

WESTERN ENERGY MARKETS

Policy initiatives update

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WEM Governing Body Meeting

General Session

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Commitment cost bidding flexibility

- The *commitment cost and default energy bid* policy was approved in 2018 but the section on commitment costs bidding flexibility and mitigation was never implemented
- The policy provides an expanded ability for resources to bid in their commitment costs, paired with a new test for market power associated with those commitment cost offers
- Q1 2026 stakeholder process to discuss how the approved design can be implemented

Congestion revenue rights enhancements

- The working group phase of the initiative has concluded, and policy development has begun focusing on key challenges identified:
 - CRRs' hedge value impacted by revenue inadequacy and prorations
 - CRR product peak / off-peak definitions don't align with hedging needs of evolving fleet
 - In aggregate, auctioned CRRs are yielding 68 cents of auction revenue per dollar of day-ahead congestion revenues paid out to CRR holders
- An issue paper for the entire initiative and a straw proposal on CRR product definitions published on December 12th
- Workshops held in November to consider how modeling changes with EDAM impact CRR modeling and settlement
- Upcoming EDAM congestion revenue allocation policy development will also inform future evolution of CRR policy
- Proposed decisional classification: TBD

Demand and distributed energy market integration

- Working group is transitioning to policy development in 2026.
- Final working group met in October 2025 to finalize problem statements.
 - Key areas of focus will result in:
 - Developing and/or enhancing market models to support demand-side bidding and exporting from distributed resources
 - Updating performance evaluation methodologies
 - Streamlining and simplifying participation
 - Accommodating large load demand flexibility
- The working group final discussion paper has been posted and is requesting feedback on stakeholder priorities for 2026 policy development.
- Proposed decisional classification: TBD

EDAM congestion revenue allocation

- Phase 1 policy has been approved by FERC in August, establishing a design for the launch of EDAM.
- Analysis has begun looking at impact of congestion revenue allocation and will be done in phases: analytics based on WEIM data; scenarios during EDAM parallel operations; and continuing after EDAM is operational.
- The initial analysis based on WEIM data was presented at the October joint session.
 - Frequency and impact of congestion in PacifiCorp on ISO balancing area was insignificant.
 - WEIM data has limited value in anticipating EDAM conditions.
- Phase 2 of the policy development will evaluate near-term and long-term enhancements to the design of EDAM congestion revenue allocation.
 - Stakeholder working groups launched on December 11th.

Storage design & modeling

- Scope of the initiative has been organized into four topic groups:
 - Outage management
 - Uplift, mitigation & default energy bids
 - State-of-Charge management
 - Mixed-fuel & distribution-level resources
- Discussions have focused on guiding principles and policy recommendations regarding uplift
 - Determine the source of negative revenues: scheduling coordinator action or Market Operator action?
 - Stakeholders have offered conceptual frameworks to determine the driver of negative revenues
- An updated Discussion and Issue Paper on Uplift & Default Energy Bids was posted December 12 and seeks feedback from stakeholders to advance policy development
- Proposed decisional classification: TBD

Price formation enhancements

- Working group met on November 10 and November 20 to discuss a comprehensive scarcity pricing design.
 - A coalition of stakeholders support a new proposal that introduces to the market a scarcity pricing term that increases as unused supply offers diminish.
 - In contrast, a separate coalition of stakeholders only support proceeding with the existing, narrower scarcity pricing proposals, and prioritize successful EDAM and DAME launch.
- Comments were due to the ISO December 12.
- Proposed decisional classification: primary authority of WEM Governing Body

Informational updates for ongoing policy initiatives not under primary authority

Resource adequacy policy development

Track 1 and Track 3A approved by ISO Board of Governors

Track 1: Modeling & Default Rules

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

Track 2: Outage and Substitution & Availability and Performance Incentives

- Updating outage and substitution processes
- Reforming availability and performance incentives

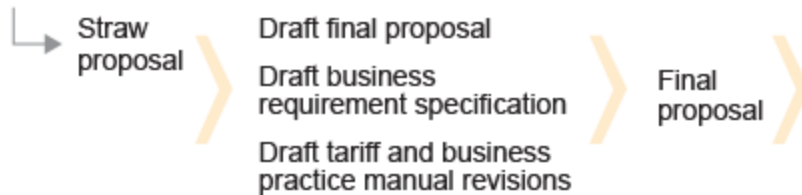
Track 3: Visibility and Backstop Reform

- 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.

Glossary Slide

DAME-Day Ahead Market Enhancements

EDAM-Extended Day Ahead Market

CRR-Congestion Revenue Rights

FERC-Federal Energy Regulatory Commission