

**Western Energy Imbalance Market Regional Issues Forum
Annual Policy Initiatives Catalog and Roadmap – 2024
Roundtable Report to the Western EIM Governing Body
(Apr. 30, 2024)**

I. Introduction and Background

This report provides documentation of the first annual Regional Issues Forum Roundtable meeting, held at the offices of the California Independent System Operator Corporation (CAISO) on March 18, 2024 (Roundtable).¹ The Regional Issues Forum is established and operates as a component of the governance structure of the Western Energy Imbalance Market (Western EIM or WEIM) and the Extended Day-Ahead Market (EDAM) under the Charter for the WEIM and EDAM Governance (Charter).² Pursuant to the Charter, the Regional Issues Forum comprises sectors of participants and stakeholders in the Western EIM, represented by sector liaisons and organized as follows:

Western EIM Entities	Lindsey Schlekeway, NV Energy (<i>Secretary</i>) Josh Walter, Seattle City Light
CAISO Participating Transmission Owners	Meg McNaul, Six Cities (<i>Chair</i>) Jonathan Rumble, Southern California Edison Company
Consumer-Owned Utilities	Doug Boccignone, Flynn Resource Consultants, Inc. Lauren Tenney Denison, Public Power Council
Public Interest Groups and Consumer Advocates	Vijay Satyal, Western Resource Advocates Jaime Stamatson, Montana Consumer Counsel
Independent Power Producers and Marketers	Rahul Kalaskar, AES Corporation Scott Olson, Avangrid Renewables
Power Marketing Administrations	Allison Mace, Bonneville Power Administration (<i>Vice Chair</i>)

The Charter provides for the Regional Issues Forum to discuss issues related to the Western EIM, including topics that are pending in ongoing CAISO stakeholder initiatives. The Charter also authorizes the issuance of documents and opinions of the Regional Issues Forum to the

¹ All of the Regional Issues Forum meetings, including the March 18th Roundtable, are recorded. The meeting recording, together with supporting materials, is publicly available on the Regional Issues Forum page of the Western Energy Imbalance Market website, available at <https://www.westerneim.com/Pages/Governance/RegionalIssuesForum.aspx>.

² *Charter for Western EIM and EDAM Governance*, Cal. Indep. Sys. Operator Corp. Board Policy, Rev. 1.6 (Mar. 20, 2024) (Western EIM Charter), available at <https://www.westerneim.com/Documents/CharterforEnergyImbalanceMarketGovernance.pdf>.

Western EIM Governing Body and/or the CAISO. Western EIM Governing Body Member Anita Decker has been appointed as the Governing Body's liaison to the Regional Issues Forum.

The purpose of the Roundtable meeting and this report is to implement a newly-adopted step in the CAISO process for development of its Policy Initiatives Catalog and Roadmap as set forth in the Final Proposal for Western EIM Governance Review – Phase 3 (EDAM),³ which established an expanded role for the Regional Issues Forum in identifying and prioritizing discretionary policy initiatives undertaken by the CAISO to establish and implement new and revised policies and corresponding rules for the operation of its markets. The GRC Final Proposal provided for the Regional Issues Forum to augment the CAISO's annual initiatives prioritization process by holding a "roundtable discussion" about priorities within the set of possible discretionary initiatives identified by the CAISO, and that this discussion would occur prior to the CAISO's publication of its own proposed prioritization of policy initiatives, to enable the consideration of input by the Regional Issues Forum into the prioritization process.⁴

Subsequent to approval of the GRC Final Proposal by the Western EIM Governing Body and the CAISO Board of Governors on February 1, 2023,⁵ a working group of Regional Issues Forum sector liaisons commenced working with the CAISO staff having primary responsibility for development of the CAISO Policies Initiatives Catalog and Roadmap, led by Becky Robinson, the Director of Market Policy Development. In recognition of strong market participant and stakeholder support for enhanced opportunities for input into the CAISO's prioritization of discretionary initiatives, the CAISO team was very receptive to working with the Regional Issues Forum to implement the Roundtable within the framework of the CAISO's revised process for development of the Policy Initiatives Catalog and Roadmap (Catalog/Roadmap Process).

The Regional Issues Forum and the CAISO thus agreed upon the following timeline for the Roundtable within the CAISO process:

³ See *Governance Review Committee Final Proposal*, Western EIM Governance Review – Phase Three (EDAM) (Jan. 9, 2023) (GRC Final Proposal), available at [EDAM-Governance-Final-Proposal-WEIM-Governance-Review-Committee-Phase-3.pdf \(westerneim.com\)](https://www.westerneim.com/EDAM-Governance-Final-Proposal-WEIM-Governance-Review-Committee-Phase-3.pdf).

⁴ See GRC Final Proposal at 37-40; see also Western EIM Charter at § 7.4.

⁵ *General Session Minutes*, Joint Session – ISO Board of Governors and WEIM Governing Body Meeting (Feb. 1, 2023), available at <https://www.caiso.com/Documents/Final-ISOBoardofGovernors-WEIMGoverningBody-JointGeneralSessionMinutes-Feb1-2023.pdf>.

