

2027-2029 Final Market Design Initiatives Roadmap

Appendix C: Status Updates – Active Market Design Initiatives

November 17, 2026

EDAM Congestion Revenue Allocation Phase 2

Decision: Final proposal for the congestion revenue allocation framework | Target: WEM Governing Body, Q3 2027 | Updated November 2026

1. Scope of policy initiative

The initiative evaluates the development of a long-term and durable framework for allocating day-ahead congestion revenues across EDAM balancing areas, including revenues associated with parallel flows—where a constraint in one area affects congestion costs in another. The initiative seeks to (1) move away from congestion revenue allocation rules that incentivize self-scheduling or otherwise influence bidding behavior, and (2) support equitable allocation of congestion revenues among entities as the EDAM footprint expands. The initiative is currently in the stakeholder working group stage evaluating potential design concepts.

2. Design principles

This initiative furthers broad market design principles to support risk management, signal efficient investment decisions, and maintain incentive compatibility.

Additionally, the ISO and stakeholders established a set of design principles through which to evaluate potential future long-term durable designs. These principles include:

- *Equitable allocation* – congestion revenues are allocated equitably between EDAM entities avoiding undue cost shifts between EDAM areas.
- *Continued administration of tariffs and preservation of transmission incentives* – congestion revenue allocation is supportive of the continued administration of Open Access Transmission Tariffs (OATT), preservation of the long-term transmission investments while continuing to incent those investments, and continued administration of Congestion Revenue Rights (CRR) in the CAISO balancing area.
- *Market efficiency* – the design supports and incents economic participation and efficient market outcomes, while minimizing or eliminating self-scheduling incentives.
- *Transparency* – the design supports continued transparency into grid data and information to support market participant needs in managing congestion cost exposure.

The full list of design principles will continue to be evaluated and revised as necessary as the initiative progresses.

3. Areas of alignment and open opportunities to align

Areas of alignment: established consensus within working groups on the principles informing development of a long-term and durable congestion revenue allocation design. Additional areas of alignment center around continued design evaluation of "concept #3", which focuses on establishing CRR entitlements associated with firm OATT transmission rights across EDAM balancing areas and CRR within the CAISO balancing area, with both tested through a common simultaneous feasibility test. The working group will continue to define the design elements of this particular design structure through future working group meetings.

Areas of opportunity: continued definition of design elements including the types of OATT transmission rights eligible for the congestion revenue entitlement as well as the modeling of the CAISO balancing area CRRs and uses of the system within the simultaneous feasibility test. Additional areas include consideration of any unique simultaneous feasibility test assumptions, managing revenue adequacy of the design and shortfall treatment, ensuring the design can evolve with the expanding EDAM footprint, and further structural elements of a simultaneous feasibility test design that produces congestion revenue entitlements.

4. Timeline and next steps

Q1 2026 – Q1 2027: stakeholder working groups discussing design principles and evaluating design concepts for congestion revenue allocation.

Q1 – Q3 2027: iterative proposal publication, vetting, and review with stakeholders.

Q3 2027: Final proposal and WEM Governing Body decision.

Congestion Revenue Rights Enhancements: Phase 2a Modeling

Decision: Phase 2a modeling enhancements for revenue adequacy | Target: Board of Governors, Q2 2027 | Updated November 2026

1. Scope of policy initiative

Background: The Board approved Phase 1 on July 16, 2026, giving the ISO authority to calibrate the quantity of CRRs released based on, among other things, loop flow modeling in the annual CRR process. **In scope for near-term decision (Phase 2a, decision Q2 2027):** (1) authority to update the auction model after the allocation using the latest capacity availability information; (2) extending "break-even analysis" (another calibration process to inform quantity of available CRRs) to the monthly process. **Sequenced behind (Phase 2b, decision now Q2 2028):** product definition, auction efficiency options, an allocation process review, and all other remaining scoping areas. **Coordinated with:** EDAM Congestion Revenue Allocation (decision Q3 2027) and its possible common CRR-OATT right feasibility test.

