



# **Inter-SC Trades in Regional Markets**

## **Draft Final Proposal**

**September 5, 2024**

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## Draft Final Proposal

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## 1. Introduction

Transactions for supply across the West are extensively executed through bilateral contracts across different timeframes to support reliable load service. The bilateral contracts establish provisions for settlement between the parties to the agreement of the energy produced by the generation, including if the energy is offered into the ISO day ahead or real time markets. To the extent the energy is bid into the ISO markets and the bid is awarded by the market, the market settlement for the scheduled energy occurs with the scheduling coordinator offering the energy into the market.

The ISO markets provide a settlement service for inter-Scheduling Coordinator trades (“inter-SC trades”), which is a mechanism to facilitate settlement through the market of bilateral power purchase contracts between parties by offsetting ISO settlement charges against bilateral contractual payment responsibilities. Scheduling coordinators in the ISO market can submit an inter-SC trade, effectively trading settlement obligations between identified scheduling coordinators and supporting bilateral contract payment responsibilities between the parties to the agreement. Inter-SC trades do not impact market optimization, schedules, or dispatch since they are simply optional market settlement features to settle trades on bilateral contractual arrangements between scheduling coordinators.

Inter-SC trades are currently supported within the ISO balancing authority area, but are otherwise not a feature across the wider Western Energy Imbalance Market (WEIM) footprint nor have these been proposed as part of the forthcoming Extended Day Ahead Market (EDAM). This draft final proposal evaluates the value of extending the inter-SC trade feature across the wider day ahead and real time market footprint, thus enabling the ability to effectuate inter-SC trades within other balancing areas to the extent stakeholders find benefit in this market feature.

## 2. Executive Summary

Inter-SC trades are an optional settlement feature of ISO markets facilitating settlement between two scheduling coordinators to support streamlined bilateral financial arrangements between the parties. Inter-SC trades have no impact on market optimization, market schedules, or dispatch. Currently, inter-SC trades are supported only within the ISO balancing area and are not a feature of or available within WEIM or EDAM balancing authority areas.

The ISO proposes to extend inter-SC trade functionality, for trades of Energy, to WEIM and EDAM balancing authority areas. Extending existing processes and functionality of inter-SC trades of Energy to WEIM and EDAM areas will provide additional value and tools to market participants within the broader market footprint to support the settlement of bilateral contracts between two parties through inter-SC trades effectuated in the market between scheduling coordinators.

In comments to the straw proposal, stakeholders supported extension of the inter-SC trades of energy functionality to WEIM and EDAM balancing areas, and this draft final proposal retains that recommendation. If approved by ISO Board of Governors and the Western Energy Markets Governing

Body, the inter-SC trade functionality would become available in WEIM and EDAM areas commensurate with the launch of EDAM in 2026.

### 3. Stakeholder Comments on the Straw Proposal and Responses

Stakeholders submitted six sets of comments to the straw proposal, which were due on August 30<sup>th</sup>.<sup>1</sup> All the commenters supported the proposed extension of the inter-SC trades of energy functionality to WEIM and EDAM balancing areas.

The Balancing Authority of Northern California (BANC) urged the ISO to move forward with the proposal at the earliest possible instance as this would support the needs of its members and in some instances support compliance with federal payment and transfer restrictions of the Western Area Power Administration Sierra Nevada Region (WAPA-SNR), a federal agency, as they move toward EDAM participation. Direct Energy supported the proposal to extend the inter-SC trade functionality to WEIM and EDAM areas as it would support its participation structure. GridStor supported the proposal to extend inter-SC trade functionality and expressed support for enabling inter-SC trades of energy functionality to non-Generating Resources (NGRs). Pacific Gas & Electric supported the proposal to extend inter-SC trades of energy functionality to WEIM and EDAM, and cautioned against extension of other forms of inter-SC trades, such as for ancillary services, until the market function of ancillary-service co-optimization was considered in the wider WEIM and EDAM context. The Department of Market Monitoring (DMM) supported the proposal as the inter-SC trade functionality will help further integrate bilateral markets in the West. Finally, the Western Power Trading Forum (WPTF) generally supported extension of the inter-SC trade functionality as proposed, encouraged the ISO to ensure that Aggregate Pricing Nodes (APN) are created transparently and consistently, requesting thorough testing of the functionality, along with questions that are addressed below.