ANNUAL POLICY INITIATIVE CATALOG AND ROADMAP PROCESS



The Roundtable also complements the CAISO’s plans for one or more working group meetings on prioritization:



In an effort to communicate with market participants and stakeholders regarding the planned timing of and opportunities for input into the Roundtable, the Regional Issues Forum provided updates on the Roundtable implementation during Forum meetings held on September 12, 2023,⁶ and December 11, 2023.⁷ Updates regarding the Roundtable were also provided during the CAISO’s stakeholder meeting to initiate the Catalog/Roadmap Process for 2024, held on January 30, 2024,⁸ and at the Western EIM Body of State Regulators (BOSR) meeting on February 9, 2024.⁹

⁶ See Presentation, *Western EIM Regional Issues Forum Roundtable: Implementation Approaches and Requests for Stakeholder Input*, WEIM Regional Issues Forum Meeting (Sept. 12, 2023), available at <https://www.westerneim.com/Documents/Presentation-WEIMRegionalIssuesForumRoundtableDiscussion-CAISO-Sep-12-2023.pdf>.

⁷ See Presentation, *Western EIM Regional Issues Forum Roundtable*, WEIM Regional Issues Form Meeting (Dec. 11, 2023), available at <https://www.westerneim.com/Documents/Presentation-WEIM-Regional-Issues-Forum-Roundtable-Discussion-CAISO-Dec-11-2023.pdf>.

⁸ See Presentation, *Western EIM Regional Issues Forum Roundtable: Overview and Update*, CAISO Policy Initiatives Roadmap Process – 2024 (Jan. 30, 2024), available at <https://www.caiso.com/InitiativeDocuments/Presentation-WesternEIM-Regional-Issues-Forum-Roundtable-Jan30-2024.pdf>.

⁹ See Presentation, *Regional Issues Forum Roundtable: Overview and Update*, Western EIM Body of State Regulators Meeting (Feb. 9, 2024) at 22-26, available at <https://www.westernenergyboard.org/wp-content/uploads/February-2024-WEIM-BOSR-Meeting.pdf>.

In addition to these outreach efforts, the liaisons for each sector communicated with sector members regarding policy initiative priorities, in addition to seeking general input on both the Roundtable structure and format and the CAISO's Catalog/Roadmap Process. These activities are outlined in more detail within the sector reports provided below. The liaisons also collaborated to analyze stakeholder submissions into the CAISO's commenting window for the Catalog/Roadmap Process.

During the March 18th Roundtable meeting, the sector liaisons for each of the Regional Issues Forum sectors provided an overview of policy initiatives and priorities on behalf of their respective sectors, followed by comments from Member Anita Decker in her capacity as the Governing Body Liaison to the Regional Issues Forum, comments by Commissioner Darcie L. Houck of the California Public Utilities Commission on behalf of the Western EIM BOSR, comments by Anna McKenna, the CAISO Vice President of Market Policy and Performance, and general public comments.

The report provided below summarizes the priorities that the Regional Issues Forum sectors have identified for the 2024 Catalog/Roadmap Process.

II. Overarching Themes and Common Priorities across Sectors

Sector liaisons expressed a number of common themes and priorities across the sectors. There is widespread support for the continuation of many existing initiatives and an emphasis on transitioning these efforts from working groups to the policy development phase of initiatives. Sectors shared support for the following ongoing efforts:

- Price Formation Enhancements
- Greenhouse Gas Coordination
- Gas Resource Management
- Resource Adequacy (RA) Modeling and Program Design

When discussing high priority new initiatives, multiple sectors identified the importance of addressing the bid cap limitations for Non-Generator Resources (NGRs) under Federal Energy Regulatory Commission (FERC) Order No. 831¹⁰ conditions during periods when the \$1,000/MWh soft offer cap has been raised. This was repeatedly referenced as an urgent issue that requires both a short-term fix for summer 2024 and a longer-term reevaluation.

¹⁰ *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017) (Order No. 831).

Multiple sectors identified the following new initiatives as high priority:

- Resource Sufficiency Evaluation (RSE)-related topics and reengagement on RSE Enhancements Phase 3
- Intertie trading enhancements
- Transmission Planning Process Enhancements, including reengagement on the CAISO's previously commenced initiative and/or initiation of a new initiative
- Enhancements of rules related to demand response (DR) including, but not limited to, Reliability Demand Response Resources (RDRR)

Sector liaisons identified several high priority topics that are not specific to a single initiative, but are cross-cutting or impact the broader market landscape. The following three issues were emphasized:

- Consideration of issues related to management of seams with respect to policy and market design
- Reconciliation of the CAISO's roles as market operator and balancing authority/transmission operator
- Governance rules and stakeholder engagement within an expanded market

III. Sector Overview and Summary of Priorities

A. Western EIM Entity Sector Priorities

The EIM Entity Sector membership is made up of EIM Entities that have entered an EIM Entity Agreement with the CAISO to enable the Real-Time Market in the EIM Entity's Balancing Authority Area (BAA). The specific definition of an EIM Entity can be found in the definitions section of the CAISO Tariff.¹¹ The EIM Entity Sector currently has a membership of eighteen members.¹²

For the purposes of gathering feedback for the Regional Issues Forum Roundtable, the EIM Entity Sector liaisons sent out a request for feedback from members via email. Additionally, feedback was gathered by reviewing comments by members submitted into the CAISO's Catalog/Roadmap Process. These comments were summarized and ranked in order of priority by counting the number of issues raised under specific topics.