2. Design principles

This initiative furthers broad market design principles to support risk management, maintain revenue neutrality, and avoid undue cost shifts.

Through several working group meetings, stakeholders set five goals tied to two core CRR functions.

Function 1: Fair allocation of transmission revenues to customers paying the embedded costs of the transmission system

- CRRs in the auction should be priced at a reasonable approximation of their costs and the expected payout of congestion rent in the day-ahead market
- Customers paying the costs for the CAISO transmission grid should receive approximately commensurate value for payouts made to CRR rights purchased in the auction when considering all demonstrated value provided by entities purchasing CRRs in the auction

Function 2: Allow hedging costs of congestion in the context of a day-ahead energy market

- The CRR market's products and processes should facilitate the ability for participants to obtain effective hedging tools and maintain the hedging value of CRRs to the extent possible, including by minimizing divergence between the CRR model and the day-ahead market model.
- Day-ahead energy market participants exposed to congestion risk should be able to hedge that risk efficiently
- The CRR market structure should support open access to the CAISO transmission system, in keeping with FERC Order 888.

3. Areas of alignment and open opportunities to align

Areas of alignment: In the Phase 1 comments, the majority supported the phased approach, with near-unanimous support and no opposition to loop flow modeling and in-tariff modeling improvements. Stakeholders accepted the root-cause findings and agreed Phase 1 should be built on in Phase 2. Initial Phase 2 comments suggest most stakeholders support exploring the Phase 2a scope items further, subject to some caveats.

Open opportunities to align: (1) *Prioritization*: whether to pursue the 2a scope first, given stakeholder interest in other scoping areas; (2) *Baseline*: requests for analysis of Phase 1 impacts before adopting anything in Phase 2; (3) *Expected impacts*: requests for analysis of the expected magnitude of a monthly breakeven calculation; (4) *Process details*: how and when model changes would be communicated; (5) *Phase 2b topics*: stakeholders share an understanding of the concerns but hold opposing positions on solutions. DMM, several LSEs, and CPUC staff see the gap between auction revenues and CRR payouts as evidence that CRRs are sold too cheaply, while marketers counter that the metric ignores the price discovery and hedging value their participation provides. Some stakeholders support refining the time-of-use periods CRRs cover to better match hedging needs and improve CRR valuation.

4. Timeline and next steps

Completed (2026): Phase 1 Board approval (July 16); first Phase 2 stakeholder meeting (September 30).

Q4 2026: Publish straw proposal on modeling enhancements.

Q1 2027: Revised proposal and analysis, subject to stakeholder input.

Q2 2027: Final proposal and Board of Governors decision.

After decision: Phase 2b follows (decision Q2 2028).

Demand and Distributed Energy Market Integration: Behind-the-Meter Export (End-Use Customer Exports in Demand Response)

Decision: Paused pending further internal work to allow coordination with the California Public Utilities Commission (CPUC) and California Energy Commission (CEC) on Senate Bill 913 and with other Western state agencies. | Target: Resume in 2028 | Updated November 2026

1. Scope of policy initiative

This DDEMI phase responded to growing adoption of behind-the-meter storage, largely within the state of California. Some of these resources participate in the market as demand response. Since demand response (DR) is essentially load curtailment, a customer's site load acted as a floor on performance. As a result, end-use customers with behind-the-meter energy storage that are part of a wholesale demand response resource could not offer their full physical capability to the wholesale market. This initiative proposed a targeted ISO demand response metering change to address this. The draft final proposal would have allowed utility-authorized customer exports to count toward DR performance, while maintaining DR as a net load-curtailment product. It also included safeguards for export interconnection verification and registration.

2026 accomplishments: straw proposal (March 13), revised straw proposal (June 11), draft final proposal (July 8), and a briefing to the ISO Board of Governors and WEM Governing Body (July 15).

What changed (Senate Bill 913): California recently enacted Senate Bill 913, a law that requires the CPUC to revisit resource adequacy capacity accreditation rules for existing market-integrated models for aggregated distributed energy resources, including the ISO's DR models and its Distributed Energy Resource Aggregation (DERA) model. It also requires the CPUC to collaborate with the CEC and the ISO on recommended changes to both the DR and DERA market model by June 2028.