With regards to Direct Energy's request that inter-SC trade functionality be extended to NGRs, this functionality and system enhancements are currently in development independent of this proposal. As part of the development of the NGR model, the intent has been to support inter-SC trade energy functionality and enable physical trades at the specific location of the modeled NGR. This functionality is currently targeted for implementation in the summer of 2025 within the ISO balancing authority area and as existing functionality would also be extended to WEIM and EDAM areas to the extent the ISO moves forward with this proposal.

WPTF in its comments encouraged the ISO to ensure that APNs in non-ISO EDAM balancing areas are created transparently and consistently, as they note a use case is hedging congestion cost allocation risk in non-ISO EDAM areas associated with bilateral transactions. It is important to note that inter-SC trades are not intended for hedging of congestion risk within or between balancing areas. As noted in the proposal, inter-SC trades are an optional mechanism for parties to facilitate settlement of aspects of bilateral contracts through the market settlements by directing or trading the settlement obligations

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<sup>1</sup> Comments submitted by the Balancing Authority of Northern California (BANC), CAISO Department of Market Monitoring, Direct Energy, GridStor, Pacific Gas & Electric, and the Western Power Trading Forum (WPTF).

between two scheduling coordinators related to energy settlements. Inter-SC trades are location-specific, settled at the singular physical location of the generator (physical trades) or at the specifically defined APN within the balancing area. Inter-SC trades are not settled between different locations within the balancing area or between balancing areas. As an optional feature, inter-SC trades may not facilitate settlement through the market of all aspects of bilateral contracts and parties have the ability to continue to manage settlement and distribution of bilateral contract obligations without inter-SC trades as has been the case to date through the WEIM. To the extent APNs are established within a WEIM or EDAM balancing area, these will be transparently defined and transparently priced<sup>2</sup>, visible to all stakeholders as is the case with APNs established within the ISO balancing area today.

WPTF also suggests that prospective EDAM entities, based on how non-ISO EDAM entity tariff efforts are progressing, could act as scheduling coordinators for the different load serving entities within their balancing area and limit the value of inter-SC trade functionality between scheduling coordinators representing generation and those representing load. On this topic, prospective EDAM entities are working through their stakeholder processes and it is premature to speculate on the scheduling coordinator relationship structure and requirements they will establish within their balancing area and with their customers. It is also important to reiterate here the optionality of the inter-SC trade functionality, and that parties can continue to settle their bilateral arrangements outside of the market without the use of the inter-SC trade mechanism irrespective of the scheduling coordinator structure within the balancing area.

Lastly, WPTF urged thorough testing of the inter-SC trade functionality before go-live to support parties being able to test the functionality and incorporate this feature into their participation structure. To the extent the proposal is approved by the ISO Board of Governors and the Western Energy Markets Governing Body, and subsequently filed and approved by FERC, it would become part of the EDAM implementation activities and the functionality will be available for testing through the planned three month market simulation process slated for September 1<sup>st</sup> through December 1<sup>st</sup> 2025. During this market simulation period, market participants will be able to thoroughly test the functionality along with the ISO. This inter-SC trade functionality would then subsequently become active in the market upon the launch of EDAM for both WEIM and EDAM balancing areas.

In light of the supportive stakeholder comments during the stakeholder call and the written comments received on the straw proposal, the ISO continues to propose the extension of inter-SC trades of energy functionality to WEIM and EDAM areas in this draft final proposal. The ISO also proposes to accelerate this topic for decision to the September 25-26 joint session of the ISO Board of Governors and Western Energy Markets Governing Body. The ISO will publish tariff revisions before or soon after the decisional meeting and start the stakeholder tariff review process, with an aim to file the tariff revisions with FERC in October 2025.

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<sup>2</sup> Definition or composition of APNs and pricing at APNs is visible on the ISO OASIS page as well as other location on the ISO website where prices are tracked.