¹¹ See Cal. Indep. Sys. Operator Corp., Fifth Repl. FERC Elec. Tariff (Open Access Transmission Tariff) (CAISO Tariff), at App. A, available at <https://www.caiso.com/rules/Pages/Regulatory/Default.aspx>.

¹² Currently, there are twenty-two BAAs participating in the WEIM, including the CAISO. Participating Transmission Owners (TOs) in the CAISO, the Western Area Power Administration (WAPA), Bonneville Power Administration (BPA), and Avangrid Renewables LLC (Avangrid) are represented by other Regional Issues Forum sectors. Similar to the choice given to Avangrid, BHE Montana, LLC, as a generator-only BAA will have the option to join the EIM Entity Sector or the Independent Power Producers and Marketers Sector.

1. Feedback on the Policy Initiatives Catalog and Roadmap Process

The EIM Entity Sector appreciates the CAISO's recent clarity on the process for stakeholders to resubmit prior policy initiative submissions, the inclusion of the Regional Issues Forum feedback, the working groups in the Catalog/Roadmap Process, and the decision-making criteria for the prioritization of policy initiatives. However, it remains unclear how the CAISO plans to measure the effectiveness of the new Catalog/Roadmap Process. Additionally, while the CAISO has acknowledged the importance of addressing urgent requests outside the annual process, it remains unclear how urgent submissions will impact the prioritization of ongoing initiatives.

2. Current Policy Initiatives Roadmap Priorities

The EIM Entity Sector remains supportive of the Price Formation Enhancements, Greenhouse Gas (GHG) Coordination, and Gas Resource Management working groups that are developing the issue statements for upcoming stakeholder initiatives. The EIM Entity Sector supports the continuation of these working groups and has proposed in comments submitted to the CAISO for the Catalog/Roadmap Process to transition these working groups into the next phase of policy development, which would be separate stakeholder initiatives.

3. New Initiative Priorities

The EIM Entity Sector also commented on new priorities that the CAISO should add and prioritize to the Catalog/Roadmap Process. These included a RSE Enhancements Phase 3 initiative that specifically investigates the *de minimus* tolerance bands that are utilized within the test. The *de minimus* tolerance band adds a quantity into the test that allows an EIM Entity to pass the test as long as the resource sufficiency supply meets the requirement subtracted by a *de minimus* amount determined in the stakeholder process.

The Sector also requested additional topics be added that focused on enhancements for DR resources or programs, and energy storage resources within the WEIM footprint but located outside of California. Specifically, the Sector requested that CAISO obtain data on existing and future DR resources and programs within the WEIM footprint in order for potential enhancements that might be necessary for EIM Entities located outside the state of California.

Additionally, the EIM Entity Sector requested a metering enhancements initiative to create clear metering guidelines for all new resource types and to provide additional information for resources that are a bit more complicated like battery or storage resources.

Finally, the EIM Entity Sector also requested separate inclusions for enhancements to allow base scheduling below minimum operating level (Pmin), accounting for upward transition costs in settlements after economic commitments to lower configurations, market to not provide zero dispatch operating targets causing infeasible solutions, and Multi-Stage Generator (MSG) Requirements.

B. California ISO Participating Transmission Owner Sector Priorities

The Participating TO Sector consists of entities that have entered into the Transmission Control Agreement among and between the CAISO and the Participating TOs and placed their respective transmission facilities and entitlements under the CAISO's operational control.¹³ These entities include both original and new Participating TOs such as the California investor-owned utilities (IOUs) (including Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E)), certain California municipalities (including the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities)), independent transmission asset owners, and WAPA.

1. Feedback on the Policy Initiatives Catalog and Roadmap Process

The Participating TO Sector is encouraged by the wide interest shown by stakeholders from all sectors in the CAISO's updated Catalog/Roadmap Process for 2024 and is optimistic that renewed emphasis on stakeholder prioritization will lead to a robust set of priorities for future market enhancements. The Participating TO Sector also appreciates the recognition by sectors of the need to balance and accommodate policy priorities that are oriented toward both the CAISO's role as the market operator for the WEIM (and, currently, its Day-Ahead and Ancillary Services markets) and its roles as the Balancing Authority (BA) and transmission service provider and operator for the CAISO system. As entities that have assets in and may serve load in the CAISO, the Participating TOs support efforts to strike an appropriate balance between initiatives that are needed to enhance, expand, and improve market functionality across the Western EIM and initiatives that are geared to managing reliability, RA, and transmission planning and expansion in the CAISO footprint. The Participating TO Sector is prepared to collaborate with each sector and stakeholders on prioritization and looks forward to working with the CAISO to measure and track ways in which stakeholder input, including through the Regional Issues Forum Roundtable, is reflected in the Catalog and Roadmap going forward.