The ISO's market participation models are available under its open-access tariff, although use of individual participation models depends on meeting their applicable market and locational requirements. Today these models are primarily used by California entities, and SB 913 specifically addresses California's resource adequacy framework. The ISO intends to work closely with the CPUC on this effort, which touches foundational questions about how aggregated DER exports are accredited for RA capacity and which participation pathway best represents those exports. This initiative was scoped as a targeted, near-term change to DR metering. In working through those capacity questions, it also makes sense to consider whether DR or DERA provides the more durable pathway for behind-the-meter storage, including whether DERA can more directly capture exports without relying on DR baselines. That is a question the ISO and its stakeholders would have needed to address as the work evolved.

2. Design principles

This initiative furthers broad market design principles to enable truthful bidding, ensure nondiscriminatory treatment, and maintain incentive compatibility.

3. Areas of alignment and open opportunities to align

Areas of alignment: DER and aggregator stakeholders generally supported moving forward, including CalCCA, MCE, Advanced Energy United, CALSSA, Leap, Sunrun, Tesla, Voltus and Renew Home. DMM and California IOUs supported elements of the proposal, with recommendations for additional safeguards or modifications.

Open opportunities to align: (1) *wholesale and retail (NEM/NBT) participation and compensation:* CPUC Energy Division, Public Advocates office at the CPUC, the California IOUs, and papers including *Unlocking California's Flexible Load: A Durable Blueprint for Affordability and Reliability* from GridLab, Kevala and E3, raised concerns about retail and wholesale compensation and recommended exclusions or additional coordination with the CPUC; (2) *Baseline accuracy and performance*: DMM prioritized baseline improvements, while parties differed on

appropriate baseline adjustments; (3) *RA and export treatment:* stakeholders raised broader questions about how exports should receive capacity value and whether the resource-level export limit should remain an interim approach; and (4) *Implementation safeguards*: parties sought additional registration, validation, monitoring and audit requirements.

4. Timeline and next steps

Paused: The ISO is pausing this initiative's policy development pending further internal work and coordination with the CPUC and CEC on SB 913, as well as other western state agencies, which may shape key elements of the ultimate market design. Existing proposals, stakeholder comments, and analysis remain on the record to inform future work in 2028 on an approach that works across the entire WEIM, EDAM, and CAISO BAA footprint, following the stakeholder prioritization process in place at that time.

Demand and Distributed Energy Market Integration: Nonconforming Load Enhancements

Decision: Nonconforming load enhancements | Target: WEM Governing Body, Q4 2027 | Updated November 2026

1. Scope of policy initiative

As large loads such as data centers and other industrial facilities continue to grow across the West, non-conforming loads, whose consumption does not follow the patterns captured in standard load forecasts, are becoming a larger and more important part of system demand. The Demand and Distributed Energy Market Integration (DDEMI) initiative's non-conforming load track examines how these loads should be made visible, forecast, and represented in the markets so that forecasting, market outcomes, and reliable operations keep pace with that growth.

In scope: (1) visibility of non-conforming loads across the EIM and EDAM footprints to support forecasting, efficient market outcomes, and reliable operations, including consideration of a 10 MW threshold for transmission and distribution connected loads across end uses; (2) clearer non-conforming demand requirements for scheduling and forecasting; and (3) for flexible loads, whether changes to existing market participation models are needed.

Out of scope: BAA specific matters such as interconnection, transmission planning and studies, cost allocation, and other responsibilities that remain under applicable BAA, utility, or regulatory authority.

2. Design principles

This initiative furthers broad market design principles to respect participant autonomy, ensure nondiscriminatory treatment, and enable truthful bidding.

This initiative applies the broader DDEMI principles to non-conforming loads, ensuring requirements are need-based, proportionate, and technology- and end-use-neutral.

