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FERC accepts ISO tariff changes for a Western day-ahead electricity market

Market design and enhancements will strengthen regional reliability and coordination

FOLSOM, Calif. – In a ruling that will enhance how energy is managed across the region, federal regulators have accepted changes to the California Independent System Operator’s (ISO) tariff that enable it to launch a Western day-ahead electricity market.

The crucial, first-ever unanimous acceptance of Western day-ahead market rules by the Federal Energy Regulatory Commission (FERC) was issued late Wednesday, paired with approval of another significant set of ISO tariff changes that will provide important day-ahead market enhancements.

Collectively, these new rules are known as the Day-Ahead Market Enhancements (DAME) and the Extended Day-Ahead Market (EDAM). Stakeholders were deeply engaged in designing the market rules through a collaborative working group process, which included regional utilities, independent energy providers, state regulators, public interest organizations, and a variety of entities representing various interests and points of view throughout the Western Interconnection.

Taken together, FERC’s action represents a major advance toward greater coordination of Western electricity markets.

In its order, the Commission accepted the overwhelming majority of these market rules and rejected without prejudice one element of the EDAM proposal related to transmission revenue recovery for market participants. The ISO looks forward to working with stakeholders in early 2024 to refine transmission revenue recovery under EDAM based on the Commission’s guidance.

“EDAM has the potential to optimize the use of existing transmission and resources across a larger footprint in the West, which will provide economic and reliability benefits to participants,” FERC’s order states. “Additionally, by leveraging a larger and more diverse set of resources across the Western Interconnection, we expect that DAME and EDAM will help CAISO and other EDAM participants to manage the impacts of increasing variable energy resources and extreme weather events in the region.”

FERC Chairman Willie Phillips filed a separate concurring opinion, writing that “CAISO’s proposal to improve the performance of its existing day-ahead market with new products, and to offer balancing authority areas outside CAISO’s current footprint the opportunity to participate in and benefit from a new day-ahead market, will create significant savings for consumers in Western states. I believe such efforts will enhance reliability, expand the savings and efficiencies that wholesale markets provide, and contribute to consumers’ bottom line.”

Elliot Mainzer, the ISO’s president and chief executive officer, said he was “deeply appreciative of FERC’s decision and grateful for all the hard work that got us to this important milestone. As we turn the corner into 2024, we are excited to keep our momentum on implementation and to immediately begin working with stakeholders to address the one area FERC has asked for additional information for its consideration.”

Tariff provisions approved by FERC will expand access to a full complement of wholesale energy market services in the West. Participants will be able to trade in the day-ahead timeframe and realize lower costs to ratepayers from accessing the most efficient supply. The expanded market will also increase reliability from greater situational awareness and allow participants to share surplus renewable energy across a broad Western footprint.

“On behalf of the Board of Governors, I want to say how immensely pleased we are that FERC authorized the ISO’s Extended Day-Ahead Market,” said ISO Board of Governors Chair Mary Leslie. “Establishment of an extended day-ahead market is one of several innovative initiatives this year that support the fast-paced transformation of the industry by optimizing the integration of carbon-free energy resources while strengthening grid reliability in the Western Interconnection.”

Similar sentiments were expressed by Andrew Campbell, Chair of the Western Energy Imbalance Market (WEIM) Governing Body.

“FERC’s approval of the ISO’s Extended Day-Ahead Market is a landmark moment for cooperation in the West,” he said. “EDAM builds on the success of the WEIM real-time market by allowing participants to lower costs, reduce environmental impacts and improve reliability during the critical day-ahead planning period. With this market, the West will also be more resilient to unexpected changes in weather and other grid conditions.”

The market changes are scheduled to be fully operational in 2026, with critical coordination and system improvements occurring over the next two years. Two large energy providers, PacifiCorp, which serves customers in California, Oregon, Washington, Utah, Wyoming, and Idaho, and the Balancing Authority of Northern California, which includes the Sacramento Municipal Utility District, have already announced their intention to join the market.

The extended day-ahead market builds on and expands benefits accrued under the Western Energy Imbalance Market. Since its inception in 2014, entities covering eleven

Western states have realized nearly \$5 billion in gross benefits from their participation in the WEIM, which are passed on to their customers.

Along with these economic benefits, the WEIM has proven to be pivotal in helping to maintain interconnection reliability during periods of extreme weather and other strained grid conditions.

By extending such benefits into the day-ahead timeframe, where the lion's share of electricity transactions occur, various studies have shown that financial, environmental and reliability benefits can be greatly increased and shared over a broad geographic area.

“Establishing a day-ahead market for a larger geographic area is complicated and represents stakeholders’ significant efforts over the past few years to develop enhanced market mechanisms that jointly achieve reliability, affordability and sustainability for customers,” FERC Chair Phillips wrote in his concurrence. “I applaud these stakeholders for their efforts and believe the countless hours of work that went in to developing these proposals will deliver significant benefits to customers. Keep up the good work.”

Read our [“What They’re Saying” document](#) to see what a variety of regional energy leaders are saying about the [FERC order](#).

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The California Independent System Operator (ISO) is a nonprofit public benefit corporation dedicated, with its partners, to continuous improvement and secure operation of a reliable grid operated for the benefit of consumers. It provides comprehensive grid planning, open and nondiscriminatory access to one of the largest networks of high-voltage transmission power lines in the world, and operates a \$9 billion competitive electricity market. Recognizing the importance of the global climate challenge, the ISO is at the forefront of integrating renewable power and advanced technologies that will help provide a sustainable energy future efficiently and cleanly.

The Western Energy Imbalance Market (WEIM) is a real-time wholesale energy trading market that enables participants anywhere in the West to buy and sell energy when needed. The WEIM Governing Body is the governing authority designed by regional stakeholders and has shared authority with the ISO Board of Governors to resolve rules specific to participation in the WEIM.