

WESTERN ENERGY MARKETS

Briefing on Policy Initiatives and WEM Governing Body Planning Calendar

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WEM Governing Body Meeting

General Session

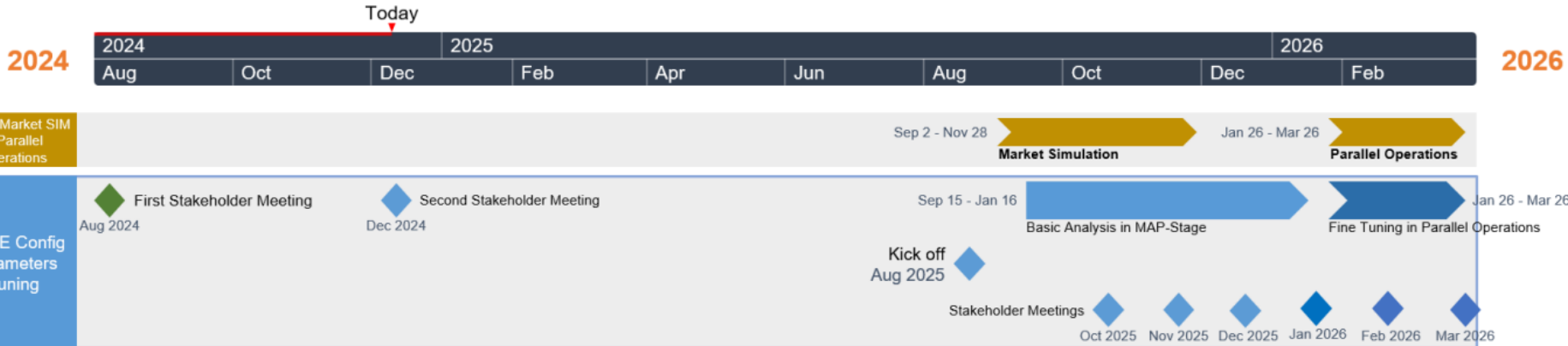
February 11, 2025



Day-Ahead Market Enhancements (DAME)

- The ISO posted DAME business requirements specifications on December 23, 2024, with initial comments requested by January 24, 2025.
 - The purpose of this document is to provide high-level business requirements to stakeholders
- The ISO provided responses to stakeholder comments during the DAME Configurable Parameters Implementation Working Group meeting on December 11, 2024.
 - Stakeholders had expressed concern about the limited opportunities for input on the configurable parameters. In response, the ISO has committed to holding monthly stakeholder sessions between August and December 2025, in addition to the three sessions already planned for the first quarter of 2026.
- Ultimately, these configurable parameters will be memorialized in the business practice manuals.

DAME Implementation Working Group Schedule



WEIM Resource Sufficiency Evaluation Enhancements (RSEE)

- Planned Q1 2025 kick-off for RSEE Phase 3
 - Considering whether to extend assistance energy transfers, which currently sunsets December 31, 2025
 - Additional scope informed by ongoing analysis of recent peak seasons and WEIM results
 - Metrics related to assistance energy transfers to help inform whether it is working well as-is, or whether we should explore modifications
 - Performance of BAs passing the test including the uncertainty requirement, and sensitivities around today's 1% de minimis standard
 - Will start by presenting analysis and requesting stakeholder input on problem statements
- Proposed decisional classification: Joint authority

Price Formation Enhancements (PFE) initiative

- Phase 2 of the initiative continues, working toward developing proposals for scarcity pricing, BAA-level market power mitigation (MPM), and fast start pricing. Topics include:
 - **Scarcity pricing:**
 - market mechanisms for gradual price increases when approaching scarcity
 - anchoring penalty prices to the value of lost load
 - the Scarcity Reserve Demand Curve (SRDC) to reflect tight supply conditions.
 - **Fast start pricing:** design concepts as well as presentations from PJM and MISO staff and their market monitors.
 - **BAA-level MPM:** pivotal suppliers and impact thresholds.
- Business practice manual updates to the hourly shaping factor for the maximum import bid price (MIBP) were implemented on November 14, 2024.

Greenhouse Gas Coordination (GHG) working group

- GHG accounting for state policies without a price on carbon emissions
 - Moving forward to design policy on an out-of-market GHG “accounting and reporting” approach, introduced and supported by stakeholders
 - Issue paper was published in December
 - A sub-group and the working group are developing the report format
- Stakeholders requested additional GHG metrics and information to help support compliance with different state, local, and corporate programs
 - The ISO started publishing average GHG emissions rate monthly and annual reports
 - Additional metrics reports will become available through the accounting and reporting approach
 - Finalizing GHG metrics that will be monitored with EDAM launch
- Continued review of GHG design in the WEIM and EDAM
- Proposed decisional classification: Joint authority

Gas Resource Management Initiative

- Issue paper published January 23, 2025
 - Provides a comprehensive roadmap of gas resource policy and discussion of considerations for policy reform
- A stakeholder call will discuss on February 13, 2025
- Proposed decisional classification: Joint authority

Congestion Revenue Rights (CRRs)

