WESTERN ENERGY MARKETS

Briefing on Policy Initiatives and WEM Governing Body Planning Calendar

Becky Robinson

Director, Market Policy Development
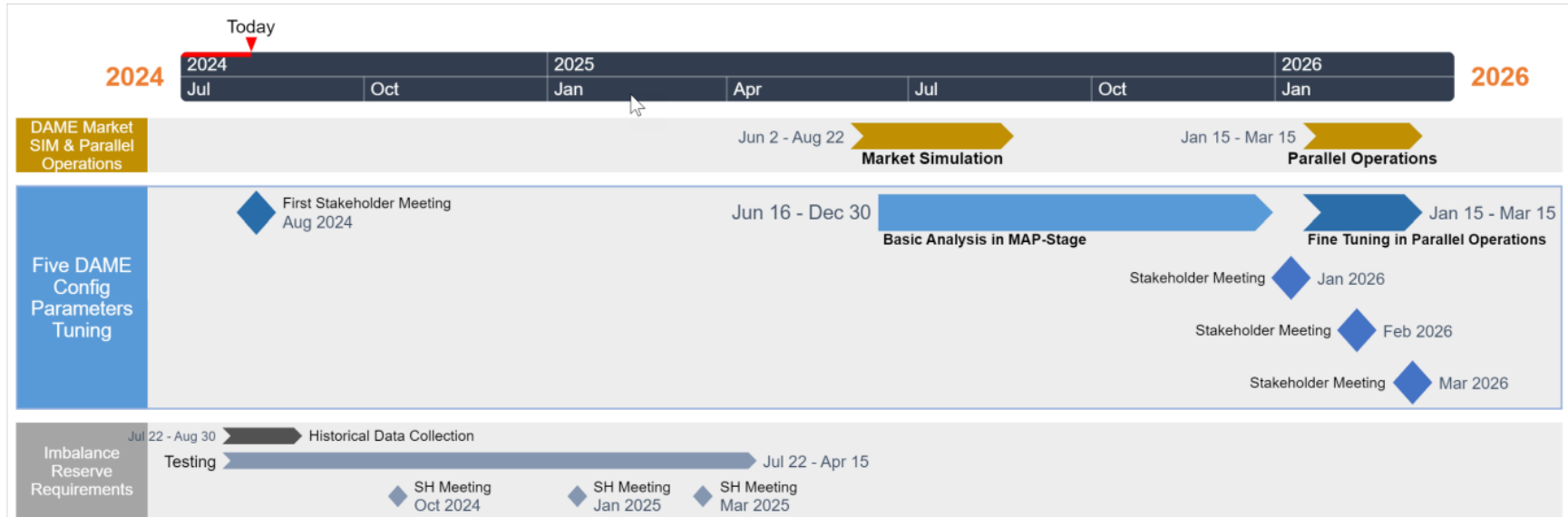
WEM Governing Body Meeting

General Session

November 6, 2024

California ISO

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

- EDAM tariff is fully approved and supporting implementation activities for launch in 2026.

- October 15: filed revised tariff provisions with FERC to support *inter-scheduling coordinator trades* in WEIM and EDAM.

- In July, the ISO held a DAME implementation stakeholder meeting to share the testing timeline, outline the testing approach, and set clear expectations for communication and engagement with stakeholders.

  – This meeting preceded the ISO's commitment to convene implementation working groups to test and refine specific "tunable parameters."

  – Stakeholders submitted comments on September 4, and the ISO is still reviewing the feedback.

DAME Implementation Working Group Schedule

WEIM Resource Sufficiency Evaluation Enhancements (RSEE)

- Planned 2024 kick-off for Resource Sufficiency Evaluation Enhancements Phase 3
  - Scope informed by ongoing analysis of recent peak seasons and WEIM results
    - Metrics related to assistance energy transfers to help inform whether it is working well as-is, or whether we should explore any modifications
    - Performance of BAs passing the test including the uncertainty requirement, and sensitivities around today's 1% de minimis standard
  - Will start by presenting analysis and requesting stakeholder input on problem statements
- Proposed Decisional Classification: Joint Authority

Price Formation Enhancements Initiative

- On September 5, the ISO published a Discussion Paper outlining the next steps for scarcity pricing, BAA-level market power mitigation, and fast-start pricing.

  – The Price Formation Enhancements initiative has now entered Phase 2, moving all three topics into the policy design stage where the focus shifts toward developing detailed proposals.

  – The development of fast-start pricing will continue on a separate but parallel track, which aims to sustain momentum for all three topics while recognizing the unique complexities of fast-start pricing.

  – Working groups will begin November 2024.

- Proposed Decisional Classification: Joint Authority

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 November and continue design discussions in upcoming working groups
- GHG information and metrics
  - Stakeholders requested additional GHG metrics and information to help support compliance with different state, local, and corporate 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
- Continued review of GHG design in the WEIM and EDAM
- Proposed Decisional Classification: Joint Authority

WEM | California ISO

Gas Resource Management Initiative

- Planned publication of Issue Paper in Q4 2024

  - Detailed discussion of prior policy development efforts that have resulted in our existing rules around gas resource market participation

  - Discussion of working group problem statements in context of potential design enhancements

- Proposed Decisional Classification: Joint Authority

Congestion Revenue Rights (CRRs)

- ISO has kicked off a policy initiative to enhance the Congestion Revenue Rights (CRR) market.