2. Current Policy Initiatives Roadmap Priorities

The current set of proposed initiatives for the Catalog and Roadmap, including initiatives that were previously submitted and have since been resubmitted by members of the Participating TO Sector, include proposals that concern ancillary services, DR, and the application of bidding rules for energy storage resources. The CAISO, as a part of the Price Formation Enhancements initiative, released an Issue Paper on April 12th that is focused on addressing the need to revise applicable bid restrictions for energy storage and similarly-impacted resources through a comprehensive policy initiative process that is expected to include interim or near-term measures for implementation in summer 2024.¹⁴ Consequently, it is the expectation of the

¹³ See also CAISO Tariff at App. A.

¹⁴ See Issue Paper, *Price Formation Enhancements: Rules for bidding above the soft offer cap* (Apr. 12, 2024), available at <https://www.caiso.com/InitiativeDocuments/IssuePaper-StakeholderRecommendations-PriceFormationEnhancements-Rules-BiddingAboveSoftOfferCap.pdf>.

Participating TO Sector that this initiative will continue to move forward in response to stakeholder feedback.

The remaining proposals are split between rules governing how certain resources participate in AS markets and rules governing DR resources. The two proposals for AS could potentially be a part of a larger review of the AS markets, which would be of a greater priority for the Participating TO Sector than the DR proposals. Each of these proposals is described further below.

Ancillary Services:

- (1) AS Participation by Variable Energy Resources (VERs) – Current CAISO AS market participation practices are not designed to support full VER participation. This initiative, proposed by PG&E (and the Large Scale Solar Association), would evaluate potential refinements to AS rules to facilitate and expand the participation of VERs in the AS markets. This initiative is especially critical given the significantly increasing amount of VERs throughout the WEIM as California and neighboring states decarbonize.
- (2) Accuracy of AS Pay-for-Performance Calculations – Proposed by SCE, this initiative would entail a review and revision of the methodology that the CAISO uses to evaluate, verify, and dispute regulation pay-for-performance calculations, with a focus on the accuracy of measurements for market dispatches of very small regulation up and down awards. Current market rules do not consider that gas-fired generation with spinning mass and inertia is generally unable to respond to extremely short duration and small quantity regulation up and down dispatches when on automatic generation control (AGC). This initiative would review these rules and consider changes to better calibrate pay-for-performance rules to particular technologies.

Demand Response:

- (1) RDRR Dispatch Limitations – The currently applicable dispatch limit of 100 MWs—even if the resource is larger than 100 MWs—for RDRR is not practical. IOU DR programs aggregate thousands of customers, and, as proposed by SCE, the dispatch limit should be revised to reflect that it is not feasible to disaggregate an RDRR to stay under the 100 MW limit.
- (2) RDRR Start Up Time – This initiative, proposed by SCE, would evaluate and address market rule inconsistencies among RDRRs with 5/15/60 minute bid options. RDRRs participating under 15 minute market and 60 minute bid options do not have their start up time accurately modeled in market. Start up times as registered in the real-time dispatch is ignored, and a hard-coded start up time is used in market clearing and generating dispatch. Start up times are only respected in the five minute bidding option, which discourages RDRRs from participating under 15 minute or 60 minute options.

3. New Initiative Priorities

The Participating TO Sector has provided four new proposals for inclusion in the Catalog and Roadmap. The proposals range from broad policy issues concerning reliability and deliverability to more tactical concerns around DR and long-duration energy storage. Both of the broader policy issues are high priorities for the Participating TO Sector.

- (1) CAISO BAA Reliability in the Day-Ahead Timeframe – As proposed by PG&E, the CAISO BAA does not comprehensively address all needed protections to ensure that the CAISO BAA does not become overextended when committing to day-ahead self-scheduled export transactions, which may result in undue exposure of the CAISO BAA to real-time deviations, in addition to heightened reliability risks. The initiative should consider application and refinement of the Net EDAM Export Transfer Constraint, or a comparable measure, to the WEIM.
- (2) Maximum Import Capacity (MIC) Enhancements – Proposed by the Six Cities (in coordination with CalCCA and Shell Energy North America), this initiative addresses continuing challenges faced by load-serving entities (LSEs) in the CAISO as a result of the current rules for determination and allocation of MIC, which operates as a cap on the quantity of import RA resources that can be contracted for and utilized within the CAISO. At a time when LSEs are experiencing significant challenges in contracting for both in-state and out-of-state resources to meet their integrated resource planning obligations and RA requirements, a lack of MIC limits the ability of LSEs to access additional RA resources.

Additionally, the PTO sector submitted proposals concerning plans for integrating long-duration energy storage into the CAISO markets and a revision to the DR settlement methodology.