- **Competition:** Remove unnecessary barriers to non-conforming load participation while applying comparable requirements to resources providing comparable wholesale services. Visibility and forecast representation alone should not require a non-conforming load to participate as a market resource.
- **Reliability/Compliance:** Ensure the ISO and BAAs have the information needed to reliably forecast and operate the system, building from information and processes that already exist before establishing new requirements.
- **Efficiency:** Accurately represent non-conforming load consumption and flexibility in forecasting and market processes, while avoiding double counting between load and market resource representation.
- **Simplicity/Feasibility:** Build on existing forecasting, telemetry, scheduling, and participation frameworks where practical rather than creating new non-conforming load constructs unless there is a demonstrated gap.
- **Facilitate State Goals:** Establish a scalable wholesale framework that can work across WEIM and EDAM while respecting the roles of BAAs, PTOs, utilities, and state and local regulators.

3. Areas of alignment and open opportunities to align

Areas of alignment: Stakeholder outreach discussions support a sequenced approach: establish the visibility needed for forecasting and operations, clarify non-conforming demand requirements, and then assess whether additional market representation or participation changes are needed.

Open opportunities to align: (1) *Visibility threshold*: determining what threshold appropriately identifies non-conforming load requiring additional visibility across WEIM and EDAM BAAs; (2) *Data requirements and timing*: what information is needed, at what granularity and frequency, and how those requirements align with resource sufficiency and non-conforming demand processes; (3) *Flexible-load representation*: how existing participation models, apply across CAISO, WEIM, and EDAM BAAs and whether additional changes are needed; (4) *RA and RSE*

treatment: how non-conforming load treatment interacts with existing resource adequacy, resource sufficiency, and local regulatory frameworks.

4. Timeline and next steps

Q1 2027: Work with stakeholders to identify demonstrated gaps and refine visibility and non-conforming load requirements.

Q2–Q3 2027: Develop stakeholder-led proposals to address demonstrated visibility, forecasting, and representation gaps, including market participation changes if needed.

Q4 2027: Final Proposal and WEM Governing Body decision.

GHG Accounting and Attribution Enhancements

Decision: Potential 2027–2028 market design initiative | Target: Final linkage proposal, Q3–Q4 2027 | Updated November 2026

1. Scope of policy initiative

The initiative provides a forum for continued evaluation and consideration of GHG accounting and attribution market design enhancements, informed by EDAM and WEIM operational experience as well as the evolving regulatory landscape across Western states. Areas of expected consideration include:

Linkage between the California/Washington cap-and-invest programs: resolve double counting of compliance costs between GHG areas, maintain resource-specific reporting of imports to fulfill each state's reporting requirements, and explore changes to bidding rules and their impact on price formation and contracting.

GHG net export constraint: An approved policy that stakeholders proposed as a backstop to limit secondary dispatch. Stakeholders supported it but cited concerns about market efficiency, so the ISO committed to transparency and continued engagement. The ISO observed anomalous market outcomes when testing the design in EDAM parallel operations and plans to engage stakeholders to explore changes to the policy and its implementation.

This initiative also provides an open forum of ad hoc stakeholder recommendations for further consideration and policy development.

2. Design principles

This initiative furthers broad market design principles to follow cost causation, enable truthful bidding, and maximize market surplus.

3. Areas of alignment and open opportunities to align

Areas of alignment: Stakeholders completed the GHG accounting and reporting proposal in October 2025 and supported the GHG net export constraint as a backstop. There is also common ground on maintaining resource-specific reporting of imports and on phasing in the Washington GHG area enhancements (January 1, 2027) and enhanced geographic modeling (June 1, 2027), with market simulation to test and validate functionality before implementation.

Open opportunities to align: (1) *Linkage between the California and Washington programs:* resolving double counting of compliance costs while preserving resource-specific import reporting, and the price formation and contracting effects of bidding rule changes; (2) *GHG net export constraint:* addressing the anomalous outcomes seen in EDAM parallel operations and evaluate need for and/or modifications to the constraint design; (3) *Implementation:* open questions in the accounting and reporting protocol, adaptability to evolving regulation across Western states, and whether current mechanisms to account for contracts are sufficient to ensure attribution where appropriate.

