196 FERC ¶ 61,120
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Laura V. Swett, Chairman;
David Rosner, Lindsay S. See,
Judy W. Chang, and David LaCerte.

California Independent System Operator Corporation   Docket No. ER26-2789-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued August 10, 2026)

1. On June 11, 2026, California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act[1] and Part 35 of the Commission's regulations,[2] proposed revisions to its Open Access Transmission Tariff (Tariff) to establish two new settlement charges which will enable start-up debt financing for the Regional Organization for Western Energy (ROWE). In this order, we accept CAISO's proposed revisions, effective January 1, 2028, as requested.[3]

I. **Background**

2. Since 2001, CAISO has been governed by the CAISO Board of Governors (CAISO Board), which is comprised of five members who are appointed by the California Governor and confirmed by the California State Senate.[4] In 2014, CAISO implemented the Western Energy Imbalance Market (WEIM), which extended CAISO's real-time energy market to utilities outside of the CAISO balancing authority area. In 2015, CAISO established an independent, five-member Western Energy Market Governing Body (WEM Governing Body) to share part of the CAISO Board's authority over certain proposed tariff amendments. In 2023, the Commission accepted CAISO's extended day-ahead

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[1] 16 U.S.C. § 824d.

[2] 18 C.F.R. pt. 35 (2025).

[3] See Appendix for tariff records accepted in this order.

[4] Transmittal at 2.

market (EDAM) framework to allow balancing authority areas that participate in WEIM to also participate in CAISO's day-ahead market, which launched May 1, 2026.[5]

3. In 2023, the West-Wide Governance Pathways Initiative (Pathways Initiative) was established in response to a letter from a group of state regulators interested in the development of an independent regional governance structure for a regional market including WEIM and EDAM.[6] In response to this letter, a variety of stakeholders formed the West-Wide Governance Pathways Launch Committee to develop potential options consistent with the state regulators' vision. Over the last several years, the Pathways Launch Committee developed two major proposals through a phased approach to change the governance of the markets operated by CAISO.[7]

4. As relevant here, the Pathways Step Two Final Proposal recommended replacing the WEM Governing Body with an independent regional organization.[8] In 2025, California passed legislation that endorsed this concept and allows the governance authority over the regional market rules for WEIM and EDAM to transition to ROWE, an independent regional organization that is a separate corporate entity from CAISO. While CAISO is required to continue to operate the energy markets, ROWE would serve as the body responsible for the regional market rules, with the board of ROWE responsible for reviewing and approving any proposals to amend WEIM and EDAM market rules. The legislation provided that the regional market governance structure may be implemented no earlier than January 1, 2028.[9]

5. CAISO states that the ongoing development of ROWE as a non-profit corporation requires more funding. CAISO states that, to date, the Pathways Initiative participants have relied primarily on voluntary donations to fund their expenses. In addition, CAISO explains that the participants have sought, and expect to receive, some grant funding from non-profit foundations. CAISO states that the funds that have been collected or pledged to date, about $1 million in total, are expected to be sufficient to cover the start-up costs that will be incurred into the third quarter of 2026. CAISO explains that this leaves a gap in funding from mid-2026 until early 2028, when ROWE is expected to assume its governance role. CAISO states that, to help fund the start-up expenses, the CAISO Board in its April 2026 meeting authorized CAISO to provide a loan guarantee for

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[5] *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 (2023).

[6] Transmittal at 3.

[7] *Id.* at 3-4.

[8] *Id.* at 4.

[9] *Id.* at 4-5.