- (1) Long Duration Energy Storage (LDES) – Proposed by PG&E, this initiative would involve development of regulatory and market design structures to integrate LDES into the CAISO markets, given that these technologies are expected to come online within the next several years.
- (2) Revision of DR control group settlement methodology – Proposed by PG&E, this initiative would improve the accuracy and operational feasibility of DR settlements. The CAISO Tariff and Business Practice Manuals are unclear as to whether a “hold out” or “matched” control group approach is allowed, do not articulate baseline adjustments to account for error, and may thus reflect residual bias from differences between the control group and DR program participants.

C. Consumer-Owned Utilities Sector Priorities

The Consumer Owned Utilities (COU) Sector comprises consumer-owned utilities located within a WEIM BAA that are not included in another sector. There currently are approximately 50

separate utilities within the COU Sector, represented on the Regional Issues Forum by approximately 80 employees and related membership organizations.

The COU Sector's input for the Regional Issues Forum Roundtable is based on comments submitted to the CAISO in the Catalog/Roadmap Process by COU Sector members. COU Sector members also participated in an online meeting to review and discuss a summary of comments submitted by all sectors and to identify priority issues for its Sector. The participants in the meeting reached a consensus on the following comments.

1. Feedback on the Policy Initiatives Catalog and Roadmap Process

The COU Sector supports the larger stakeholder role in the revised Catalog/Roadmap Process, including the opportunity offered through the Regional Issues Forum Roundtable. These are positive steps that seem likely to result in more efficiently and effectively identifying and addressing stakeholder priorities.

The COU Sector seeks more information about the resources required for each initiative so that market participants will be able to provide informed feedback that weighs the trade-offs associated with the CAISO and market participants taking on various topics. The COU Sector recognizes that the CAISO and market participants have limited resources and believes that the identified information would facilitate better issue prioritization. For example, there may be some initiatives that have relatively modest benefits, but that can be addressed quickly with limited resources. Conversely, others might have more significant benefits but could require much more time and resources to develop and implement policy solutions.

The COU Sector suggests that a process be created for "fast tracking" issues that require more immediate policy changes. As was discussed during the Roundtable, it is not possible to anticipate all issues that may need to be addressed within the annual Catalog/Roadmap Process, and there may be exigent issues to which resources should be diverted to accomplish important objectives. The CAISO should have the flexibility to identify and fast track these issues outside of the Roadmap Process.

The COU Sector supports the use of working groups to identify principles and tee up significant new initiatives and is interested in better understanding how topics flow from workgroup development to a formal initiative. In particular, COU members raised concerns about instances where issues of interest to the Sector were initially included in the scope of an initiative, but were later revised out of scope. The Sector would like to better understand how to influence these changes.

Finally, the COU Sector suggests identifying sectors supporting/sponsoring each initiative to aid in tracking whether specific initiatives meet stakeholder needs, become obsolete, etc. As initiatives progress, the CAISO should check in with the initiative supporters/sponsors to ensure that the original motivation for the initiative is being adequately addressed.

2. Current Policy Initiatives Roadmap Priorities

The COU Sector supports continuation of some key existing initiatives and/or formalizing the outcomes of existing working groups to launch important initiatives. These include:

- (1) **Price Formation Enhancements:** Moving forward on a scarcity pricing initiative and addressing market power mitigation and default energy bids should be high priorities.
- (2) **Energy Storage Enhancements:** Addressing bid cap limitations for storage and hydro resources during periods when the \$1,000/MWh soft offer cap has been raised is important to ensure these critical resources are available to be dispatched when they are most needed. Doing so may involve the development of real-time scheduling enhancements to facilitate resource bidding during periods when Real-Time Market prices are changing significantly from Day-Ahead Market prices.
- (3) **GHG Coordination:** Continued refinement of GHG policies to ensure they facilitate market dispatch and carbon accounting in a way that is compatible with individual state policies across the market footprint is important. The COU Sector would like to see a formal initiative established based on the problem statements and objectives identified in the GHG Coordination working groups.
- (4) **Gas Resource Management:** The COU Sector supports identifying better tools to help those with gas resources mitigate their risk, including ensuring that bids can reflect those risks. To accomplish this, the COU Sector would like to see a formal initiative established based on the problem statements and objectives identified in the Gas Resource Management working groups.

3. New Initiative Priorities

The COU Sector identified several initiatives outside of Western EIM/EDAM (*i.e.*, that primarily impact entities within the CAISO BAA) that merit consideration:

- (1) **Transmission Planning:** There should be a systematic reevaluation of previously-approved projects in each Transmission Planning Process cycle. This is particularly important as resource plans change and the locations of contracted resources evolve. This initiative should also help address delays in the development of transmission and significant increases in transmission or resource costs that could change the need for and scope of new transmission projects. The COU Sector also seeks guidance from the CAISO on identifying areas that can accommodate additional interconnections that maximize the usage of existing transmission corridors by adopting grid-enhancing technologies (GET), reconductoring the transmission facilities with advanced composite-core conductors, etc.