## 4. Inter-SC Trades Background

The ISO facilitates inter-SC trades of Energy, Ancillary Services, and Integrated Forward Market (IFM) Load Uplift Obligation as part of the settlement processes to support streamlined bilateral contractual financial arrangements that may exist between parties. Inter-SC trades are an optional feature arranged through the ISO market between two or more scheduling coordinators. Importantly, inter-SC trades do not have an impact on market optimization, market scheduling, or dispatch of resources, but are purely an optional settlement mechanism between scheduling coordinators. Otherwise, all trades are settled bilaterally between scheduling coordinators outside the ISO's markets. Currently, different types of inter-SC trades are supported only within the ISO balancing authority area across the day ahead and real time markets.

### 4.1. Types of Inter-SC Trades

The ISO facilitates three types of inter-SC trades: (1) Energy; (2) Ancillary Services; and (3) IFM Load Uplift Obligations. For the day-ahead market, inter-SC trades can be submitted starting 7 days prior to the trading day by 11:00 hours (HE11) the day prior to the trading day. For the real-time market, inter-SC trades may be submitted beginning at 00:00 hours the day prior to the trading day and up to 45 minutes prior to the trading hour.

#### 4.1.1. Inter-SC Trades of Energy

Inter-SC trades of Energy<sup>3</sup> can facilitate contractual delivery and settlement of bilateral power purchases or otherwise trades of Energy at defined points on the system. The inter-SC trade of Energy feature, which can be executed in the day ahead and real time markets, allows for a quantity of MWs to be traded between two SCs at a specific location for a specific trading hour. There are two types of inter-SC trades:

- **Physical trade:** an inter-SC trade at a specific physical generating unit Pricing Node (PNode) as modeled by the ISO systems. The scheduling coordinator for that specific resource can submit a physical inter-SC trade at the resource location including identification of the counterparty scheduling coordinator. The scheduling coordinator that submitted the physical inter-SC trade for the specific resource can also bid in that resource – economic or self-schedule bid – into the day ahead or real time markets. There is no limit on the number of physical inter-SC trades that a scheduling coordinator can submit or participate in.

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<sup>3</sup> Under the ISO tariff, Energy is defined as the electrical energy produced, flowing or supplied by generation, transmission or distribution facilities, being the integral with respect to time of the instantaneous power, measured in units of watt-hours or standard multiples thereof.

- **Trades at Aggregate Pricing Nodes (APN)** – these inter-SC trades are not backed by a physical resource, and can occur at modeled Trading Hubs<sup>4</sup> or Load Aggregation Points<sup>5</sup> (LAP). A scheduling coordinator can submit an inter-SC trade at an APN identifying a counterparty scheduling coordinator that submits and validates the inter-SC trade at the same location. Unlike with physical inter-SC trades, scheduling coordinators can participate in one APN inter-SC trade per scheduling coordinator counterparty at each APN location per trading hour.

Of important note, inter-SC trades of Energy cannot be conducted at intertie scheduling points. As noted earlier, inter-SC trades of Energy can be executed in the day ahead market and in the real-time market Hour Ahead Scheduling Process (HASP). Inter-SC trades of Energy that are submitted in the day ahead market are settled at the hourly day ahead market LMP at the Aggregated Pricing Node or the PNode. Those inter-SC trades of Energy submitted in the real time market – HASP – are settled hourly based on the simple average of the real time market RTM Dispatch Interval LMPs at the applicable Aggregate Pricing Node or PNode.

Inter-SC trades of energy consist of trades from both scheduling coordinators and contain the following information:

- Scheduling Coordinator ID Code (SCID) of the scheduling coordinator from which the Energy is traded;
- The SCID of the scheduling coordinator to which the Energy is traded;
- Location of the Energy trade;
- The market (day ahead or real time HASP) the trade is to be settled in;
- The time period over which the bilateral Energy trade will take place, including the start date (including trading hour) and the end date (including trading hour); and
- The quantity (MWh) of the Energy traded.

