

WESTERN ENERGY MARKETS

Policy initiatives update

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WEM Governing Body Meeting

General Session

September 9, 2025



EDAM congestion revenue allocation

- ISO Board of Governors and WEM Governing Body approved the proposed transitional design at the joint meeting session on June 19th
 - Proposal allocates parallel flow congestion revenues associated with the exercise of eligible transmission rights to the EDAM balancing area where these revenues accrued
- Tariff revisions supporting the proposal were filed with FERC on June 26th – ISO requested an order by September 18, 2025
- 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

Congestion revenue rights enhancements

- ISO held an EDAM implementation workshop on August 21st that discussed CRR modeling and settlement under EDAM
- Although CRRs are only for the CAISO Balancing Area (BA), as we implement EDAM, those day ahead market modeling changes will flow through into the CRR market model in the CRR annual and monthly processes
- ISO presented an EDAM Day 1 implementation plan related to CRRs, but can continue discussions on future policy evolution for how the CRR process suballocates congestion revenue allocated to the CAISO BA in the congestion revenue rights working group
- The context of CRRs as covering a subset of the future day-ahead market footprint should inform any future evolution of ISO CRR policy
- Proposed decisional classification: TBD

Demand and distributed energy market integration

- Working group is exploring development or enhancement of participation models and market rules associated with demand response and distributed energy resource participation
- Stakeholder problem statement development topics
 - Problem statements finalized:
 - Performance Evaluation Methodology enhancements
 - Enhancing demand flexibility market options
 - Reliability based demand response
 - Topics in development:
 - Economic demand response
 - Expanding demand side bidding options
 - Distributed energy resource participation
- September & October: issue prioritization (final meeting October 21)
 - Transition from scoping phase to policy development – issue paper by end of year
- Proposed decisional classification: TBD

Gas resource management

- Straw proposal (published July 25) identifies enhancements in three areas:
 - Changes to the multi-day ahead advisory market runs to improve fuel procurement forecasts available during gas nomination timelines
 - Additional options for cost inputs, fuel cost adjustments, and recovery
 - Considerations for managing a resource's gas system limitations
- On August 13th, ISO held a technical workshop on gas nomograms.
 - Explained the functionality of the market tool to limit gas resource awards when needed, which FERC has approved for Aliso Canyon-related restrictions
- Proposed decisional classification: Primary authority of WEM Governing Body

Greenhouse gas coordination working group

- Draft final proposal published on July 18, with comments due August 20
- Designing policy on an out-of-market “accounting and reporting” approach, which facilitates accounting for state policies without a price on carbon emissions
- A sub-group and the working group have developed the report format
- Non-decisional item: ISO staff providing informational briefing at October Joint ISO Board of Governors and WEM Governing Body General Session meeting

Price formation enhancements initiative

- BAA-Level MPM and Scarcity Pricing Straw Proposal published on August 22
- Proposes a more targeted approach to reduce unnecessary market power mitigation and expands scarcity pricing during grid emergencies to strengthen reliability signals
- Re-engages stakeholders on these important topics; ISO had paused stakeholder meetings to accommodate work on congestion revenue allocation
- Proposed decisional classification: primary authority of WEM Governing Body

Storage design & modeling

- Scope of the initiative has been organized into four topic groups:
 - Outage Management, Uplift & Default Energy Bids, State-of-Charge Management, and Mixed-Fuel & Distribution-Level Resources
- Revised Straw Proposal on Outage Management posted August 8
 - Focus on improvements and clarifications for storage operations and documentation regarding outage reporting and state-of-charge definitions
 - Contemplates changes to business practice manuals, business processes, and systems, which would not require tariff amendments or necessitate a decision
- Discussions on Uplift & Default Energy Bids have centered on a holistic redesign of storage bid cost recovery
 - Ongoing monitoring reveals storage bid cost recovery remains stable despite battery fleet growth
 - Stakeholder discussions have focused on developing guiding principles to determine whether uplift is warranted or not
- Proposed decisional classification: TBD (by topic group)