(2) RA Modeling and Program Design: The COU Sector would like to see a formal initiative established based on the problem statements and objectives identified in the RA Modeling and Program Design working groups, focusing on reliability modeling, MIC enhancements, and incorporating forced outages into RA counting rules. The COU Sector also is interested in establishing rules to facilitate hydrogen electrolyzer participation in the market.

(3) Congestion Revenue Rights (CRR) Enhancements

- The COU Sector supports bifurcating peak CRRs to address relatively predictable changes in the direction of congestion that appear to result from changes in generation patterns across the day as a result of solar production. This would enable better hedging of congestion risk exposure.
- The COU Sector supports exploring ways to reduce the preponderance of Trading Hub counterflow CRRs that are awarded to support requested Trading Hub direct flow CRRs.
- The COU Sector supports exploring ways to reduce or eliminate the use of the global derate factor in the monthly CRR allocation process.
- The COU Sector supports exploring changing the CRR auction process from the current forced sellers auction to one that is limited to a willing sellers auction. The current auction process consistently results in CRR auction buyers obtaining CRRs at a significant discount to the realized value of the purchased CRRs. This systematically increases the costs for the funders of the CAISO transmission system, LSEs, to serve their customer load.

4. Other High Priority Issues

The COU Sector has identified certain strategic objectives that should be incorporated into ongoing initiatives. These fall within two specific areas that the COU Sector would like to see highlighted for each initiative in the stakeholder process:

(1) Incongruencies in Policies and/or Market Design (Seams)

- Potential “seams” should be identified for each initiative. These exist internal to the CAISO BAA and between external programs and markets. Each proposal should be evaluated to identify whether there are potential implications for existing rules within the CAISO market or discrepancies with neighboring programs or policies. This process would be helpful to avoid creating unintended consequences as initiatives are implemented.
- The COU Sector notes that with some entities remaining outside of the Western EIM, others joining the EDAM, and still others potentially joining other organized markets, there may need for future initiatives related to addressing specific seams issues (*e.g.*, interface pricing).

- (2) The COU Sector supports a clear delineation of the CAISO’s role in any initiative discussion: The CAISO is in a position where it sometimes needs to provide input as a market operator and sometimes as a BAA. Both perspectives are important and valid, but confusion can be created due to a lack of clarity about which role the CAISO is taking in which initiatives. For some initiatives, the CAISO will need to provide both perspectives. A more deliberate and clear approach to providing each of these perspectives could help address stakeholder concerns about CAISO’s dual role.

D. Independent Power Producers and Marketers Sector Priorities

The Independent Power Producers and Marketers (IPPM) Sector consists of a diverse range of parties engaged in transactions within the WEIM footprint. The sector consists of competitive power producers of all resource types, competitive retail electric service providers, wholesale power marketers, financial institutions, resource developers, and relevant trade associations. As of the March 18th workshop, there were 76 unique entities voluntarily registered as members of the IPPM Sector, with additional organizations expressing their interest to participate following the workshop.

Input on the issues of importance to the IPPM Sector was gathered via a three-step process:

- Identified items in the previous Catalog that continued to be issues meriting resolution
- Eliminated previous Catalog items no longer relevant based on today’s operations
- Developed new issue statements for recently identified issues

As a result of this process, the IPPM Sector developed a list of 40 issues.¹⁵ A survey was then sent to all sector members asking for input on each sector priority. The survey results were used to establish the priority categories and issues under each category. The five priority categories identified were:

- Governance
- Intertie Trading
- Non-Generator Resources
- Price Formation
- Transmission Planning

Detail on the twelve highest priority issues in these categories is provided in the sections below.

¹⁵ The IPP and Marketer Sector submission to the 2024 Catalog/Roadmap Process, which contains all 40 issues, is available at: <https://stakeholdercenter.caiso.com/Common/DownloadFile/f9821926-845a-410c-95c0-1057656d0158>.

1. Feedback on the Policy Initiatives Catalog and Roadmap Process

The IPPM Sector appreciates the changes implemented as part of the 2024 Catalog/Roadmap Process. Specifically, having a clear window for submitting priority policy initiatives, holding stakeholder prioritization workshops, and incorporating the input of the Regional Issues Forum sectors to the Roadmap all represent improvements to the previous Roadmap development efforts. Past Roadmaps carried over a broad range of potential policy changes with no clear direction for when or if they will be addressed by the CAISO. Using stakeholder and sector feedback to set priorities with the elimination of lower-priority issues will create a more streamlined and focused policy Roadmap.

2. Current Policy Initiatives Roadmap Priorities

The four priority issues to the IPPM Sector that are currently being addressed by CAISO stakeholder processes are outlined below.