- The ISO has kicked off a working group to enhance the congestion revenue rights (CRR) market
 - The next meeting will be held on February 27, 2025
 - Thus far the working group has focused on reviewing the current CRR program structure and function for stakeholders
- As part of the 2018 reforms designed to resolve observed inefficiencies with the CRR auction, the ISO committed to:
 - assess the impacts of the proposals and
 - consider more comprehensive changes to the CRR allocation and auction design
- Proposed decisional classification: TBD

Demand and Distributed Energy Market Integration

- The ISO will start a new working group exploring the development or enhancement of participation models and market rules associated with demand response and distributed energy resource participation
 - Kick-off working group call on February 5, 2025
 - Initial working group session will begin the stakeholder-led scoping for policy development efforts
 - Written stakeholder feedback afterwards will further shape this effort
- New webpage established for initiative
 - <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Demand-Distributed-Energy-Market-Integration>
- Proposed decisional classification: TBD

Storage Design and Modeling

- The ISO kicked off a new storage initiative in December. The next meeting will be held February 20, 2025
- Initiative includes three topic groups:

Outage Management, Uplift, and Default Energy Bid Topics:

Outage reporting and nonlinearity issues

State of charge definition and calculation

Storage uplift redesign

Storage default energy bid modifications

State of charge Management Topics

State of Charge management for capacity awards

System state of charge mechanism

Biddable state of charge concepts

Distribution-level & Paired Resources Topics

Co-located resource settlement enhancements

Distribution-level storage

Default energy bids for hybrid resources

Additional hybrid topics

Policy Initiatives Catalog & Roadmap

- ISO accepting discretionary policy initiative proposals from stakeholders January 30 – February 28, 2025
- Stakeholder prioritization workshops & Regional Issues Forum Roundtable: March-April 2025
- Stakeholder prioritization & ranking survey: May 2025

Informational updates for ongoing policy initiatives not under joint authority

Resource Adequacy (RA) policy development

The ISO is hosting a working group meeting to share straw proposal leanings and co-develop solutions, and review updated modeling results, on February 10 and 11, 2025. The issue paper has three tracks:

Track 1: Modeling & Default Standards

- Loss of load expectation modeling
- Default planning reserve margin and default counting
- Unforced Capacity (UCAP) for default counting, in collaboration with the CPUC and other local regulatory authorities
- Incorporating ambient derates due to temperature

Track 2: Outage and Substitution & Availability and Performance Incentives

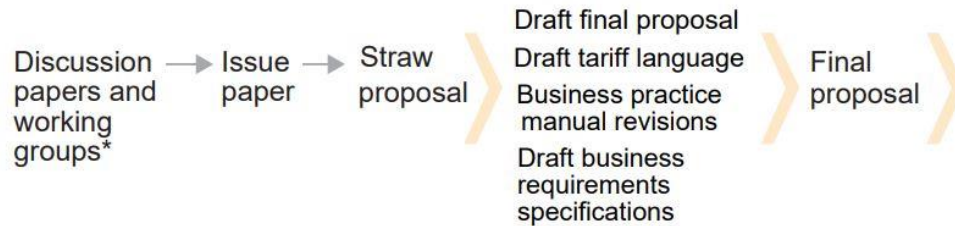
- Updating the ISO's outage and substitution processes
- Reforming availability and performance incentives

Track 3: Backstop Reform

- Increase the ISO's visibility into available backstop capacity
- Increase transparency to stakeholders on backstop decision making
- Updating the current backstop product
- Longer-term solutions for the ISO BAA around curing deficiencies and assigning costs related to the EDAM resource sufficiency evaluation

Policy initiative process

PROPOSAL DEVELOPMENT



DECISION



IMPLEMENTATION



Stakeholder meetings, working groups and workshops may occur throughout the process

This represents the typical process, and often stages run in parallel.

**Discussion papers and working groups will be incorporated into the process as needed.*

Policy Initiative Status: Existing Initiatives

		2025			
		Q1	Q2	Q3	Q4
Day Ahead Market Enhancements (DAME)				Implementation working groups	
Extended Day Ahead Market (EDAM)		Implementation			
Gas Resource Management		Proposal working groups	Policy development		Decision
Greenhouse Gas Coordination					
	Topic 1: WEIM/EDAM GHG design	Scoping working groups			
	Topic 2: Non-priced approaches for GHG reduction	Policy development		Decision	
	Topic 3: Additional GHG-related metrics	Scoping working groups			

Pre-proposal development
Proposal development
Decision
Implementation

Policy Initiative Status: Existing Initiatives (cont.)