- As part of the 2018 reforms designed to resolve observed inefficiencies with the CRR auction, the ISO committed to:
  – assess the impacts of the proposals and
  – consider more comprehensive changes to the CRR allocation and auction design.

- Proposed Decisional Classification: TBD

WEM | California ISO

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 to support establishment of wheeling through priority for June 1, 2024 and beyond.

  - Supporting establishment of monthly and daily wheeling through priority.

- 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.

  - Implementation is on track to meet this date.

- Transmission Services and Market Scheduling Priorities 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) policy development

The ISO will host a November 18th policy meeting to review the recently released Issue Paper and November 19th modeling meeting to review updated modeling results. The Issue Paper has three Tracks:

Track 1: Modeling & Default Standards

- Loss of load expectation modeling
- Default planning reserve margin and default counting
- UCAP for default counting, in collaboration with the CPUC and other local regulatory authorities
- Incorporating ambient derates due to temperature

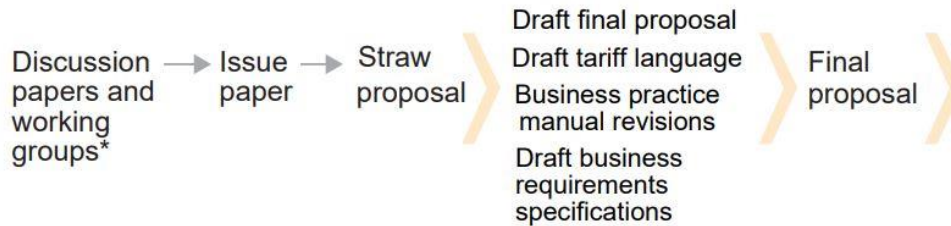**Track 2: Outage and Substitution & Availability and Performance Incentives**

- 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 resource sufficiency evaluation

WEM | California ISO

Policy initiative process

PROPOSAL DEVELOPMENT

Discussion papers and working groups* → Issue paper → Straw proposal

Draft final proposal
Draft tariff language
Business practice manual revisions
Draft business requirements specifications

Final proposal

DECISION

ISO Board

WEIM Governing Body

Tariff filing

FERC

IMPLEMENTATION

Business practice manuals

Trainings

Market simulation

Go Live

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.

WEM | California ISO

Current policy initiative status

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

Legend:
- Pre-proposal development
- Proposal development
- Decision
- Implementation

WEM | California ISO

Current policy initiative status

	2024			
	Q1	**Q2**	**Q3**	**Q4**
Price Formation Enhancements	Working groups		Discussion paper	Working groups for Straw Proposal Development
Rules for Bidding Above Soft Offer Cap		Straw proposal / Final Proposal / Decision	Implementation	
Storage Bid Cost Recovery & Default Energy Bids Enhancements			Straw proposal	Final proposal / Decision
WEIM Resource Sufficiency Evaluation Enhancements		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		

Legend:
- Pre-proposal development
- Proposal development
- Decision
- Implementation

WEM | California ISO

WEM Governing Body Planning Calendar

	November 6-7, 2024	December 17-18, 2024
Please note classifications and planned meeting dates are subject to change. For the most current information, visit the ISO website at: • *Policy Initiatives webpage*	**Decisional:** • Storage bid cost recovery enhancements (joint) • West-Wide Governance Pathways Step 1 implementation (joint) **Briefing:** • 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) • Briefing on policy roadmap (joint executive) • WEIM benefits and market update (general session) • WEIM implementations update (placeholder; general session) **Informational:** • 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) **Fyi: Board only decisional:** • Participating transmission owner application (Citizens Pacific) • Amendment to the 2022-23 transmission plan	**Decisional:** • None **Briefing:** • 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 implementations update (placeholder; general session) • EDAM onboarding and implementation update (placeholder; joint general session) **Informational:** • 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) **Fyi: Board only decisional:** • 2025 budget

WEM Governing Body Planning Calendar (by quarter)

Quarter 1 – 2024	Quarter 2 – 2024	Quarter 3 and 4 – 2024
Proposed Joint: • Market Surveillance Committee appointment **Proposed Decisional:** • None **Proposed Advisory:** • Amendments to documents to implement extended day-ahead market governance **Informational:** • 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 **Fyi: Board only decisional:** • Implementing extended day-ahead market governance • Funding request for day-ahead market enhancements and extended day-ahead market projects	**Decisional:** • Election of WEIM Governing Body Chair and Vice Chair • WEIM Governing Body membership nomination **Proposed Joint:** • None **Proposed Advisory:** • None **Informational:** • 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) **Fyi: Board only decisional:** • Transmission plan • Subscriber participating transmission owner application (SunZia) • Interconnection process enhancements track 2	**Proposed Joint:** • WEIM Governing Body name change • West-Wide Governance Pathways Step 1 implementation • Penalty enhancements – demand response, investigation and tolling (joint) • Inter-SC trades in regional markets (joint) • Storage bid cost recovery (joint) **Proposed Decisional:** • None **Proposed Advisory:** • None **Informational:** • Department of Market Monitoring update (joint) • Market performance update (joint) • Market Surveillance Committee update (joint) • Policy initiative milestones update (joint) • Policy initiatives update • Policy initiatives roadmap (November; joint) • Budget (September and November) • WEIM benefits and market update (placeholder) • WEIM implementation update (placeholder) • EDAM onboarding and implementation update (placeholder) **Fyi: Board only decisional:** • Participating transmission owner application (Citizens Pacific) • Amendment to the 2022-23 transmission plan • 2025 budget