- (1) Bidding Rules on External WEIM Interties: The CAISO should allow economic bids between the CAISO WEIM BAA, non-CAISO WEIM BAAs, and BAs external to WEIM areas. Currently, the WEIM design grants discretion to the WEIM entity as to whether real-time economic bidding is allowed on intertie scheduling points with BAAs outside the WEIM footprint.
- (2) RSE Enhancements Phase 3: Consider an “in market” assistance energy design to succeed the “out-of-market” design that will be sunset by the end of 2025. RSEE Phase 3 should also explore other improvements to the WEIM RSE, including whether the RSE balancing test should ensure that start-up energy is considered.
- (3) Price Formation Enhancements: Exploration of several topics related to price formation in the CAISO markets focused on Real-Time Market pricing.
- (4) Market Clearing Prices in a Contingency Event: This initiative would examine what prices should be used in the market when the CAISO is in contingency dispatch mode and the CAISO needs to redispatch its system to meet its NERC requirements.

3. New Initiative Priorities

The IPPM Sector has identified eight new initiatives that it would like to have prioritized by the CAISO. Half of these initiatives are centered on energy storage, while the others are in the categories of governance, price formation, intertie transactions, and transmission planning.

- (1) CAISO Stakeholder Process Improvements: This initiative would ideally be held in collaboration with the Regional Issues Forum to explore stakeholder process improvements for scope that impacts energy and ancillary service market design, resource outage management, telemetry, metering, and settlement improvements.

- (2) Energy Storage Bidding Rule Enhancements: Currently, energy storage resources are only able to bid up to the soft bid cap of \$1,000/MWh, unless mitigated under the Local Market Power Mitigation functionality to a Default Energy Bid based on day-ahead prices. Storage assets cannot bid at a level that is high enough to show that their State of Charge should be preserved over export bids given that offers are limited to \$1,000/MWh, yet the export bid can bid \$2,000/MWh for the energy out of CAISO system.
- (3) Energy Storage Outage Management Issues: This initiative would explore outage operational improvements that are needed to address Outage Management System limitations surfaced through storage, co-located, hybrid, or long duration energy storage operations.
- (4) Energy Storage Foldback Modeling Improvements: NGR modeling enhancements should reflect foldback impacts to minimum operating level (Pmin) and maximum operating level (Pmax) when battery is at the low or high end of its State of Charge capability.
- (5) Energy Storage Mitigation Enhancements: Enhancements to the storage mitigation rules to better ensure when use limitations are appropriately being valued in the mitigated energy price.
- (6) Greenhouse Gas Functionality Improvements: This initiative would explore whether there are improvements needed to any day-ahead or real-time GHG functionality to ensure resources internal to a GHG area and those external to a GHG area are fairly being awarded or dispatched by the market under the environmental regulator(s) program rules.
- (7) Load Conformance & Intertie Transactions Improvements: This initiative would explore additional steps to disincentivize use of load conformance in the Day-Ahead and Real-Time Markets.
- (8) Transmission Planning Process Enhancements: Explore enhancements to the existing Transmission Planning Process to ensure sufficient transmission across the CAISO BAA to meet California's 100 percent clean energy goals by 2045.

4. Other High Priority Issues

IPPM Sector members are paying close attention to Western market expansion activities. Governance rules over an expanded market are a high-priority item, as is addressing any seams issues between BAs and market constructs. As with representation in the Regional Issues Forum, the IPPM Sector believes that its members should be able to inform and shape market design priorities through a transparent stakeholder approach. Addressing seams issues

between markets will need to be dynamic as BA plans evolve to minimize resource trading barriers.

E. Public Interest Organizations and Consumer Advocates Sector Priorities

The Public Interest Organizations and Consumer Advocates Sector has organized itself into two subsectors for the purposes of its participation in the Regional Issues Forum Roundtable, and each subsector has therefore provided a report of its input and priorities, as outlined below.

Public Interest Organizations subsector:

The Public Interest Organizations' subsector report will be published as an addendum to this report at a later date.

Consumer Advocates subsector:

The Consumer Advocates subsector is composed of both state-legislated consumer advocates, which represent residential and small commercial customers, and groups that advocate for large commercial and industrial customers. Feedback on priorities is gathered through regularly scheduled meetings and email.

1. New Initiative Priorities

The current priorities of the Consumer Advocates, reflected in the 2024 Catalog/Roadmap Process submittal by the California Public Utilities Commission – Public Advocates Office, are the following:

- (1) Allow Competitive Bidding on Transmission Projects over 100 kV: The scope of projects eligible for competitive bidding within the CAISO Transmission Planning Process should be increased. Projects between 100 kV and 200 kV should be eligible if clear, measurable regional benefits exist.
- (2) Add a Schedule Incentive Clause in Standard Terms to the Approved Project Sponsor Agreement (APSA): The APSA is used for competitively-bid projects within the CAISO Transmission Planning Process. The timely completion of projects can help contain costs, maintain grid reliability, and fulfill climate goals.
- (3) Add Enforcement of Cost Containment Terms to the APSA: Project sponsors should be required to agree that all terms are legally binding and enforceable in a FERC rate case, including maximum cost and cost containment measures. A statement that cost overruns not accepted in Appendix E are not recoverable, and the FERC has the authority to enforce these measures, should also be added.