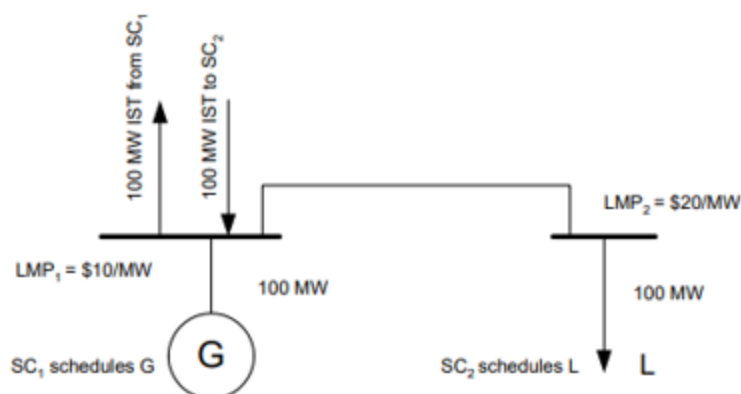
To illustrate the nature and structure of inter-SC Trades of Energy between two scheduling coordinators, Example 1 below captures a potential use-case scenario of an inter-SC trade of energy at a physical generating unit (PNode). The example illustrates a potential use of inter-SC trade functionality to facilitate the settlement of a bilateral power purchase arrangement between a scheduling coordinator representing the generation and a scheduling coordinator representing the load.

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<sup>4</sup> Under the ISO tariff, a Trading Hub is defined as an aggregation of network Pricing Nodes, such as Existing Zone Generation Trading Hubs, maintained and calculated by the ISO for settlement and trading purposes posted by the ISO to its ISO Website.

<sup>5</sup> Under the ISO tariff, a Load Aggregation Point is defined as a set of Pricing Nodes as specified in section 27.2 that are used for submission of Bids and Settlement of Demand.





In the example, SC1 (representing generation) sells 100 MWh to SC2 (representing load) at \$15/MWh under a bilateral contract executed and settled between the parties outside of the market. Under the bilateral arrangement, SC1 delivers or produces the energy at G’s location. To effectuate the power purchase through the market, the parties submit an inter-SC trade:

- SC1 submits a physical inter-SC trade for energy from SC1 to SC2 at G.
- SC2 submits a physical inter-SC trade for energy to SC2 from SC1 at G.

In the example, the inter-SC trade is settled as follows:

- SC1 is paid \$1000 for providing 100 MWh of energy to the market (independent of the inter-SC trade).
- SC 1 is charged \$1000 for being the “from” SC in the inter-SC trade as they are providing the energy to be settled with the “to” SC2.
- SC2 (representing the load) is charged \$2000 for consuming 100 MWh at the load location independent of the inter-SC trade as part of the load settlement.
- SC2 is paid \$1000 for being the “to” SC in the inter-SC trade (the recipient of the trade from SC1).

Table 1 below summarizes the inter-SC trade orientation and settlement of Example 1 described above.

		SC1	SC2
<b>Bilateral Contract</b>		\$1500	-\$1500
<b>ISO settlement</b>	Generation Payment	\$10/MWh * 100MWh = \$1000	
	From-IST Charge	\$10/MWh * (-100MWh) = -\$1000	
	Load Charge		\$20/MWh * (-100MWh) = -\$2000
	To-IST Payment		\$10/MWh * 100MWh = \$1000
	ISO total	\$0	-\$1000
<b>Net Result</b>		\$1500	-\$2500

The net settlement for SC1 is the payment from the bilateral contract. The net settlement for SC2 is the charge from the bilateral contract plus the cost of congestion from G to L, since the location of the inter-SC trade is G.

