



## **Comments of the Western Energy Imbalance Market Body of State Regulators to the California ISO on the 2024 Policy Initiatives Roadmap Process**

The Western Energy Imbalance Market Body of State Regulators (BOSR) appreciates the opportunity to comment on the California Independent System Operator's (CAISO's) 2024 Policy Initiative Catalog and Roadmap (Roadmap) process. The BOSR is a self-governing, independent body composed of one state regulatory utility commissioner from each state in which a load-serving regulated utility participates in the Western Energy Imbalance Market (WEIM), which includes the CAISO's real-time market. This includes the states of Arizona, California, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. The BOSR also currently includes two liaisons representing consumer-owned utilities and one liaison representing federal power marketing administrations. One of the BOSR's responsibilities is to express a common position, when possible, in CAISO stakeholder processes or to the WEIM Governing Body on WEIM issues.

Overall, the BOSR generally supports the ongoing policy initiatives and working groups. The BOSR supports the opportunity for stakeholders to provide input on existing and new policy initiatives during this new Roadmap process. This collaborative and inclusive approach, which takes into consideration the requests of not only the CAISO and stakeholders internal to the Balancing Authority Area, but also those who represent the broader WEIM footprint, will ensure the most critical issues facing the CAISO are addressed successfully. The BOSR provides the following comments on the Roadmap process.

### **Policy Roadmap**

The BOSR generally supports the CAISO's ongoing policy initiatives and working groups and the timeline for their progress as outlined in the 2023-2025 Policy Roadmap. The BOSR recognizes that the volume of initiatives that the CAISO can undertake is limited in scope by both CAISO and stakeholder capacity, and thus, laying out a realistic timeline for each initiative is a challenge. However, the BOSR contends there are certain initiatives and market components that should be prioritized. Last April the BOSR commented on the previous Roadmap iteration and recommended that the CAISO strive to complete Phase 1 of the Price

Formation Enhancement (PFE) initiative by the end of 2023. Despite Phase 1 continuing into 2024, the BOSR continues to recommend prioritization for this initiative. Likewise, the BOSR continues to recommend the CAISO strive to complete Phase 2 of the PFE initiative prior to the commencement of the Extended Day-Ahead Market (EDAM) Enhancements initiative in 2025. The Price Formation Enhancements Phase 1 initiative should also be prioritized as it will address components of the Resource Sufficiency Evaluation Enhancements (RSEE) Phase 3 initiative, the Day-Ahead Market Enhancements (DAME) and EDAM initiatives.<sup>1</sup>

The BOSR continues to recommend the CAISO begin stakeholder workshops for the Resource Sufficiency Evaluation (RSE) Enhancements Phase 3 initiative as soon as possible. The financial consequences of failing the WEIM RSE, approved jointly by the WEIM Governing Body and the CAISO Board of Governors in December 2022, could potentially have significant impacts on Balancing Authorities (BAs) that fail the test and opt-in to continue receiving energy transfers. Therefore, the CAISO should monitor these financial consequences in connection with stakeholder workshops to ensure they create the incentives and results the WEIM Governing Body and the CAISO Board of Governors intended.

Thirdly, the BOSR supports the ongoing Greenhouse Gas Coordination and Resource Adequacy (RA) Modeling and Program Design initiatives and working groups. Both initiatives are critical to the success of regional market expansion. In particular, the BOSR supports a comprehensive approach to RA initiatives, from market design to transmission development. The BOSR encourages CAISO to coordinate any Resource Adequacy (RA) Modeling and Program Design initiatives with the California PUC's Resource Adequacy Program and the Western Power Pool's Western Resource Adequacy Program to ensure optimal interoperability. GHG coordination is needed to ensure that multiple state GHG policies, including non-pricing policies, can be accommodated without adverse outcomes in EDAM.

Throughout the stakeholder engagement process of EDAM, DAME, Price Formation Enhancements, and Transmission Service and Market Scheduling Priorities initiatives, the BOSR has observed a lack of linkage between each initiative. These initiatives are interdependent, despite the stakeholder processes being siloed from each other. The BOSR suggests the CAISO

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<sup>1</sup> The PFE initiatives have customer rate impacts that need to be fully understood as part of the initiative process. State regulators hope EDAM will provide both cost savings and improved reliability for ratepayers. To ensure all states benefit from these anticipated outcomes it is important that the initiatives consider how to create a level playing field for all Balancing Authority Areas even where they may be situated differently.

consider aligning the timeline of these initiatives and detailing how the design elements of each initiative will work together in a cohesive manner. For example, the EDAM Enhancements initiative should incorporate the outcome of the PFE initiative, including the market power mitigation mechanism and pricing mechanism, to ensure the transition is seamless and efficient. Since these initiatives have the potential to affect prices, we recommend that the CAISO continue to focus on reducing, to the extent possible, overall economic costs to consumers. These specific details should be clearly explained in the Policy Catalog and each of the proposals.

Lastly, given the holistic nature and greater regional importance of the PFE initiative, the BOSR continues to recommend this initiative be its own Critical Strategic and Tactical Objective and that it be moved to the top of the ISO's priorities. As stated previously, the components within this initiative are overarching and impact the greater WEIM/EDAM footprint. See the BOSR's comments on the 2023-2025 Roadmap from April of 2023 for further details on the BOSR's recommendation for a revised Critical Strategic and Tactical Objective focused on efficient price formation under tight market conditions.

## **Process**

Last year, the CAISO received feedback on the Catalog and Policy Initiatives Roadmap processes. Stakeholders expressed an interest in additional transparency with regards to the prioritization, selection process, and organization of initiatives. The BOSR is cognizant of CAISO's delicate balancing act of the need to prioritize initiatives internal to the BA and the overall requests and priorities from the greater WEIM/EDAM footprint. The BOSR appreciates CAISO's awareness of the importance of transparency in the initiative prioritization process and is pleased to learn that it is endeavoring to provide additional insight into its processes in this Policy Catalog iteration. Additionally, the BOSR supports the CAISO's commitment to holding stakeholder workshops to identify opportunities for prioritization in this Policy Catalog iteration. The BOSR also supports the incorporation of the Regional Issue Forum Roundtable (RIF) as a convening for discussion among EIM sector representatives. The BOSR sees value in the regional and multi-sectoral perspective the RIF brings to the policy catalog development process as the CAISO seeks to manage resources and transparently balance priorities across the market footprint. The BOSR supports sequencing the initiative prioritization so that the RIF sector

liaisons have the full set of stakeholder initiative proposals in advance of their sector discussions and prioritization prior to the Regional Issue Forum Roundtable.

### **Concluding Remarks**

The BOSR appreciates the changes underway at the CAISO to enhance the Policy Catalog and Roadmap processes and supports the direction the CAISO is moving towards the overall improvement of the process.