ROWE not to exceed a principal amount of $8.5 million, contingent upon the Commission's acceptance of a tariff-based mechanism to recover the costs to repay the loan.[10]

6. CAISO explains that, in the second half of 2026, ROWE will enter into a loan or commercial line of credit with a commercial bank to secure the debt financing part of its start-up funding needs, up to the maximum principal amount of $8.5 million. CAISO states that ROWE will be responsible for making payments on the loan, with CAISO serving as guarantor. CAISO avers that a guarantee is necessary to obtain the loan because ROWE is not yet creditworthy. CAISO states that the loan or line of credit will be structured so that ROWE's repayment obligations will not commence until 2028, after ROWE is expected to assume its governance responsibilities, with full repayment due during 2028. CAISO explains that, at that point, a separate long-term cost recovery rate would become effective if ROWE has assumed its governance responsibilities.[11]

II. Proposed Tariff Revisions

7. CAISO states that, to enable ROWE to recover from market participants the cost of its loan, it proposes to establish two new settlement charges—a ROWE start-up market services charge and a ROWE start-up system operations real-time dispatch charge—in proposed Tariff sections 11.26, 11.36.1, 11.36.2, and 11.36.3. CAISO explains that the two settlement charges would support billing and collection for ROWE-related activities, consistent with how other independent system operators (ISO) and regional transmission organizations (RTO) fund their stakeholder, governing, and regulatory bodies.[12] CAISO states that these charges will be structured in the same manner as the parallel portions of CAISO's existing Grid Management Charge (GMC) that recover market-administration costs, excluding balancing authority area-specific functions such as transmission planning, interconnection studies, and congestion revenue rights. CAISO proposes that ROWE start-up market services charge and ROWE start-up system operations real-time dispatch charge would adopt the allocation and assessment methods of the current market services and real-time dispatch charges.[13]

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[10] *Id.* at 6.

[11] *Id.* at 6-7.

[12] *Id.* at 9. Specifically, CAISO cites Organization of PJM States Inc. (OPSI), funded through PJM Schedule 9 – OPSI: OPSI Funding; Consumer Advocates of PJM States Inc. (CAPS), funded through PJM Schedule 9 – CAPS: CAPS Funding; New England States Committee on Electricity, funded through ISO-NE's tariff section IV.A, Schedule 5.

[13] *Id.* at 10 (citing CAISO, CAISO eTariff, § 11.22.2 (Costs Recovered Through

8. CAISO explains that it selected its existing GMC charges as the templates for ROWE cost allocation design because these charges recover comparable categories of market-related costs, rely on methods previously accepted by the Commission, and are well-understood by market participants. CAISO states that the current market services charge allocates the general costs of implementing and operating the markets to CAISO and the current system operations real-time dispatch charge then allocates the costs associated specifically with real-time dispatch services. CAISO further asserts that, because ROWE will exercise authority over the markets, duplicating these two established market-based charges provides an appropriate and consistent framework for allocating ROWE-related costs.[14]

9. CAISO proposes to assess the new ROWE startup market services charge and ROWE system operations real-time dispatch charge to the same market participants that pay the parallel GMC charges in the day-ahead and real-time markets. CAISO explains that WEIM-only participants incur GMC charges solely based on real-time activity; they are not assessed charges on the base schedules because those schedules were not optimized by the day-ahead markets.[15] CAISO states that participants in both the day-ahead and real-time markets, including EDAM participants, pay charges in both markets. Here, CAISO proposes to assess the ROWE startup market services charge to scheduling coordinators based on their energy (MWh), virtual energy or demand (MWh), and ancillary services (MW in an hour).[16] CAISO proposes to assess the ROWE system operations real-time dispatch charge to scheduling coordinators based on their real-time supply and demand, consistent with the structure of the parallel GMC charge.[17]

10. CAISO also proposes to apply the new ROWE charges to Transmission Ownership Rights (TOR), which are rights to transmission within the CAISO balancing authority area that have not been turned over to CAISO's operational control through a Transmission Control Agreement. CAISO states that it will use the same parallel

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the Grid Management Charge) (8.0.0), §§ 11.22.2.5.1 (Market Services Charge), 11.22.2.5.3 (System Operations Real-Time Dispatch Charge); *id.* app. F (Rate Schedules) (32.0.0), Schedule 1, pt. A).

[14] *Id.*

[15] *Id.* (citing CAISO, CAISO eTariff, § 29.11 (Settlements and Billing for EIM Market Participants) (25.0.0), § 29.11(i)).