### 4.1.2. Inter-SC Trades of Ancillary Services

Inter-SC trades of Ancillary Service obligations can also facilitate bilateral contractual arrangements between parties. Unlike inter-SC trades of energy, Ancillary Service inter-SC trades are only financial trades, available only in the real time market, and do not occur at specific locations. An inter-SC trade of Ancillary Services is in effect a trade in the obligation to pay for ISO charges for Ancillary Services between the two scheduling coordinators which are parties to the inter-SC trade. There are four types of Ancillary Service inter-SC trades that can be facilitated:

- Regulation Up
- Regulation Down
- Spinning Reserve
- Non-Spinning Reserve

An inter-SC trade of Ancillary Service consists of the MWs traded between the two scheduling coordinators for a specific trading hour and based on the specific Ancillary Service type to be traded. Inter-SC trades of Ancillary Services are settled with the two scheduling coordinators that are parties to the trade based on the quantity of the Ancillary Service obligations that is traded multiplied by the user rate for the inter-SC trade for the specific trading hour. In effect, when the scheduling coordinator responsible for the demand has traded its Ancillary Service obligation via an inter-SC trade, the scheduling coordinator to which the obligation has been traded is settled by the ISO and can meet that obligation by self-providing ancillary services or purchasing ancillary services from the ISO.

An inter-SC trade of Ancillary Services contains the following information:

- The SCID of the scheduling coordinator from whom the MW amount of Ancillary Services is traded
- The SCID for the scheduling coordinator to whom the MW amount of Ancillary Services is traded;
- The type of Ancillary Service being traded;
- The time period over which the trade will take place (start and end time); and
- The quantity (MW) of the Ancillary Services to be traded.

Inter-SC trades for Ancillary Services are only eligible for submission in the real time market – the HASP - beginning at 00:00 hours of the day prior to the trading day and up to 45 minutes prior to the trading hour.

### 4.1.3. Inter-SC Trades of IFM Load Uplift Obligation

Inter-SC trades of IFM Load Uplift Obligations enable a Scheduling Coordinator to transfer any amount of the net IFM Load Uplift Obligation<sup>6</sup> to another scheduling coordinator based on bilateral contractual

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<sup>6</sup> Under the ISO tariff, IFM Load Uplift Obligation is defined as the obligation of a Scheduling Coordinator to pay its share of unrecovered IFM Bid Costs paid to resources through Bid Cost Recovery.

arrangements that may be in place between the two parties. These inter-SC trades are financial only and executable only in the real time market, similar to Ancillary Service inter-SC trades, and do not occur at specific locations or nodes on the system. In particular, inter-SC trades of IFM Load Uplift Obligations typically are executed between the parties to transfer the Bid Cost Recovery<sup>7</sup> obligation settlement that may arise through the market.

An inter-SC trade of the IFM Load Uplift Obligation consists of a quantity in MWs traded between two scheduling coordinators for a specified trading hour of the Integrated Forward Market (IFM), which is a pricing run in the day ahead market. These inter-SC trades can only be submitted during the HASP, in the real time market, beginning with 00:00 hours of the day prior to the trading day up to 45 minutes prior to the trading hour.

The submission of an inter-SC trade of the IFM Load Uplift Obligation requires the submission of the following information:

- The SCID for the scheduling coordinator from whom the MW amounts of IFM Load Uplift Obligation is traded;
- The SCID for the scheduling coordinator to whom the MW amounts of IFM Load Uplift Obligation is traded;
- The time period over which the trade will take place, including the start-date and time and end-date and time; and
- The quantity (MW) of the IFM Load Uplift Obligation to be traded.

## 4.2. Inter SC-Trade Validations

The ISO validates all inter-SC trades submitted within the day ahead and real time markets to ensure the validity of these in supporting settlements by the ISO. The validations occur pre-market to ensure that the appropriate information is provided by both scheduling coordinators to ensure the parties and critical information is known to support accurate settlement of these. There are also post-market validations, particularly with Inter-SC trades of Energy to ensure that a resource, for example, has sufficient schedules to support the inter-SC trade.

### 4.2.1. Inter-SC trades of Energy

Inter-SC trades of Energy can be physical – effectuated at the PNode of the physical generating unit – or can be effectuated at Aggregate Pricing Nodes (APN) as described in section 3.1.1 of this paper. These inter-SC trades are subject to validation procedures to ensure their validity.

For physical inter-SC trades, scheduling coordinators must demonstrate that the trade is supported by a Day-Ahead Schedule or HASP Advisory Schedule for the physical generating unit at the same location for the inter-SC trade of Energy in an amount equal to or greater than the amount of inter-SC trade of

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<sup>7</sup> Under the ISO tariff, Bid Cost Recovery (BCR) is defined as the ISO settlements process through which Eligible Resources recover their Bid Costs.