- (4) Allow RDRR to Reflect Minimum on Times Greater than One Hour, and Allow Minimum on Time to be Considered in the Economic Evaluation of Dispatch: A California Public Utilities Commission decision in June of 2023 allows CAISO to use RDRR upon the declaration of an Energy Emergency Alert Watch 1 (EEA1). An EEA1 allows CAISO to enable bids for resources into the market before an EEA1. There are concerns about increased chances of economic dispatch and attrition of customers from retail DR programs, reducing RDRR capacity. There also needs to be an accurate reflection of RDRR physical operation characteristics to effectively optimize dispatch.
- (5) Explore Methods to Consider Fixed Costs in Economic Dispatch Decisions for RDRR: Participating customers incur fixed costs associated with curtailment and startup per dispatch event, rather than based on event duration. This is not currently reflected in RDRR dispatch parameters.

2. Other High Priority Issues

Other priorities of the Consumer Advocates subsector are seams issues, and minimizing those impacts, between the Western EIM and other market structures emerging in the west, and market functionality, as generation and loads continue to change due to both market forces and public policy.

F. Power Marketing Administration Sector Priorities

The Power Marketing Administration (PMA) Sector represents the two power marketing administrations in the West – Bonneville Power Administration (BPA) and WAPA. BPA, along with WAPA's Sierra Nevada and Desert Southwest regions, are active in the WEIM and other CAISO markets.

Input on the issues was sought through direct coordination between the two entities. The entities each worked independently to review the prior list of Regional Issues Forum priorities and to identify new initiative proposals. The PMAs then met to prioritize past Regional Issues Forum priorities and discuss newly-proposed initiatives from the Sector.

1. Feedback on the Policy Initiatives Catalog and Roadmap Process

The PMAs appreciate the opportunity for stakeholder participation in developing the policy Catalog and Roadmap. The bottom-up approach to build the Catalog provides an opportunity for the stakeholders to have input into the initiatives proposed from the start. The PMAs have one suggestion to improve the process for the next year: Propose first having the new policy initiatives due to CAISO via public comment, then have Regional Issues Forum liaisons seek input from sectors into initiative priorities and ranking to allow the sectors to review and weigh in on the priority of newly suggested initiatives prior to the Roundtable.

2. Current Policy Initiatives Roadmap Priorities

The PMA Sector supports CAISO continuing with the current Roadmap as planned. Three current initiatives and working groups are of high priority to the sector:

- (1) Completion of the Price Formation Enhancements working group process and transition into the initiative and implementation phases.
- (2) Continue the GHG Coordination working group process and move to policy initiative and implementation as appropriate.
- (3) Launch RSE Enhancements Phase 3 as soon as possible (currently late from proposed schedule) to address RSE failure penalties and elements of RSE Phase 2 that were put on hold, including addressing oversupply through the WEIM.

3. New Initiative Priorities

The PMAs identified two areas of high priority for new initiatives:

- (1) NGR Bid Cap: NGRs, which include hydro resources, are currently limited to the \$1000/MWh cap under Order No. 831 conditions (where the cap is allowed to move up to \$2000). When exposed to \$1000 hard price cap, NRGs are unable to control incremental (INC)/decremental (DEC) dispatch and help bring price stability to the market and reliability to the grid. For example, a hard \$1000 INC cap could render BPA useless during the morning or evening peak to balance the grid (reliability) or provide price stability under extreme price scenarios. This leaves NGRs no choice but to exit the market when their limited charge/discharge capabilities are exhausted due to overly restrictive hard price cap.
- (2) Initiatives to Improve Operational and Settlement Functionality in the WEIM: One proposed initiative would assess CAISO practices regarding settlements issues and disputes and review policies and practices regarding resolution of inappropriate outcomes in the market and settlement-related resolution of the financial outcomes. The other initiative would allow dual submittals of base schedules and allow an EIM entity to set default limits for dynamic and static ETSRs.

4. Other High Priority Issues

The PMAs have identified market seams as an important issue particularly as day-ahead markets form in the West, with a focus on seams in the operating time horizon. The PMA sector requests that CAISO resource and support seams coordination as more information arises regarding market footprints in the West.

IV. Conclusion and Next Steps

The March 18th policy Regional Issues Forum Roundtable was a first step for the Regional Issues Forum to bring the sector initiative priorities forward and to open the opportunity for further engagement with the Forum on Roundtable topics. Going forward, the Regional Issues Forum sector liaisons will continue to engage with the CAISO Catalog/Roadmap Process. This report will be submitted to the WEIM Governing Body and subsequently to CAISO staff as an input into the 2024 Catalog/Roadmap Process. Regional Issues Forum liaisons will be available to present sector perspectives at other public meetings as part of the prioritization discussion in the CAISO Catalog/Roadmap Process as requested.

The Regional Issues Forum liaisons will continue to engage with the CAISO process and will specifically track high priority topics that were identified in the Roundtable,—for example, the NGR bid cap issue. As appropriate, the Regional Issues Forum will seek to incorporate presentations on high priority initiative topics into its public meeting agendas throughout 2024.