

Memorandum

To: Western Energy Markets Governing Body
From: Anna McKenna, Vice President, Market Design & Analysis
Date: July 15, 2025
Re: **Decision on Western Energy Imbalance Market assistance energy transfer proposal**

This memorandum requires Western Energy Markets Governing Body action.

EXECUTIVE SUMMARY

Management proposes two changes to the Western Energy Imbalance Market (WEIM) rules governing assistance energy transfers, a tool that allows a balancing authority to access additional energy via WEIM when the market rules would otherwise limit transfers.

First, Management proposes to remove the December 31, 2025, sunset provision for the assistance energy transfer to ensure that this feature does not expire. Second, Management proposes creating an exemption so surcharges will not apply to any transfers that arise because a WEIM balancing authority takes actions when working with a reliability coordinator to ensure continued reliable operations.

Stakeholders support these changes. The assistance energy transfer feature has broad support and is a valued tool supporting the reliability of balancing authorities participating in the WEIM.

Moved, that the WEM Governing Body approves the Western Energy Imbalance Market assistance energy transfer proposal as described in the memorandum dated July 15, 2025; and

Moved, that the WEM Governing Body authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the changes proposed in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

BACKGROUND

The assistance energy transfer feature creates the option for balancing authorities to receive energy transfers through the WEIM when it would not otherwise be allowed. The WEIM is built on the presumption that each balancing authority brings sufficient capacity to meet its load and ramping needs. To enforce that, the WEIM resource sufficiency evaluation tests a balancing authority's capacity and flexible ramping sufficiency on an hourly basis. A failure of the capacity test indicates a balancing authority is unable to meet its own forecast demand and a buffer for uncertainty. A failure of the flexible ramping sufficiency test indicates that a balancing authority is unable to successfully ramp between those forecasted needs on a 15-minute basis. The assistance energy transfer feature was approved by the WEM Governing Body and ISO Board of Governors in December 2022.

Prior to deployment of the assistance energy transfer feature, if a balancing authority failed the resource sufficiency evaluation, the market would restrict WEIM energy transfers into that balancing authority. The assistance energy transfer feature was created with the goal of using the WEIM market to provide assistance energy as an alternative to limiting transfers, without undermining the incentive for balancing authorities to bring sufficient resources to the market. For balancing authorities that opt-in to the assistance energy transfer feature, failing the resource sufficiency evaluation does not limit incremental WEIM energy transfers. Instead, the assistance energy transfer feature allows the balancing authority to continue to receive energy transfers, but at a premium price. An after-the-fact settlement surcharge of either \$1,000/MWh or \$2,000/MWh, depending upon the offer cap, is applied to the lower of (1) the megawatt hours by which the balancing authority failed the resource sufficiency evaluation, or (2) the total WEIM transfers into the deficient balancing authority during the failure interval.

Stakeholders broadly supported assistance energy transfers at the time of adoption, but identified additional enhancements that would improve the feature. It was not feasible to adopt those enhancements at the time, so the initial design included a sunset date of December 31, 2025, to allow parties to evaluate the feature and the need for further enhancements. One enhancement would have sought to optimize assistance energy transfer inclusive of the surcharge, avoiding suboptimal dispatch that can occur today. Under the existing design, the additional energy purchased with the surcharge may be more expensive than a balancing area's own resource that was not dispatched by the market optimization. Nevertheless, stakeholders broadly supported proceeding with the assistance energy transfers without the additional proposed enhancements because of the reliability benefits it provides to WEIM entities. The ISO Board of Governors and the WEM Governing Body approved the proposal to proceed with the feature, acknowledging the need to evaluate its performance and consideration of further enhancements.

PROPOSAL

The ISO conducted a targeted stakeholder process during the spring of 2025 to determine how to address the December 31, 2025, sunset date for the assistance energy transfer feature. Informed by that process, Management proposes two targeted changes to the assistance energy transfer feature.

Removing the Sunset Provision

Management proposes to remove the sunset provision for assistance energy transfers. Balancing authorities participating in the WEIM broadly support assistance energy transfers and understand they improve reliability in the WEIM. Ten balancing areas have opted-in to access the feature, underscoring its value.¹ This proposed change does not preclude the ISO from working with stakeholders on further refining assistance energy transfers. ISO analysis shows that while there were some instances when a balancing area incurred surcharges even though it still had available resources, those instances involved low volumes overall and had limited financial impacts. Because the functionality is appreciated as a critical reliability tool, and because the analysis indicates that judicious use of the tool means that the design has not been a barrier to its success, Management recommends removing the sunset date to enable its continued use as-is.

Assistance Energy Transfers and Reliability Actions

Management proposes another targeted change to recognize that the assistance energy transfer feature should not expose entities to surcharges for ensuring the reliability of the grid. Specifically, Management proposes to exempt surcharges related to any transfer amounts that are directly attributable to actions taken in coordination with the reliability coordinator for the purpose of ensuring continued reliable operations. For example, where the ISO determines that a surcharge is created or exacerbated by transfers due to actions taken by the balancing authority working with its reliability coordinator, the surcharge for those amounts will be removed or reduced, respectively. This approach is consistent with the intent of the feature to ensure that balancing authorities are not compelled to weigh potential surcharge liabilities against prudent reliability-driven actions.

POSITIONS OF THE PARTIES

All parties that participated in the stakeholder initiative support ISO's proposal to (1) remove the December 31, 2025, sunset date for assistance energy transfers and (2) create an exemption for actions taken as a result of working with a reliability coordinator. Stakeholders agreed with the direction of the exemption and requested additional detail and understanding of how this exemption would be applied, which Management has agreed to define within business practice manuals. This will enable the flexibility to recognize the variety of dynamic conditions observed by balancing authorities and reliability coordinators. Some stakeholders also advocated that the ISO continue to enhance assistance energy transfers or just extend the sunset date. Management is committed to evaluate and prioritize such enhancements through the open and transparent market policy roadmap stakeholder process. However, given that the feature has been seen to provide relief when needed without adverse market impacts, there is no need to retain a sunset date. When enhancements are determined through the stakeholder process, the tariff can be amended to incorporate those enhancements.

¹ WEIM – assistance energy transfer presentation, slide 6:

https://stakeholdercenter.caiso.com/InitiativeDocuments/WEIM_AET_04162025.pdf

CONCLUSION

Management recommends that the WEM Governing Body approves the two proposed changes to the Western Energy Imbalance Market rules governing assistance energy transfer feature described in this memorandum to (1) remove the December 21, 2025, sunset provision and (2) create an exemption so surcharges will not apply to any transfer amounts directly attributable to a WEIM balancing authority taking actions as a result of working with a reliability coordinator. Stakeholders universally support these changes because they will enable balancing authorities to continue to leverage the WEIM's efficient dispatch to promote reliability in the Western Interconnection.