# BOSR Update: Price Formation Enhancements (PFE)

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# Purpose

- Explain where the PFE initiative stands today.
- Summarize the revised straw proposal on balancing authority area (BAA)-level market power mitigation (MPM) and scarcity pricing.
- Flag where BOSR can weigh in before the final proposal and Governing Body (GB) decision.
- Summarize key stakeholder views.

# Current status

- CAISO is developing the proposal under Western Energy Market (WEM) GB primary authority.
- **Current paper:** July 2, 2026 Revised Straw Proposal.
- **Near-term package:** scarcity pricing and BAA-level MPM
- **Tentative decision date:** October 20, 2026
- Fast-start pricing remains in scope but not in this package.

# What the proposal covers

- **Near-term package:** BAA-level MPM and scarcity pricing.
- **BAA-level MPM:** test groups of connected BAAs, account for load-serving obligations, and mitigate only “pivotal” suppliers
- **Scarcity pricing:** pricing during firm load shed and after load is “armed”.
- **Goal:** improve prices in tight conditions and reduce unnecessary mitigation
- The proposal defers broader scarcity pricing and CAISO BAA-level MPM to a later phase.

# BAA-level MPM proposal and key issues

- Test connected BAA groups instead of each BAA alone.

- Replace the quarterly net buyer exclusion with an interval-by-interval load-serving obligation (LSO) adjustment

- When a BAA group fails the screen, mitigate only suppliers an algorithm identifies as “pivotal”.

- **Key issue:** whether the CAISO BAA should remain presumptively competitive.

# Scarcity pricing proposal and open issues

- When operators shed firm load, treat that load as unserved demand in fifteen-minute market (FMM) and 5-minute market (real-time dispatch or RTD) to prevent price suppression.
- In 5-minute RTD, price the opportunity cost of contingency reserves dispatched after load is armed.
- Defer broader scarcity pricing redesign to the next phase.

# Stakeholder themes and BOSR input

- **Broad support:** group BAAs, account for LSOs, and fix load shed price suppression.
- **Mixed views:** mitigate only pivotal suppliers and price armed reserves.
- **Biggest divide:** keep the CAISO BAA's default competitive status.
- Many parties want a clearer timeline for comprehensive scarcity pricing and BAA-level MPM applied to CAISO BAA.
- BOSR can use this update to identify questions and provide targeted feedback before the final proposal advances to the GB decision process.