

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

- Revisiting with stakeholders the 2018 *commitment cost and default energy bid* changes that expanded the ability for resources to bid in their commitment costs, paired with a new test for market power associated with those offers.
 - Changes have not been implemented nor filed with FERC.
- The ISO is working with stakeholders in 2026 to:
 - Provide education of approved changes including potential commercial impacts (a series of workshops commenced in Q1 and is expected to continue through Q3).
 - Identify and stakeholder any changes that may be necessary to implement the design given subsequent market design changes.
- Proposed decisional classification: TBD if decision is necessary

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.
 - Data requirements for large loads.
 - Explore demand-side participation pathway in addition to existing supply-side bidding.
 - 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.
- In April, working groups shifted focus toward identification and evaluation of conceptual design alternatives.
- With EDAM now in operation, commenced gathering of data evaluating performance and impacts of the phase 1 design for congestion revenue allocation which supports the launch of the market.
- Proposed decisional classification: TBD

Intertie schedule modeling enhancements

- FERC approved tariff clarifications on April 8 regarding intertie schedule modeling on ISO balancing area interties supporting a transitional design for EDAM launch.
- The ISO launched stakeholder workshops in March to consider evolution of the design for modeling intertie schedules for the ISO balancing area.
- Monthly workshops are discussing evolution in modeling, impacts to resource adequacy processes, and bidding under different modeling designs.
- Proposed decisional classification: TBD.

Storage design and modeling

- Scope of the initiative:
 - Outage management
 - Uplift and default energy bids
 - State-of-charge management
 - Mixed-fuel and distribution-level resources
- Second revised straw proposal on outage management posted May 2026.
 - Details efforts to enhance the functionality of the Outage Management System.
 - Includes a detailed proposal to modify the market model to reflect the nonlinear charging and discharging of lithium-ion batteries as they approach their state-of-charge.
- Targeting a June straw proposal on state-of-charge management and default energy bids.
- Proposed decisional classification: TBD.

Price formation enhancements

- Price formation enhancements is operating under a two-track framework.
 - Track 1 addresses near-term changes. It advances balancing authority area-level market power mitigation and incremental scarcity rules identified in the existing straw proposal.
 - Track 2 addresses longer-term changes. It will include working group discussions dedicated to developing a comprehensive scarcity pricing design.
- On March 3, 2026, the WEM Governing Body general session included a spotlight briefing on scarcity pricing.
 - Stakeholders presented different views on when track 2 reforms should move forward.
- The ISO plans to publish a revised straw proposal in June advancing near-term changes.
- Proposed decisional classification: primary authority of the WEM Governing Body.

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 submitted prioritization rankings
- **Mid-June:** 2026 market policy catalog and updated 2026 market policy roadmap released

Initiative schedule changes

- Demand and distributed energy market integration – added additional policy development in Q4 to reflect continuing work on other topics beyond Q3 decisional item.
- Added line item to reflect work on intertie schedule modeling.

For items not under primary authority:

- Moved decision on congestion revenue rights up from Q4 to Q3 – to reflect current work to explore near-term enhancements to put in place prior to start of 2027 annual process.

2026 market design roadmap

		2026			
		Q1	Q2	Q3	Q4
Commitment Cost Bidding Flexibility		Public dialogue: next steps			
Demand and Distributed Energy Market Integration		Policy development		Decision	Implementation
					Policy development
EDAM Congestion Revenue Allocation		Policy development			
EDAM Enhancements		As needed			
Intertie Schedule Modeling Enhancements			Policy development		
Finance Enhancements		Policy development	Decision		
Gas Resource Management				Implementation	
Greenhouse Gas Coordination				Implementation	

Implementation dates are considered “no sooner than”

2026 market design roadmap

		2026			
		Q1	Q2	Q3	Q4
Price Formation Enhancements					
	Scarcity pricing & market power mitigation	Policy development			Decision
	Fast start pricing	Postponed			
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	Implementation
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 approved at FERC on May 11.
- Track 2 straw proposal published May 12.

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.
 - 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.
- 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.
 - June 1: Published straw proposal on near-term enhancements to improve auction efficiency and revenue adequacy.
- Proposed decisional classification on straw proposals to date: ISO Board of Governors.

Market design initiative process

