-type: none"> Election of WEIM Governing Body Chair and Vice Chair WEIM Governing Body membership nomination <p>Proposed Joint:</p> <ul style="list-style-type: none"> None <p>Proposed Advisory:</p> <ul style="list-style-type: none"> None <p>Informational:</p> <ul style="list-style-type: none"> Regional markets and transmission planning developments (June meeting) Policy initiatives update WEIM implementation update (placeholder) WEIM benefits and market update (placeholder) EDAM onboarding and implementation update (placeholder) Budget (May) Policy initiatives catalog and roadmap (joint general session - July) <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> Transmission plan Subscriber participating transmission owner application (SunZia) Interconnection process enhancements track 2 	<p>Proposed Joint:</p> <ul style="list-style-type: none"> WEIM Governing Body name change West-Wide Governance Pathways Initiative Penalty enhancements – demand response, investigation and tolling (joint) Storage bid cost recovery and default energy bids enhancements (joint) Inter-SC trades in regional markets (joint) <p>Proposed Decisional:</p> <ul style="list-style-type: none"> None <p>Proposed Advisory:</p> <ul style="list-style-type: none"> None <p>Informational:</p> <ul style="list-style-type: none"> Department of Market Monitoring update (joint) Market performance update (joint) Market Surveillance Committee update (joint) Policy initiative milestones update (joint) Policy initiatives update Budget (September and November) WEIM benefits and market update (placeholder) WEIM implementation update (placeholder) EDAM onboarding and implementation update (placeholder)