[16] *See* CAISO, CAISO eTariff, app. F (Rate Schedules) (32.0.0), Schedule 2, pt. A(1).

[17] *See* CAISO, CAISO eTariff, app. F (Rate Schedules) (32.0.0), Schedule 1, pts. A, A(3).

approach it uses for the GMC, assessing the new ROWE charges on the TOR transmission schedules rather than on the associated generation or demand.[18]

11. CAISO proposes to cap the total amount recovered through the new ROWE startup charges at $8.5 million plus interest. CAISO explains that this cap represents the ROWE Formation Committee's estimate of ROWE's funding needs through the first quarter of 2028, when ROWE assumes governance responsibilities, together with expected interest on the loan. CAISO further notes that it will structure the loan to minimize interest costs by using a short repayment schedule—completed during 2028—and a variable interest rate.[19]

12. CAISO explains that monthly collections under ROWE startup charges will not always match the amounts owed for ROWE's loan repayment, so CAISO proposes to maintain a balance in a separate balancing account to prevent commingling and to simplify tracking interest earned on the funds. CAISO proposes to draw monthly repayment amounts directly from this account and is authorized to temporarily supplement it with up to $500,000 of corporate funds if monthly collections fall short, with recovery of any such advances occurring in a later month once ROWE startup rates are adjusted. CAISO states that, because the new charges appear on weekly market invoices, any payment default involving those invoices results in losses allocated pro rata across the CAISO market, and that payments to the balancing account are prioritized ahead of market participants, consistent with CAISO's treatment of other internal accounts such as the balancing accounts for congestion revenue rights or resource adequacy availability incentive mechanism.[20]

13. CAISO explains that ROWE startup charges rely on estimated inputs that will change over time, including the final loan amount, variable interest costs, and actual transaction volumes. CAISO states that it will adjust the rates at the start of each month using the most current information to minimize any eventual over- or under-collection when the loan is repaid. CAISO states that any remaining difference is resolved depending on whether ROWE is operational: if ROWE is operating, the variance is incorporated into its 2029 operating budget; if ROWE is not operating, CAISO

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[18] Transmittal at 10-11 (citing CAISO, CAISO eTariff, § 11.36.4 (TOR-specific Charges) (0.0.0); *id.* app. F (Rate Schedules) (32.0.0), Schedule 2, pt. A).

[19] *Id.* at 11.

[20] *Id.* at 11-12.

treats the variance consistent with GMC practice by using operating reserves and revenue-requirement adjustments through the operating-reserve credit.[21]

14. CAISO requests that the Commission make the Tariff revisions effective upon five days' prior notice to the Commission. CAISO states that the proposed Tariff revisions will become effective before loan repayments begin so CAISO has time to collect the funds needed to remit to ROWE as well as delay assessment of the charges until 2028.[22] CAISO states that, while it expects the Tariff revisions will become effective January 1, 2028, a contingent effective date is necessary because ROWE will not be able to finalize loan arrangements until after these Tariff revisions are accepted, and until then there is no certainty that a loan will be made or about its terms.[23]

III. Notice of Filing

15. Notice of CAISO's filing was published in the *Federal Register*, 91 Fed. Reg. 36134 (June 16, 2026), with interventions and protests due on or before July 2, 2026. Timely motions to intervene were filed by San Diego Gas & Electric Company, California Department of Water Resources State Water Project, and Northern California Power Agency.

IV. Discussion

A. Procedural Matters

16. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2025), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

17. We find that CAISO's proposed Tariff revisions to establish two new settlement charges which enable start-up debt financing for ROWE, with CAISO serving as the guarantor on the commercial loan, are just and reasonable and not unduly discriminatory or preferential, and we therefore accept them.

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[21] *Id.* at 12-13; *see* CAISO, CAISO eTariff, § 11.36 (ROWE Start-up Charges) (0.0.0).

[22] Transmittal at 9.

