

WESTERN ENERGY MARKETS

Policy 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* policy was approved in 2018 but the section on commitment costs bidding flexibility and mitigation was not filed with FERC or implemented
- The policy provides an expanded ability for resources to bid in their commitment costs, paired with a new test for market power associated with those commitment cost 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 policy
- Proposed decisional classification: TBD

Demand and distributed energy market integration

- Transitioning from the scoping phase to policy development in 2026. Issue paper anticipated to be published in Q1 2026
- Working group defined the scope, problem statements and prioritization. Key areas of focus will be:
 - Enabling behind-the-meter export
 - Updating performance evaluation methodologies
 - Streamlining and simplifying participation
 - Supporting large load demand flexibility
- Discussion paper posted in November 2025
- Proposed decisional classification: TBD

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 with a stakeholder working group
- Initial working groups are focused on development of principles to guide consideration of design options
- 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 scheduling and modeling

- The ISO filed tariff clarifications on February 6 regarding intertie schedule modeling on ISO interties supporting EDAM launch
 - Established a transitional design
- As committed to in EDAM implementation workshops, the ISO will launch a stakeholder process in March 2026 to consider evolving modeling of intertie schedules on ISO balancing area interties
 - Improving the accuracy of modeled intertie schedules
- 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
- Updated discussion and issue paper on uplift and default energy bids posted December 2025
 - Outlines problem statements, guiding principles, and conceptual policy recommendations
 - Examines the relationship between uplift and market design, assesses the risks and feasibility of policy recommendations, and explores long-term enhancements to bid cost recovery and default energy bid rules
- Forthcoming papers on mixed-fuel and distribution-level resources and outage management
- Proposed decisional classification: TBD

Financial planning initiative, including start-up funding for the Regional Organization for Western Energy (ROWE)

- Cost-of-service study extension
 - Extension enables use of 2026–2027 EDAM data
- Grid management charge revenue requirement cap increase
 - Cap increase avoids out-of-cycle filings for increased requirements in 2027-2028
- Regional Organization start-up funding
 - ISO-backed funding bridges funding gap through early 2028
- Decisional classification:
 - A commitment to guarantee a loan or line of credit requires approval by the ISO Board of Governors only
 - A tariff amendment to charge market participants the ROWE start-up debt financing rate falls within the primary authority of the WEM Governing Body

2026 policy roadmap

		2026			
		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			Decision
EDAM Enhancements		As needed			
Finance Enhancements		Policy development			
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 policy 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		Decision	
	Topic group 3: State-of-charge management	Policy development			
	Topic group 4: Mixed-fuel & distribution-level resources	Policy development			
WEIM Resource Sufficiency Evaluation Enhancements		Postponed			

Implementation dates are considered “no sooner than”

2026 policy roadmap: items under ISO Board of Governors primary authority

		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 policy initiatives not under primary authority

Resource adequacy policy development

Track 1 and Track 3A approved by ISO Board of Governors

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

Proposed decisional classification: ISO Board of Governors

Congestion revenue rights (CRR) enhancements

- The scoping phase has concluded and policy development has begun, 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 suitable “time of use” periods
 - Allowing storage 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
 - January 21: Stakeholder meeting to discuss both papers
- Proposed decisional classification on initial straw proposal: ISO Board of Governors

Policy initiative process