		2025			
		Q1	Q2	Q3	Q4
Price Formation Enhancements					
	Scarcity pricing & market power mitigation	Proposal working groups	Straw proposal	Policy development	
	Fast start pricing	Proposal working groups	Straw proposal	Policy development	
Storage Bid Cost Recovery and Default Energy Bid Enhancements		Phase I Implementation			
WEIM Resource Sufficiency Evaluation Enhancements		Policy development			

Pre-proposal development
Proposal development
Decision
Implementation

Policy Initiative Status: New Initiatives

		2025			
		Q1	Q2	Q3	Q4
Congestion Revenue Rights		Scoping working groups	Policy development		
Demand and Distributed Energy Market Integration					
	Phase I	Scoping working groups			Policy Development
	Phase II				Scoping working groups
Storage Design and Modeling		Scoping working groups Straw proposals Issue papers		Policy development	
				Decision	

Pre-proposal development
Proposal development
Decision
Implementation

Policy Initiative Status: Items not under Joint Authority

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

Pre-proposal development
Proposal development
Decision
Implementation

WEM Governing Body Planning Calendar

	February 11-12, 2025	March 25-26, 2025
<p><i>Please note classifications and planned meeting dates are subject to change. For the most current information, visit the ISO website at:</i></p> <ul style="list-style-type: none"> Policy Initiatives webpage 	<p>Decisional:</p> <ul style="list-style-type: none"> None <p>Briefing:</p> <ul style="list-style-type: none"> Briefing by Department of Market Monitoring Oversight Committee (executive session) Briefing by Department of Market Monitoring (executive session) WEM Governing Body planning (executive session) BOSR and RIF updates (general session) Policy initiatives and WEM Governing Body planning calendar update (general session) WEIM benefits and market update – Q4 2024 EDAM onboarding and implementation update (joint general session) Participant updates regarding decision to join EDAM or WEIM (joint general session) Formation Committee update (joint general session) <p>Informational:</p> <ul style="list-style-type: none"> Department of market monitoring update (joint general session) Market performance update (joint general session) Market Surveillance Committee update (joint general session) Policy initiative milestones update (joint general session) <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> None 	<p>Decisional:</p> <ul style="list-style-type: none"> Market Surveillance Committee appointment (joint) <p>Briefing:</p> <ul style="list-style-type: none"> Briefing by Department of Market Monitoring Oversight Committee (executive session) Briefing by Department of Market Monitoring (executive session) WEM Governing Body planning (executive session) BOSR and RIF updates (general session) Policy initiatives and WEM Governing Body planning calendar update (general session) WEIM benefits and market update (placeholder – general session) EDAM onboarding and implementation update (placeholder - joint general session) WEIM implementations update (placeholder – general session) Participant updates regarding decision to join EDAM or WEIM (placeholder - joint general session) Formation Committee update (placeholder - joint general session) <p>Informational:</p> <ul style="list-style-type: none"> Department of market monitoring update (joint general session) Market performance update (joint general session) Market Surveillance Committee update (joint general session) Policy initiative milestones update (joint general session) Q4 2024 WEM Governing Body budget report <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> None

WEM Governing Body Planning Calendar

Quarter 1 – 2025	Quarter 2 – 2025	Quarter 3 and 4 – 2025
<p>Proposed Joint:</p> <ul style="list-style-type: none"> Market Surveillance Committee appointment <p>Proposed Decisional:</p> <ul style="list-style-type: none"> None <p>Proposed Advisory:</p> <ul style="list-style-type: none"> None <p>Informational:</p> <ul style="list-style-type: none"> Department of Market Monitoring update (joint) Market performance update (joint) Market Surveillance Committee update (joint) Policy initiative milestones update (joint) Budget (March) WEIM implementation update (placeholder) WEIM benefits and market update (placeholder) Policy initiatives timeline update (joint) EDAM onboarding and implementation update (joint - placeholder) Participant updates regarding decision to join EDAM or WEIM (joint - placeholder) Formation Committee update (joint – placeholder) <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> TBD 	<p>Decisional:</p> <ul style="list-style-type: none"> Election of WEIM Governing Body Chair and Vice Chair WEIM Governing Body membership nomination <p>Proposed Joint:</p> <ul style="list-style-type: none"> None <p>Proposed Advisory:</p> <ul style="list-style-type: none"> None <p>Informational:</p> <ul style="list-style-type: none"> Regional markets and transmission planning developments (June meeting) Pathways Launch Committee update (June meeting; 30 minutes) Policy initiatives update Budget (May) Policy initiatives catalog and roadmap (joint general session - July) WEIM implementation update (placeholder) WEIM benefits and market update (placeholder) EDAM onboarding and implementation update (placeholder) Participant updates regarding decision to join EDAM or WEIM (joint - placeholder) Formation Committee update (joint – placeholder) <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> Transmission plan 	<p>Proposed Joint:</p> <ul style="list-style-type: none"> Gas management coordination (joint) Storage design and modeling (joint) Greenhouse gas coordination (joint) <p>Proposed Decisional:</p> <ul style="list-style-type: none"> None <p>Proposed Advisory:</p> <ul style="list-style-type: none"> None <p>Informational:</p> <ul style="list-style-type: none"> Department of Market Monitoring update (joint) Market performance update (joint) Market Surveillance Committee update (joint) Policy initiative milestones update (joint) Policy initiatives update Policy initiatives roadmap (November; joint) Budget (July and October) WEIM benefits and market update (placeholder) WEIM implementation update (placeholder) EDAM onboarding and implementation update (placeholder) Participant updates regarding decision to join EDAM or WEIM (joint - placeholder) Formation Committee update (joint – placeholder) <p>Fyi: Board only decisional:</p> <ul style="list-style-type: none"> TBD