Policy initiatives catalog & roadmap

- Revised 2025 Roadmap
 - Published May 2025
- 2025 Catalog published June 13
- 2026-2028 Roadmap development
 - Draft & final Roadmaps will be published Q4, with a disposition of Catalog items not included in Roadmap

2025 Policy Calendar

		2025			
		Q1	Q2	Q3	Q4
	Congestion Revenue Rights Enhancements	Scoping working groups		Policy development	
	Demand and Distributed Energy Market Integration	Scoping working groups			Policy development
	EDAM Congestion Revenue Allocation		Policy Development & Decision		Policy development
	Gas Resource Management	Proposal working groups	Straw proposal	Policy development	Decision
	Greenhouse Gas Coordination				
	Topic 1: WEIM/EDAM GHG design	Scoping working groups		Postponed	
	Topic 2: Non-priced approaches for GHG reduction	Policy development	Straw proposal	Policy development	

Pre-proposal development
Proposal development
Decision
Implementation

2025 Policy Calendar

		2025			
		Q1	Q2	Q3	Q4
Price Formation Enhancements					
	Scarcity pricing & market power mitigation	Proposal working groups	Straw proposal	Policy development	
	Fast start pricing	Postponed			
Storage Design and Modeling		Scoping working groups Issue papers & straw proposals			Policy development
WEIM Resource Sufficiency Evaluation Enhancements		Postponed			

Pre-proposal development
Proposal development
Decision
Implementation

2025 Policy Calendar: Items not under primary authority

		2025			
		Q1	Q2	Q3	Q4
Resource Adequacy Modeling and Program Design					
	Track 1: Modeling, Defaults, and Accreditation	Policy development			Decision
	Track 2: Outage & substitution and availability and incentive mechanisms	Policy development			
	Track 3a: RA status visibility	Policy development			Decision
	Track 3b: Backstop reform and long-term EDAM RSE solutions		Postponed		Policy development

Pre-proposal development
Proposal development
Decision
Implementation

Informational updates for ongoing policy initiatives not under primary authority

Resource adequacy policy development

The working group has produced several straw proposals and is reviewing draft final proposals for Track 1 and Track 3 visibility.

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

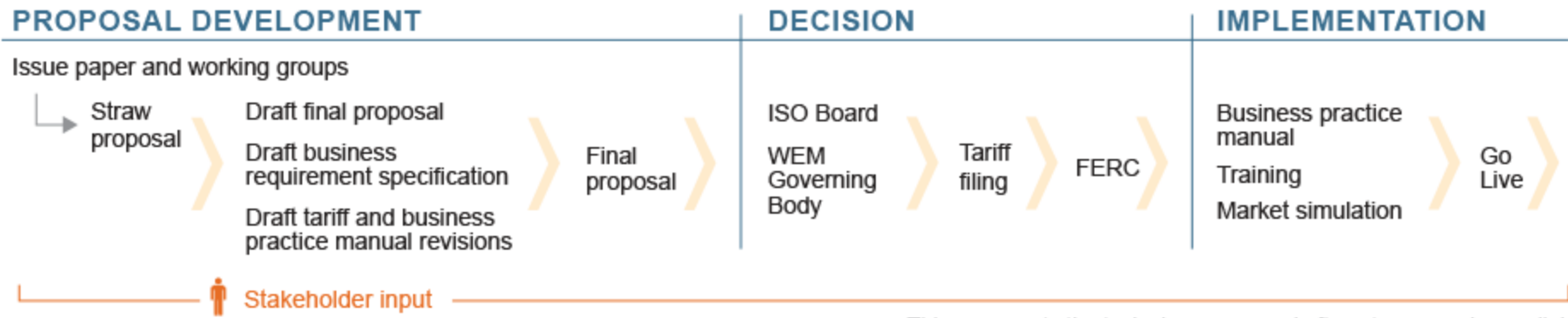
Track 2: Outage and Substitution & Availability and Performance Incentives

- 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.