



Memorandum

To: Western Energy Imbalance Market Governing Body
From: Elliot Mainzer, President & Chief Executive Officer
Date: October 18, 2021
Re: CEO report

This memorandum does not require EIM Governing Body action.

INTRODUCTION

In this report I am pleased to provide an update on the October 13 Extended Day-Ahead Market (EDAM) Forum, next steps in the stakeholder process, and an update on the transmission service and market scheduling priorities.

EXTENDED DAY-AHEAD MARKET FORUM

Very important progress was made on the ISO's work to re-launch a stakeholder process for our extended day-ahead market initiative with a well-attended, informative and positive virtual forum held on October 13. We have been saying for some time that there is a real sense of urgency and enthusiasm for greater regional coordination and market integration coming from a variety of voices and perspectives, and the forum really underscored that point.

Following some excellent outreach and planning from our VPs for external affairs and for stakeholder engagement and customer experience, we had strong engagement at the forum of key partners across the West. We also received broad participation from utilities like Pacific Gas & Electric and Southern California Edison in California and other utilities from outside the state, as well as a diverse set of stakeholders, regulators, and other policy makers. We had more than 600 people register to listen to the conversation.

While we are all clear-eyed about the hard work ahead, we heard a lot of genuine enthusiasm and interest regarding a west-wide day-ahead market that can build on the success of the Western EIM and bring even greater benefits to stakeholders and the general public throughout the West. There was also significant agreement that the joint

authority framework approved earlier this year provides a solid foundation from which to explore EDAM governance.

All of us from the ISO really appreciated the engagement of our partners in the West and look forward to next steps in what will be a very inclusive stakeholder process as we continue positioning EDAM as the next major step in West-wide market integration.

In terms of next steps, we are quickly launching an intensive market design effort, through which over the next 14 months, and in close collaboration with stakeholders, we will develop the detailed components of the EDAM market design. On November 12, we will hold a foundational stakeholder meeting in which we will first discuss the core EDAM principles developed over the summer by a self-selected group of participants and were shared at the forum. This will provide stakeholders an opportunity to ask further questions and discuss the principles in greater detail. As we progress with the market design effort, we will seek further stakeholder input as we integrate these principles into the EDAM market design.

A special feature of this market design effort is an enhancement to our stakeholder process to allow for more active stakeholder participation in designing EDAM and solicit critical input that we will organize, synthesize, and incorporate into the overall EDAM design. To that end we will create three working groups and will discuss the formulation of these groups at the November 12 meeting. The three working groups will be assigned specific action items to develop the key foundational components of the EDAM design, separately but contemporaneously. Breaking up into separate working groups will also allow us to maintain a steady and active cadence to the development of a comprehensive proposal. The working groups will be open to all stakeholders, the meetings will be public, and they will be facilitated by select leaders to ensure open, collaborative discussions, and constructive resolution of market design issues to drive towards actual proposals. We anticipate the working groups will work from November through the end of January and will be expected to put forth proposals that will be incorporated into a comprehensive straw proposal in late February 2022. We also expect that these working groups will be active throughout the market design stakeholder process, and we will leverage these groups to further vet and shape the final design as we work towards completion.

Through the remainder of the year, we will work with stakeholders to further develop and integrate the various components of the EDAM design and will drive towards our goal to brief the Board of Governors and EIM Governing Body by the end of 2022. Also, as we get deeper into this market design effort, and evaluate the full scope of work based on the various components of EDAM, we will consider whether we need additional resources to ensure we maintain momentum towards completion of the market design by the end of 2022. Finally, at the same time that we are developing EDAM, we will be working with stakeholders to complete the design of key market features which include the day-ahead market enhancements, wheel-through priorities and price formation features.

TRANSMISSION SERVICE AND MARKET SCHEDULING PRIORITIES

The ISO is currently undertaking an initiative to develop a long term, holistic, framework for establishing scheduling priorities in the market. Within that initiative the ISO is also considering enhancements to the current scheduling priorities framework that can be in place by next summer. In late August, the ISO published an issue paper incorporating for consideration a number of stakeholder suggested enhancements for next summer, including both transparency and process enhancements. Within that issue paper, and based on stakeholder feedback, the ISO also indicated its intent to further develop a transmission reservation process for establishing scheduling priorities in the market. Stakeholders submitted comments on the issue paper at the end of September. In these comments stakeholders continued to support developing a transmission reservation process as the long-term, holistic, framework for establishing priorities in the market. Stakeholders were also appreciative of enhancements considered for next summer, but a number of stakeholders expressed their disappointment that the enhancements considered for next summer did not substantively modify the scheduling priority framework. Other stakeholders requested that the ISO promptly extend the current scheduling priority framework for wheels beyond next summer to provide certainty as to the framework for establishing wheeling priority since a number of external parties are starting to plan for operations next summer and enter into contracts that may require wheeling across the ISO system.

The ISO is currently evaluating stakeholder suggestions and working toward developing a straw proposal expected to be published the first week of November. The ISO is evaluating the feasibility of more substantive enhancements to the scheduling priorities framework based on recent stakeholder comments. In parallel, the ISO has started engagement with stakeholders that have indicated interest in participating in working groups to develop components of a transmission reservation process. The ISO expects to commence the working groups by the end of October. Phase 1 of the initiative focusing on enhancements for implementation by next summer is targeted for presentation to the Board of Governors and the EIM Governing Body in March 2022.