Energy. The validation process for physical trades is described in section 28.1.6 of the ISO tariff and consists of three components:

- *Physical trade submittal screening* – validation that the trade does not exceed the maximum normal capability of the identified physical generating unit. Inter-SC trades that exceed this maximum capability of the generating unit are rejected.<sup>8</sup>
- *Physical trade pre-market validation* – validation of whether the total MWh quantity of all physical trades at the PNode of a generating unit exceeds the resource’s Energy Bid MWh.<sup>9</sup>
- *Physical trade post-market confirmation* – post-market confirmation of physical trades that pass pre-market validation after the market results are posted to ensure generating units have schedules that can support the requested physical trades.<sup>10</sup>

Inter-SC trades of energy at APNs, including defined Trading Hubs or Default LAPs, are also subject to general validation procedures described in section 28.1.5 of the ISO tariff but they do not consist of the same three validation procedures as physical trades. The validation consists of ensuring that the inter-SC trades submitted by the two scheduling coordinators party to the trade identify the same quantity, location, time period, and the market (day ahead or HASP) for settling the inter-SC trade of energy. To the extent there are inconsistencies in the submissions of the inter-SC trade between the two scheduling coordinators, the inter-SC trade may be rejected.

#### 4.2.2. Inter-SC trades of Ancillary Services

The ISO also performs validations of inter-SC trades of Ancillary Services as described in section 28.2.2 of the ISO tariff. The initial validation consist of ensuring that the scheduling coordinators which are parties to the trade submit consistent information through their inter-SC trade of Ancillary Services submission, including the type of Ancillary Service being traded, quantity, and time period to support settlements. The ISO also conducts a final validation of inter-SC trades for Ancillary Services at the end of the HASP inter-SC trade period to ensure that there are no more than one inter-SC trade of Ancillary Services between the scheduling coordinators for the same Ancillary Service type, for the same hour consistent with the limits of this particular inter-SC trade type.

#### 4.2.3. Inter-SC trades of IFM Load Uplift Obligation

The ISO also performs validations of inter-SC trades of IFM Load Uplift Obligation that may be traded between two scheduling coordinators as described in section 28.3.2 of the ISO tariff. Similar to the other inter-SC trade types, the initial validations evaluate that the scheduling coordinators which are parties to the inter-SC trade submit consistent information in their inter-SC trade submissions, including the MW of the trade and the time period of the inter-SC trade to support settlements. A final validation

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<sup>8</sup> ISO Tariff, section 28.1.6.1 (2024).

<sup>9</sup> *Id.*, section 28.1.6.2.

<sup>10</sup> *Id.*, section 28.1.6.3. To the extent the post-market validation is failed, all or part of the inter-SC trade that failed the validation is converted to a financial trade priced at an associated trading hub price.

occurs at the end of the HASP inter-SC trade period to ensure that only one inter-SC trade of IFM Load Uplift obligations is submitted between the two scheduling coordinators for the same hour.

### 4.3. Inter SC-Trades in the ISO, WEIM and EDAM

Inter-SC trades for Energy, Ancillary Services, and the IFM Load Uplift are available to scheduling coordinators transacting within the ISO balancing authority area today and the feature is not available within WEIM balancing areas. Within its balancing authority area, the ISO operates both a day-ahead ahead and a real time market through which all load is offered into and settled through the market, and through which all generation is either economically bid or self-scheduled and settled through the market. Additionally, Ancillary Services and Energy are co-optimized within the ISO balancing area and Ancillary Services are settled through the market. Thus the three types of inter-SC trades – Energy, Ancillary Services, IFM Load Uplift Obligation – are available as an optional feature for scheduling coordinators within the ISO balancing area to effectuate and facilitate settlement through the market to support potential bilateral contractual arrangements that parties may have in place. Inter-SC trades are not a feature of the existing WEIM nor the EDAM designs and thus the functionality does not currently extend to other balancing areas.

