Memorandum

To: Western Energy Markets Governing Body

From: Roger Collanton, VP, General Counsel and Corporate Secretary

Date: August 18, 2026

Re: **Decision on WEM Governing Body Charter Requirement to Review Governance**

This memorandum requires WEM Governing Body action.

INTRODUCTION

In July 2021, the Western Energy Markets (WEM) Governing Body and the Board of Governors approved revisions to the Charter for WEIM and EDAM Governance (Charter), which implemented recommendations made by the Western Energy Imbalance Market Governance Review Committee (GRC). Those revisions included a provision requiring that the WEM Governing Body initiate another review of WEM governance within five years, no later than June 2026.

Management believes that this governance review requirement has been met through the extensive and ongoing governance review and reform efforts by the West-Wide Governance Pathways Initiative (Pathways) since 2023. The WEM Governing Body, and the ISO Board of Governors have been directly involved in those efforts. This includes through the review and approval of the Pathways Step 1 proposal in 2024, as well as through the ongoing reporting that Pathways Initiative leadership has been providing to both the WEM Governing Body and the Board of Governors since that time. Considering those ongoing efforts, and as discussed with the WEM Governing Body in June 2026, Management believes undertaking an additional governance review process beyond the ongoing Pathways process would be superfluous and could be counterproductive and confusing to stakeholders.

Management thus recommends the Governing Body take no further action pursuant to the governance review requirement in the Charter. The Governing Body has the ability to commence such a review in the future if circumstances warrant doing so.

Motion

The Western Energy Markets Governing Body approves Management's recommendation that no further action be taken to undertake a governance review beyond the ongoing Pathways Initiative. The Governing Body finds that the requirement set forth in Section 2.3 of the Charter for WEIM and EDAM Governance is met through the ongoing governance review efforts of the West-Wide Governance Pathways Initiative and the WEM Governing Body's ongoing involvement in those efforts.

DISCUSSION AND ANALYSIS

The First WEIM Governance Review

Since the inception of the WEM Governing Body, the governance framework has included a requirement that the Governing Body periodically review its governance structure in light of operational experience and evolving market conditions. Consistent with that requirement, the Governing Body established the Governance Review Committee (GRC) in 2019. The GRC was an advisory committee of stakeholders who were charged with leading a public stakeholder process to develop recommended refinements to the ISO's governance for then-existing Western Energy Imbalance Market (WEIM) and for the then-anticipated launch of the Extended Day-Ahead Market (EDAM).

The GRC's review resulted in three sets of proposals, which were approved jointly by the ISO Board of Governors and the Governing Body between July 2021 and February 2023. These proposals implemented significant governance reforms, many of which continue in effect. As part of those revisions, the Charter was amended to provide for another governance review based on accumulated operational experience, which would be initiated no later than June 2026.

The West-Wide Governance Pathways Initiative

In late 2023, in response to a letter from several Western state regulators to the Western Interstate Energy Board, the West-Wide Governance Pathways Initiative was launched by a diverse set of stakeholders throughout the West. The Pathways Initiative has focused since that time on developing, through an open and inclusive process, proposals to enhance the independence of the governance structure overseeing WEIM and EDAM. Through a multi-year stakeholder process, the Pathways Initiative examined the existing governance structure, identified potential reforms, and developed recommendations for consideration by the WEM Governing Body and the ISO Board of Governors.

This included the Pathways Step 1 proposal, which recommended governance reforms that were approved by the ISO Board and WEM Governing Body in 2024 and implemented in 2025. Those changes included transitioning the Governing Body from joint authority to primary authority over market rule changes, establishing procedures for two alternative proposals to be filed at FERC, if the Governing Body and Board of Governors cannot come to agreement on a proposal, and enhancing opportunities for public-interest and state-regulatory participation in governance.

The Pathways Initiative thereafter developed its Step 2 Final Proposal for further governance reform, which was published in November 2024. The Step 2 Proposal contemplated the establishment of an independent Regional Organization, which could assume governance authority over WEIM and EDAM, pursuant to an arrangement whereby the ISO would continue to serve as the market operator for those markets. Following enactment of California legislation in late 2025 establishing a potential framework for such a transition, the Pathways Initiative has continued to take steps towards implementing this concept. It has in recent months incorporated the Regional Organization for Western Energy (ROWE) and established a transitional Formation Board that is charged with overseeing the corporation until a permanent ROWE Board is seated, which is scheduled to occur in September or October of this year. Once the ROWE Board assumes authority over the governance of these markets the WEM Governing Body will be sunsetted. This would happen, at the earliest, in January 2028, pursuant to California state statutory requirements.

Throughout this period, the Pathways Initiative leadership and the ROWE Formation Board have held public stakeholder meetings to advise stakeholders and the public of their progress and to seek input on their implementation efforts. They have also kept both the Board of Governors and the WEM Governing Body regularly apprised of their efforts through a series of briefings held during the joint general session meetings of the Board and Governing Body.

The Governance Review Provision in the WEM Charter

The governance review provision appears in Section 2.3 of the Charter, entitled *Re-Evaluating WEM Governance*, which provides:

> No later than June 2026, the WEM Governing Body will initiate a review of WEM governance in light of accumulated experience and changed circumstances. Additionally, the WEM Governing Body has the ability to commence a governance review, in consultation with the Board of Governors, if a majority or greater number of existing EDAM entities were to announce their exit from EDAM.

The Pathways Initiative had not yet begun when this provision was adopted. The subsequent Pathways process, however, has resulted in a comprehensive and sustained review of governance that is ongoing, involves the same stakeholders, and covers the same subject matter as contemplated by this provision. The WEM Governing Body, moreover, has been directly involved in this effort, including through its adoption of the Pathways Step 1 proposal and the ongoing reporting provided by the Pathways leadership at Joint Board of Governors and WEM Governing Body general session meetings. In light of these ongoing efforts, Management believes it would be superfluous, confusing and counterproductive for the WEM Governing Body to undertake an additional parallel governance review effort at this time.

For these reasons, in June 2026, Management advised the Governing Body of its view that the Charter requirement has been either satisfied or effectively superseded by the Pathways Initiative. For transparency and to enable an opportunity for stakeholder input on this conclusion, the Governing Body requested at its July general session meeting that Management bring this recommendation forward in the form of this memo for the Governing Body's further consideration at the August general session meeting.

CONCLUSION

For the reasons set forth above, Management believes the governance review requirement has been satisfied or superseded and recommends that the WEM Governing Body take no further action with respect to the governance review requirement in the Charter. Should future developments warrant additional examination of WEM governance structures, the Governing Body retains the discretion to pursue further review, either consistent with the Charter, or pursuant to a further-amended Charter.