4. Timeline and next steps

January 1, 2027: Washington GHG area enhancements (EDAM Enhancements Phase 1) take effect. The Washington Department of Ecology's specified-import framework identifies the importer responsible for reporting and compliance obligations, and the ISO adds support for bidding between and into both CA and WA GHG areas, with two separate GHG price signals.

Q1–Q2 2027: Launch stakeholder scoping; validate Phase 1 market outcomes and Phase 2 market simulation; discuss options and iterate on proposals for linkage enhancements.

June 1, 2027: Enhanced geographic modeling for multi-state entities (EDAM Enhancements Phase 2) is implemented after an additional market simulation period that allows the ISO and market participants to test and validate its functionality.

Q3–Q4 2027: Issue the final proposal for linkage; use operating experience to discuss next steps for the GHG net export constraint. The GHG coordination working group remains a venue for transparency and discussion as finalized GHG policies are implemented, and the ISO may continue to engage stakeholders to resolve open questions in the accounting and reporting protocol.

Intertie Schedule Modeling Enhancements

Decision: GAP-Tie (DGAP) modeling of CAISO intertie schedules | Target: Core modeling elements, Q2 2027 | Updated November 2026

1. Scope of policy initiative

In EDAM, scheduling-point tie (SP-Tie) modeling represents intertie schedules at the scheduling point between balancing authority areas (BAAs), and the prices at those points are used to settle energy exchanges between BAAs. EDAM launched with SP-Tie modeling retained on CAISO balancing area interties. This design is recognized as transitional while the ISO and stakeholders consider more accurate modeling of the effects of these schedules on constraints and congestion in the EDAM footprint.

The initiative seeks to evaluate:

(1) Enhancing the modeling of schedules on CAISO balancing area interties to the generation aggregation point (GAP-Tie) to more accurately reflect their effect on congestion and improve congestion management; and (2) phasing out intertie bidding at EDAM internal intertie locations, which support efficient transfers within the EDAM footprint and have no physical generation.

2. Design principles

This initiative furthers broad market design principles to maximize market surplus, signal efficient investment decisions, and avoid undue cost shifts.

3. Areas of alignment and open opportunities to align

Areas of alignment: Stakeholders generally agree that accurate price signals and intertie schedule modeling are important for effective congestion management and for mitigating cost shifts across a growing EDAM footprint.

Open opportunities to align: (1) *Phase-out of internal intertie bidding*: continued evaluation of the implications of, and alternatives to, phasing out intertie bidding at CAISO EDAM internal intertie locations; (2) *Price comparison*: further analysis comparing prices at intertie locations under the GAP-Tie design with the existing design to inform the transition.

4. Timeline and next steps

Q2 2026 – Q1 2027: stakeholder workshops discussing the scope elements of the initiative and identification of potential solutions with stakeholder input.

Q1 – Q2 2027: publication of straw proposal and subsequent iterations with stakeholder input.

Q2 2027: Final Proposal and WEM Governing Body decision.

Price Formation Enhancements

Decision: BAA-level market power mitigation and scarcity pricing | Target: Q2 2027 | Updated November 2026

1. Scope of policy initiative

Improve balancing authority area (BAA)-level market power mitigation by testing BAAs in groups rather than individually, recognizing load-serving obligations, and mitigating only pivotal suppliers. Improve real-time scarcity pricing during emergency conditions like firm load shedding or arming load. Comprehensive scarcity pricing and extending BAA-level mitigation to the CAISO BAA were deferred issues under the July proposal. Fast-start pricing remains within the broader initiative but outside this package.

Stakeholder feedback in the PFE working group will inform the scope and sequencing. One approach is to advance selected BAA-level market power mitigation (MPM) and emergency pricing changes and, in parallel, develop a revised methodology for import competition as a needed refinement to enable consideration of whether to maintain the CAISO BAA default competitive status in the BAA-level MPM test, and design comprehensive scarcity pricing.

Recent stakeholder feedback underscores the need to coordinate these elements and assess whether separate governance decisions could speed up their implementation.