The initial decision not to include inter-SC trade functionality as a feature of the WEIM design was largely a factor of the voluntary nature of the WEIM and inherent features of the market. The WEIM is a voluntary market where the participating WEIM entities can indicate the resources participating or not participating in the market, and thus not all generation may be bid into the market and bilateral transactions outside of the market continue to be largely relied upon for settlement of contracts between the parties. An inter-SC trade of Energy is not supported for resources that are not bidding into the market. Similarly, WEIM entity load is not directly bid or fully settled through the market since participation is limited to the real time market and the WEIM settles the imbalances between load and generation in real-time, thus further limiting the scope of the value of inter-SC trades of Energy between scheduling coordinators representing resources and load. Similarly, Ancillary Services are not co-optimized across the WEIM footprint (only ISO balancing area), thus inter-SC trades of Ancillary Services are not a feature. Further, the inter-SC trade of IFM Load Uplift Obligations arise from participation in a day ahead market, and WEIM entities participate only in the real-time market. Because of these inherent features of the WEIM, at the time of the WEIM design and over the subsequent years of WEIM operations, there has not been a consideration of enabling inter-SC trade functionality in the WEIM.

Similarly, the EDAM design approved by FERC does not extend the inter-SC trade features and functionality to EDAM balancing areas but remains a feature of only the ISO balancing authority area. Inter-SC trade functionality was not initially extended to the EDAM primarily because inter-SC trades are not a feature of the WEIM today. With the introduction of the EDAM, WEIM entities can extend their participation voluntarily to the day ahead market. An important feature and distinction with the WEIM is that in the EDAM all resources participate in the market through economic bids or self-schedules, and all load is offered into the day ahead market and settled through the market. With the introduction of these design features of the EDAM, market participants may find more value and use for different types

of inter-SC trades, particularly inter-SC trades of Energy to support potential settlement of aspects of bilateral contracts through the market between scheduling coordinators.

## 5. Draft Final Proposal on Inter-SC Trades in Regional Markets

The ISO proposes to extend the functionality to support inter-SC trades of Energy within EDAM and WEIM balancing authority areas. The ISO does not propose an extension of the other inter-SC trade types – Ancillary Services, IFM Load Uplift Obligation – to the EDAM or WEIM balancing areas.

With the introduction of EDAM, balancing areas extending their participation to the day ahead market may find additional value in, and use for, inter-SC trades of Energy that may support bilateral contractual arrangements. All resources in an EDAM area will be offering their supply into the market through economic bids or self-schedules, and will be subject to market commitment in day ahead and dispatch in the real time market. As such, scheduling coordinators may find value in settling bilateral Energy trades between scheduling coordinators to facilitate settlement through the market with the appropriate party.

EDAM balancing areas will bid in and settle their load in the day ahead market. EDAM balancing areas may be bidding in the load through a scheduling coordinator for their entire balancing area, or may otherwise have scheduling coordinators bid in a discrete load of load serving entities within the balancing area. As such, there may be value in a scheduling coordinator for a generator to effectuate an inter-SC trade for Energy with a scheduling coordinator for the load to settle aspects of their bilateral contract through the market.

Since the EDAM will not initially support the co-optimization of Energy and Ancillary Services, the ISO does not propose an extension of inter-SC trades of Ancillary Services to EDAM areas. The ISO will continue to support inter-SC trades of Ancillary Services within the ISO balancing area as these essential services are procured through the market.

The ISO is also not proposing, at this time, an extension of the inter-SC trades for IFM Load Uplift Obligations to other EDAM areas. As discussed in section 3.1.3 of this proposal, IFM Load Uplift Obligations represent a share of unrecovered IFM Bid Costs paid to resources through Bid Cost Recovery. Under the EDAM settlement design, IFM Load Uplift Obligations if they arise are settled by the ISO with the EDAM entity at a balancing area level. Under that approach, the EDAM entity would define through its tariff further sub-allocations of any uplifts that may arise. As such, there may not be value in, or need for, inter-SC trade functionality for IFM Load Uplift Obligations.

