

WESTERN ENERGY MARKETS

Decision on rate design for Regional Organization for Western Energy start-up funding

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Regional Organization for Western Energy (ROWE) is seeking to secure debt financing for a portion of their start-up funding

- Non-revolving line of credit with commercial bank
- Loan draw period to begin in second half of 2026 through early 2028
- Interest to be rolled into loan (no payments due to bank until 2028)
- Loan payment period starting in Q2 of 2028 through end of the year
- ISO to co-sign loan (guarantor)
- Up to \$8.5 million, plus interest

Costs of loan to be recovered from supplemental rates on all market transactions starting in 2028

- Two grid management charges (GMC) related to market transactions:
 - Market Services
 - System Operations Real Time Dispatch
- Commencing on January 1, 2028
 - ROWE Market Services rate (68% of loan costs)
 - ROWE Sys Ops RT Dispatch rate (32% of loan costs)
- All market participants benefitting from market expansion to be assessed new charges (load and supply)
- Combined rate will be less than 2 cents per MWh

Position of stakeholders

- Stakeholders supported the ISO backed debt financing, but some have expressed significant concerns over the cost allocation method
- California parties have commented that the proposed allocation shifts most of the costs to the day ahead market participants and suggested that the charges be limited to only real-time imbalance volumes
- Comments also focused on concern that the proposal would set a precedent for the long-term funding model for the ROWE

ISO response to stakeholders

- Long-term, on-going ROWE funding model deserves additional time, planning, and stakeholder engagement
- Assessing the value of independent governance
- ISO-backed debt financing required quick solution to meet ROWE's immediate funding needs
- Relying on existing GMC methodology is a proven approach

Management recommends approval of the proposed rate design to recover the costs associated with the debt financing of the ROWE start-up costs

- Supplemental charges to be levied on all market transactions starting in 2028
- Rates will collect loan costs only
- Charges will show on market invoices and be separate from GMC
- Approval of rate design is contingent on the Board's decision to guarantee ROWE loan at its April 30 general session meeting