2. Design principles

This initiative furthers broad market design principles to protect market competitiveness, maximize market surplus, and maintain incentive compatibility.

3. Areas of alignment and open opportunities to align

Areas of alignment: Stakeholders support improving the accuracy of BAA-level MPM, including the proposed "grouping approach" that tests connected BAA groups, the load-serving obligation adjustment, and mitigating only pivotal suppliers. There is also support for improving scarcity price signals, although stakeholders differ on the scope, urgency, and specific mechanisms.

Open opportunities to align: (1) *Mitigation scope*: whether and when BAA-level mitigation should apply to the CAISO BAA; (2) *Intertie supply*: how the test should account for it; (3) *Scarcity pricing*: the design and timing of enhancements; (4) *Coordination*: how comprehensive scarcity pricing should align with MPM reforms; (5) *Governance path*: whether the remaining PFE elements should advance through separate decisions or as a more integrated package; (6) *Fast-start pricing*: the priority of further work.

4. Timeline and next steps

Q4 2026-Q1 2027: Continue policy development and assess stakeholder feedback. Publish draft final proposal.

Q2 2027: Assess the PFE trajectory, including whether selected near-term regional MPM improvements and emergency pricing reforms can advance separately from broader reforms. If yes, then advance to WEM Governing Body decision.

Q2-Q4 2027: Advance the remaining PFE elements in accordance with the roadmap.

RA Modeling and Program Design Track 2: RAAIM & Outage Substitution

Decision: RAAIM reform, system RA MOO, outage substitution for RA capacity, and outage definitions | Target: Board of Governors, Q3 2027 | Updated November 2026

1. Scope of policy initiative

In scope: (1) a new resource adequacy availability incentive mechanism (RAAIM) design replacing the existing static monthly charge/payment mechanism, with straw proposals including a two-tier, event-based assessment that compares bids and outages to a resource's shown resource adequacy (RA) capacity, with bounded monthly penalty exposure; (2) revised resource-type RAAIM rules to reasonably incentivize availability during stressed conditions; (3) revised must-offer obligation (MOO) rules for dispatchable system RA resources; (4) an outage substitution "shopping cart"; and (5) revised outage definitions, including planned, urgent, and forced outages.

UCAP interaction: The CA Public Utilities Commission (CPUC) adopted UCAP as the accreditation methodology for storage and dispatchable thermal resources for RA year 2028, but the capacity value it will send the ISO (UCAP or ICAP-based) is not final and feeds shown RA, MOO, RAAIM, substitution, and backstop procurement. CPUC coordination on this issue is therefore in scope. Stakeholders have asked to expand the Track 2 scope (or add separate processes) to evaluate UCAP's implications for these ISO processes, local RA, and high priority exports.

Out of scope for RAMPD Track 2: Flex RA redesign, a performance assessment mechanism, backstop procurement reforms, and MIC changes.

2. Design principles

This initiative furthers broad market design principles to maintain incentive compatibility, enable truthful bidding, protect market competitiveness and ensure nondiscriminatory treatment.

The ISO and stakeholders agreed that reforms should satisfy five objectives: efficiency and usability; incentive alignment; regulatory alignment; reliability and certainty; and fairness, simplicity, and durability. The working group's problem statements find that RAAIM does not effectively incentivize RA resources to be available to offer capacity when needed, and that current outage substitution rules push SCs to hold back RA capacity for planned outages, creating artificial tightness in the RA market. As local regulatory authority qualifying capacity (QC) methodologies such as UCAP change, a new availability mechanism is needed so that QC methodologies, RAAIM, and energy market price signals work together.

3. Areas of alignment and open opportunities to align

Areas of alignment: Most agree that today's RAAIM needs refinement based on existing and emerging policy goals, and that a short-term availability incentive remains valuable alongside UCAP accreditation (CPUC Energy Division, PG&E, CalCCA, Constellation, DMM). The CPUC's Energy Division supports the general direction of RAMPD Track 2 as it develops the details of its UCAP accreditation methodology. Load-serving entities generally support the new RAAIM design and the direction of the "shopping cart" outage substitution proposal.

