

March 3, 2026

Western Energy Markets Governing Body

RE: Policy Spotlight Briefing on Price Formation Enhancements

Dear Governing Body Members,

With apologies for the late submittal, The Energy Authority (TEA) offers the following written public comments regarding the Policy Spotlight Briefing on Price Formation Enhancements included in the March 3, 2026, WEM Governing Body Agenda. TEA was not planning to make public comment but after reviewing materials published for the meeting, including written comments submitted by CESA, and in light of discussions had at the SPP Seams Symposium last week, we wanted to offer support for CESA's position and provide an additional perspective on the issues as verbal comments – and are submitting these comments in writing for the record.

TEA has been participating in the Price Formation Enhancements initiative from the beginning and our interest all along has been in CAISO evolving its markets to keep pace with changes happening in the rest of the western interconnection that influence supply and demand dynamics at the borders of CAISO's markets. As an entity that provides wholesale market services to both supply and demand interests across the West, TEA's goal in participating in this stakeholder effort is to promote policies that deliver stable, transparent price formation that allows entities to compete within and at the borders of western markets to provide the most efficient, reliable power at the time it is needed. TEA does not view higher or lower prices as being good or bad in abstract but rather believes that flexible, accurate price formation policies will over time minimize the all-in cost of serving demand, in combination with sensible resource adequacy policies and efficient market operations.

CESA's public comment letter rightly identifies that's FERC's recent removal of the WECC soft-offer cap should put new emphasis on the need to address scarcity pricing in CAISO's markets. Going back to CAISO's implementation of functionality to comply with FERC Order 831, which is responsible for CAISO's rules regarding intertie pricing under normal and tight system conditions, the ability for CAISO's markets to reflect the value entities outside of CAISO place on firm energy has had a major impact on market results during the outlier events the west has experienced in recent years.

For TEA, this dynamic takes on increasing importance and drives the need for near-term price formation reform not only due to the removal of the soft-offer cap but specifically because of the interplay between that soft-offer cap removal and the emergence of new organized markets at CAISO's borders. When SPP's RTOE goes live on April 1, 2026, and its Markets+ Wave 1 goes live on October 1, 2027, there will be two new markets competing for available supply in the West during high-demand periods, both of which have more robust and dynamic scarcity pricing provisions compared to CAISO's intertie market and WEIM/EDAM – and both of which will on day-one of their operations have open economic intertie bidding to support competition for uncommitted energy in the West. This will make it more difficult for LSEs in CAISO's markets to top-off RSE positions or find substitute capacity during tight-conditions in the short-term – and longer term will give an incentive for third-party generators to favor RA contracts with entities in those markets over CAISO's.

For these reasons, TEA believes it is imperative that CAISO and its stakeholders prioritize scarcity pricing provisions with a particular focus on price formation for uncommitted supply that can be contracted for import or export at CAISO's markets' borders. TEA supports the position of CAISO's MSC to date, as well as that of CESA, WPTF,



Calpine, and others, in this area. And TEA looks forward to continuing to work with CAISO and its fellow stakeholders to evolve solutions that are both reliable and efficient on balance.

Respectfully,

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The Energy Authority®