[23] *Id.* at 13.

18. As CAISO explains, the Commission has previously accepted RTOs' and ISOs' proposals to assess similar settlement charges to cover the costs to fund their various stakeholder, governing, and regulatory bodies.[24] Here, we find CAISO's proposal to structure its settlement charges in a similar manner to the cost-of-service ratios for its GMC to be reasonable because the GMC allocates similar costs for administering the markets to market participants in the real-time and day-ahead markets.[25] In addition, we find that it is reasonable to use a cost recovery mechanism to recover ROWE-related costs from market participants based on their level of activity in the day-ahead and real-time markets.[26] Specifically, we find reasonable CAISO's proposal to assess the ROWE systems operations real-time dispatch charge to scheduling coordinators based on their supply and demand (MWh) in the real-time markets and to assess the ROWE start-up market services charge to scheduling coordinators based on their energy (MWh), virtual energy or demand (MWh), and ancillary services (MW in an hour). We also find reasonable CAISO's proposal to assess the ROWE settlement charges on TORs' transmission schedules based on the minimum of TOR supply or TOR demand per settlement interval, consistent with CAISO's assessment of its GMC on TORs' transmission schedules. Finally, we find that CAISO's proposal to assess separate charges for ROWE's cost recovery and CAISO's own cost recovery will provide market participants transparency by separating ROWE costs from CAISO costs.

19. We accept the Tariff revisions with an effective date of January 1, 2028, as requested. We note, however, that CAISO states that the effective date may need to be revised as a result of the finalization of the terms of its loan. To the extent CAISO needs to extend the effective date beyond January 1, 2028, no less than seven days prior to January 1, 2028, CAISO must make a compliance filing in this docket through the Commission's eTariff system with the accepted tariff record text that establishes the revised effective date of the tariff records and designates the records accepted in this order as OBE (overtaken by events).[27]

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[24] *See, e.g.*, *PJM Interconnection, L.L.C.*, 113 FERC ¶ 61,292 (2005); *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,147 (2016); *ISO New Eng. Inc.*, 122 FERC ¶ 61,029 (2008).

[25] *See, e.g.*, *Cal. Indep. Sys. Operator Corp.*, 110 FERC ¶ 61,090 (2005).

[26] The Commission has previously accepted administrative cost recovery frameworks that align market participants' costs with their level of activity in the market, such as charges based on *pro rata* shares of market participant activity or loads. *See, e.g.*, *Sw. Power Pool, Inc.*, 195 FERC ¶ 61,102, at P 18 (2026).

[27] CAISO must make a compliance filing using Type of Filing Code 80 in this docket by including the associated filing identifier (associated_filing_id) for this filing at

<u>The Commission orders</u>:

(A) CAISO's proposal is hereby accepted, effective January 1, 2028, as discussed in the body of this order.

(B) CAISO is hereby directed to notify the Commission of any revisions to the effective date of the revisions no less than seven days prior to January 1, 2028, as discussed in the body of this order.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Secretary.

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the filing level. The filing must include tariff records with the effective date for the previously-accepted tariff records and also include, at the tariff record level, the associated filing identifier (associated_filing_id), associated record id (associated_record_id), and associated option code (associated_option_code) of the original tariff records accepted with a January 1, 2028 date.

Appendix – eTariff Records

California Independent System Operator Corporation

CAISO eTariff

- 11.29.12, CAISO['s] Responsibilities (5.0.0)
- 11.29.17, Alternative Payment Procedures (9.0.0)
- 11.36, ROWE Start-up Charges (0.0.0)
- 11.36.1, Allocation of the ROWE Start-up Charges Among SCs (0.0.0)
- 11.36.2, ROWE Start-up Market Services Charge (0.0.0)
- 11.36.3, ROWE Start-up System Operations Real-Time Dispatch Charge (0.0.0)
- 11.36.4, TOR-specific Charges (0.0.0)
- -, ROWE (0.0.0)
- Appendix F, Rate Schedules (32.0.0)