Open opportunities to align: (1) *UCAP sequencing:* some stakeholders view the RAAIM and MOO redesigns as premature until CPUC further develops its UCAP design; the ISO is proceeding in parallel and in coordination with CPUC; (2) *Which value:* stakeholders generally agree the ISO should translate QC values for storage and dispatchable thermal resources into must-offer obligations and RAAIM exposure, but the details remain open; (3) *Downstream effects:* some stakeholders seek evaluation of the impact of changing QC values on energy export prioritization, deliverability for RA capacity, and local RA processes; (4) *Outage definitions:* some stakeholders oppose eliminating the short-notice opportunity outage RAAIM exemption; (5) *Substitution enhancements:* one group of stakeholders supports the "shopping cart" approach to improve substitute capacity procurement, while another supports a more centralized market approach for maximum efficiency.

4. Timeline and next steps

Completed (2026): May straw proposal; July revised straw proposal; October second revised straw proposal and accompanying stakeholder meetings.

Q1-2 2027: Stakeholder-led discussion of RAAIM reform and UCAP coordination; draft final proposal.

Q3 2027: Final proposal and Board of Governors decision.

Storage Design & Modeling: Default Energy Bids (Storage and Hybrid)

Decision: Default energy bids for storage and hybrid resources (Topic Group 2a) | Target: WEM Governing Body, Q2 2027 | Updated November 2026

1. Scope of policy initiative

In scope for the near-term decision: (1) a time-of-day storage default energy bid (DEB) that considers variable operations costs, price-based opportunity costs, the gas floor, and a time-of-day multiplier, and is usable by all storage—including WEIM-only resources and EDAM—rather than only resources that rely on day-ahead outputs; and (2) a "greater-of" DEB for hybrid resources that uses the highest applicable DEB value to subject hybrids to market power mitigation. A component must represent at least 30% of installed capacity to be considered as part of the "greater-of" calculation. **Sequenced behind the DEB decision:** storage uplift/bid cost recovery (decision now Q1 2028) and state-of-charge management, including the reframed bidding concept (decision now Q3 2028). DEB improvements are intended to provide the foundation for those later decisions.

2. Design principles

This initiative furthers broad market design principles to protect market competitiveness, enable truthful bidding, and ensure nondiscriminatory treatment.

3. Areas of alignment and open opportunities to align

Areas of alignment: Most commenters, including DMM, CESA, Cal Advocates, CalCCA, CPUC Energy Division, PacifiCorp, SDG&E, and SCE, supported continuing development of the time-of-day approach. DMM supported the two September revisions: retaining the 1.1 price-based opportunity cost multiplier (not 1.4) and delaying the multiplier step-down until hour-ending 18 or later. Most commenters also supported the greater-of hybrid DEB, and most see no issue with or support a minimum share of 30%, which ensures default energy bids reflect the marginal cost of a significant portion of the resource.

Open opportunities to align: Storage DEB: (1) *Lower time-of-day multiplier*: most stakeholders favored 1.0 after peak, while DMM and Cal Advocates favored values below 1.0; the ISO's view is that storage value extends beyond the trading day; (2) *Multiplier timing*: some stakeholders favor a higher multiplier triggered by a condition rather than applied every day; (3) *Price-scaling step*: DMM and others request specific scalar calculations and updated analysis; (4) *Price basis*: requests for empirical analysis of using trading-hub rather than LMP prices. **Hybrid DEB:** (1) *Minimum Share*: Some stakeholders favor a minimum share threshold that is only applied prospectively.

4. Timeline and next steps

Completed (Jul–Oct 2026): July straw proposal; September revised straw proposal.

Q4 2026: Complete analyses on the scaling step, multiplier timing, and price basis; publish the draft final proposal.

Q2 2027: Storage DEB final proposal and WEM Governing Body decision.

After decision: Design discussions on uplift (Q1 2028) and state-of-charge management (Q3 2028) build on the DEB foundation.