

WESTERN ENERGY MARKETS

Briefing on policy initiatives

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WEM Governing Body Meeting

General Session

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Congestion revenue rights enhancements

- Final working group met in September 2025 to finalize goals, principles and problem statements.
 - Key challenges identified by stakeholders to address in policy:
 - CRRs' hedge value impacted by revenue inadequacy and proration
 - CRR product definitions don't match hedging needs of evolving fleet
 - In aggregate, auctioned CRRs are sold at a discount of 68 cents of auction revenue per dollar of day-ahead congestion revenues paid out to CRR holders
 - Focus on improving revenue inadequacy challenges and product definitions in first phase of policy development
- EDAM implementation workshop on August 21 discussed an EDAM Day 1 implementation plan for CRR modeling and settlement
 - Although CRRs are currently only for the CAISO balancing authority area, EDAM modeling changes will flow through into the CRR market model in the CRR annual and monthly processes
- Future steps on EDAM congestion revenue allocation will also inform future evolution of ISO CRR policy
- Proposed decisional classification: TBD

Demand and distributed energy market integration

- Working group has explored development or enhancement of participation models and market rules associated with demand response and distributed energy resource participation
- Stakeholder problem statements finalized:
 - Performance evaluation methodology
 - Demand flexibility market options
 - Reliability demand response
 - Economic demand response
 - Distributed energy resource participation
- Final scoping meeting in October
 - ISO staff to present initial assessment of problem statements
 - Transition from scoping phase to policy development – issue paper to follow
- Proposed decisional classification: TBD

EDAM congestion revenue allocation

- ISO Board of Governors and WEM Governing Body approved the proposed transitional design at the joint meeting session on June 19
 - Proposal allocates parallel flow congestion revenues associated with the exercise of eligible transmission rights to the EDAM balancing area where these revenues accrued
- On August 29, tariff revisions supporting the proposal were approved, along with PacifiCorp's and Portland General Electric's tariff revisions to implement EDAM
- Three phase detailed analysis plan: looking at WEIM data to-date, market simulation results later this year, and EDAM data after go-live
- Start stakeholder workshops on design evolution in Q4 and share initial analysis then

Storage design & modeling

- Scope of the initiative has been organized into four topic groups:
 - Outage management
 - Uplift & default energy bids
 - State-of-charge management
 - Mixed-fuel & distribution-level resources
- Recent discussions have focused on developing guiding principles to determine whether uplift is warranted or not
 - Determine the source of negative revenues: scheduling coordinator action or ISO action?
 - Stakeholders have presented on means to determine the driver of negative revenues
 - Consideration of day-ahead bid cost recovery modifications
- Ongoing monitoring reveals storage bid cost recovery remains stable despite battery fleet growth
- Proposed decisional classification: TBD

Policy initiatives catalog & roadmap

- Revised 2025 policy roadmap published June 2025
 - Recalibrated policy initiative prioritization and scheduling to accommodate EDAM congestion revenue allocation initiative
- 2025 catalog published July 2025
- 2026-2028 draft policy roadmap published mid-October
 - Stakeholder meeting (early Nov)
 - Comments accepted
- 2026-2028 final Policy Roadmap published December
 - Includes disposition of each catalog item
 - Briefing to ISO Board of Governors and WEM Governing Body

Policy calendar: items under primary authority

		2025	2026			
		Q4	Q1	Q2	Q3	Q4
Commitment Cost Bidding Flexibility	Public dialogue: next steps					
Congestion Revenue Rights Enhancements	Policy development	Policy development				Decision
Demand and Distributed Energy Market Integration	Policy development	Policy development			Decision	Implementation
EDAM Congestion Revenue Allocation	Policy development					Decision
EDAM Enhancements		As needed				
Finance Enhancements		Policy development				
Gas Resource Management	Decision			Implementation		

Policy calendar: items under primary authority

		2025	2026			
		Q4	Q1	Q2	Q3	Q4
Greenhouse Gas Coordination		Policy development			Implementation	
Price Formation Enhancements						
	Scarcity pricing & market power mitigation	Policy development				Decision
	Fast start pricing	Postponed				
Storage Design and Modeling		Policy development				
WEIM Resource Sufficiency Evaluation Enhancements		Postponed				

Policy Calendar: Items not under primary authority

		2025	2026			
		Q4	Q1	Q2	Q3	Q4
Resource Adequacy Modeling and Program Design						
	Track 1: Modeling and default rules	Decision				Implementation
	Track 2: Outage & substitution	Policy development			Decision	
	Track 3a: Resource visibility	Decision				Implementation
	Track 3b: Backstop reform and long-term EDAM RSE solutions					Policy development

Pre-proposal development
Proposal development
Decision
Implementation

Informational updates for ongoing policy initiatives not under primary authority

Resource adequacy policy development

Final proposals for Track 1 and Track 3A have been published

Track 1: Modeling & Default Rules

- Loss of load expectation modeling
- Updating ISO default planning reserve margin and default counting rules

Track 2: Outage and Substitution & Availability and Performance Incentives

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

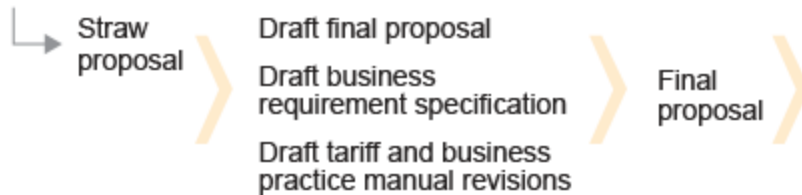
Track 3: Visibility and Backstop Reform

- Increase the ISO's visibility into available backstop capacity (3A)
- 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.