

WESTERN ENERGY MARKETS

Market design 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 design* was approved in 2018 except commitment cost bidding flexibility and mitigation design changes were not filed or implemented.
- These market design changes expanded the ability for resources to bid in their commitment costs, paired with a new test for market power associated with those offers.
- The ISO is working with stakeholders in 2026 to discuss either:
 - How the approved design will be implemented, or
 - Identify any changes that may be necessary to implement the intent of the design.
- Proposed decisional classification: TBD.

Demand and distributed energy market integration

- Key areas of design focus in 2026:
 - Recognize customer exports within an aggregation so long as the aggregated resource does not export on net.
 - Update market models for demand flexibility to better reflect regional market participation, including the consideration of a new reliability-triggered demand response product.
 - Explore supply-side and demand-side participation pathways for large loads.
 - Future working group: Explore real time demand and pumped load bidding with stakeholders.
- Track 1 straw proposal and Track 2 issue paper posted in March
- Proposed decisional classification: primary authority of the WEM Governing Body.

Extended day-ahead market (EDAM) congestion revenue allocation

- Phase 2 of the initiative focuses on development of a long-term durable congestion revenue allocation design and potential near-term enhancements.
- This phase of the initiative began in December 2025.
- Working group has established broad consensus on design principles as reflected in stakeholder comments.
- Next phase starting in April focuses on identification and evaluation of design alternatives.
- Continued development of analysis based on EDAM market simulation and parallel operations data evaluating impacts of phase 1 of the congestion revenue allocation design.
- Proposed decisional classification: TBD.

Intertie schedule modeling

- The ISO filed tariff clarifications on February 6 regarding intertie schedule modeling on ISO interties supporting EDAM launch.
 - Established a transitional design.
 - FERC accepted these changes on April 8.
- The ISO launched stakeholder workshops to consider evolution of the design for modeling intertie schedules for the CAISO balancing area.
- Kickoff meeting was held on March 18 focused on an educational session for the current and future modeling designs.
- Proposed decisional classification: TBD.

Storage design and modeling

- Scope of the initiative:
 - Outage management
 - Uplift, mitigation, and default energy bids
 - State-of-charge management
 - Mixed-fuel and distribution-level resources
- Issue paper and straw proposal on mixed-fuel resources posted March 2026.
 - Includes straw proposals to increase flexibility for co-located variable energy resources, and provide guidance on how variable energy resources calculate generation capability.
 - Discusses the issues related to the interplay between hybrid modeling tools and commitments for providing grid stability services, and the development of cost estimate methodologies for hybrid resources.
- Forthcoming straw proposal on outage management.
- Proposed decisional classification: TBD.

Price formation enhancements

- Price formation enhancements is operating under a two-track framework.
 - Track 1 (near-term): proceed with balancing authority area-level market power mitigation and incremental scarcity rules identified in the existing straw proposal.
 - Track 2 (longer-term): working group discussions dedicated to a comprehensive scarcity pricing design.
- On March 3, 2026, the WEM Governing Body general session included a spotlight briefing on scarcity pricing.
 - Stakeholders delivered presentations debating the timing of track 2 reforms.
- Near term efforts will focus on advancing the track 1 changes, which were widely supported in stakeholder comments, while navigating the timing of track 2.

2026 market policy catalog & roadmap

- **January-February:** Stakeholders submitted proposals for new market policy initiatives
- **March & April:** Stakeholder prioritization workshops for catalog submissions + RIF roundtable
- **April & May:** Stakeholders submit prioritization rankings
- **June:** 2026 market policy catalog and updated 2026 market policy roadmap released

2026 market design roadmap

		Q1	Q2	Q3	Q4
Commitment Cost Bidding Flexibility		Public dialogue: next steps			
Demand and Distributed Energy Market Integration		Policy development		Decision	Implementation
EDAM Congestion Revenue Allocation		Policy development			
EDAM Enhancements		As needed			
Finance Enhancements		Policy development	Decision		
Gas Resource Management				Implementation	
Greenhouse Gas Coordination				Implementation	
Price Formation Enhancements					
	Scarcity pricing & market power mitigation	Policy development			Decision
	Fast start pricing	Postponed			

Implementation dates are considered “no sooner than”

2026 market design roadmap

		2026			
		Q1	Q2	Q3	Q4
Storage Design and Modeling					
	Topic group 1: Outage management enhancements	Policy development		Implementation	
	Topic group 2: Uplift & default energy bids	Policy development			
	Topic group 3: State-of-charge management	Policy development			
	Topic group 4: Mixed-fuel & distribution-level resources	Policy development			
Variable Operations and Maintenance Cost: Triennial Review			Policy development		Decision
					Implementation
WEIM Resource Sufficiency Evaluation Enhancements		Postponed			

Implementation dates are considered “no sooner than”

2026 market design roadmap: items not under primary authority of the WEM Governing Body

		2026			
		Q1	Q2	Q3	Q4
Congestion Revenue Rights Enhancements		Policy development			Decision
Resource Adequacy Modeling and Program Design					
	Track 1: Modeling and default rules		Implementation		
	Track 2: Outage & substitution and availability and incentive mechanisms	Policy development			Decision
	Track 3a: Resource visibility				Implementation
	Track 3b: Backstop reform and long-term EDAM RSE solutions				Policy development

Implementation dates are considered “no sooner than”

Informational updates for ongoing market design initiatives not under primary authority of the WEM Governing Body

Resource adequacy design development

- Track 1 and track 3A filed at FERC.
- Track 2 straw proposal in development.

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.

Decisional classification: ISO Board of Governors

Congestion revenue rights (CRR) enhancements

- The design development is focusing on key challenges:
 - Improving revenue adequacy and auction efficiency.
 - A late April stakeholder meeting explored various design elements.
 - Updating how CRR products are defined to better align with evolving hedging needs.
 - Breaking existing on-peak period into more granular “time of use” periods.
 - Allowing storage locations as a sink to hedge storage charging.
- Recent initiative activity:
 - December 12: Published issue paper and straw proposal on CRR product definition.
 - January 14: Published issue paper on revenue adequacy and auction efficiency enhancements.
- Proposed decisional classification on initial straw proposal: ISO Board of Governors.

Market design initiative process