The ISO is also proposing an extension of inter-SC trades of Energy to WEIM-only balancing authority areas. In WEIM areas, there are participating resources that actively bid (economic bid, self-schedule) in the market and are subject to market settlement, but there are also non-participating resources that are not bidding into the market nor subject to market dispatch but indicate to the market their expected level of output through submission of base schedules. Similarly, all WEIM entity load is not subject to market settlement. As such, the traditional type of inter-SC trades for Energy between a scheduling

coordinator representing generation and a scheduling coordinator representing load may not have the same level of value or utilization as in the EDAM. Nevertheless, the value of inter-SC trades of Energy ultimately depends on the nature and structure of the bilateral contracts that parties may execute particularly associated with WEIM participating resources, and enabling the inter-SC trade functionality in WEIM areas provides parties the ability to consider this optional feature and whether it may meet facilitate their business needs.

Similar to the EDAM, the ISO is not proposing an extension of inter-SC trades for Ancillary Services or IFM Load Uplift Obligation to the WEIM for much the same reasons. The WEIM does not co-optimize procurement of Ancillary Services across the footprint and thus inter-SC trades of Ancillary Services would not be extended to the WEIM. Similarly, the concept of IFM Load Uplift Obligations arises from the ability to bid load in the day ahead market, which is not a feature of the WEIM, and thus inter-SC trades of IFM Load Uplift Obligations would not extend to the WEIM.

It is important to reiterate that inter-SC trades are an optional settlement service that the ISO offers, and there is no requirement to utilize the inter-SC trade feature. Inter-SC trades have no impact or bearing on the resource sufficiency evaluation in WEIM or EDAM, these do not impact market optimization, nor do they impact market schedules or dispatch.

The ISO is targeting implementation of the proposal, if approved, with the launch of EDAM in May 2026 to support inter-SC trades of Energy in both EDAM and WEIM-only balancing areas. The proposal is expected to have a low impact on systems and technology enhancements as it largely extends existing functionality across the wider market footprint without substantively changing the design of how inter-SC trades are effectuated, providing potentially important value to market participants across the market footprint.

## 6. Stakeholder Engagement and WEIM Governing Body Role

### 6.1.1. Stakeholder engagement and initiative schedule

The ISO expects to evaluate this proposal within the following schedule which may evolve through stakeholder input and as the initiative progresses.

August 2 <sup>nd</sup> , 2024	Publication of straw proposal
August 20, 2024	Stakeholder meeting to review straw proposal
August 30, 2024	Stakeholder comment deadline on straw proposal
September 5, 2024	Publication of draft final proposal
September 11, 2024	Draft final proposal stakeholder meeting
September 16, 2024	Stakeholder comment deadline on draft final proposal
September 25-26, 2024	Presentation to ISO Board of Governors and Western Energy Markets Governing Body

### 6.1.2. Western Energy Markets (WEM) Governing Body Role

This initiative proposes to extend inter-SC trades of Energy to EDAM and WEIM-only areas. ISO staff believes that the proposed tariff changes will be subject to the joint authority of the Board of Governors and the WEM Governing Body.

The Board and the WEM Governing Body have joint authority over any

proposal to change or establish a tariff rule applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM. The WEIM/EDAM Governing Body will also have joint authority with the Board of Governors to approve or reject a proposal to change or establish any tariff rule for the day-ahead or real-time markets that directly establishes or changes the formation of any locational marginal price(s) for a product that is common to the overall WEIM or EDAM markets. The scope of this joint authority excludes, without limitation, any other proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid. Note: For the avoidance of any doubt, that the joint authority definition is not intended to cover balancing authority-specific measures, such as any parameters or constraints, the CAISO may use to ensure reliable operation within its balancing authority area.

Charter for WEM Governance § 2.2.1. The tariff changes proposed here would be “applicable to WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within WEIM/EDAM Entity balancing authority areas, in their capacity as participants in WEIM/EDAM.” They would not be applicable “only to ... the CAISO-controlled grid.” Accordingly, these proposed changes to implement these enhancements would fall within the scope of joint authority.

Stakeholders are encouraged to submit a response in their written comments to the proposed classification as described above, particularly if they have concerns or questions.

### 6.1.3. Next Steps

The ISO requests stakeholder comments on the draft final proposal by September 16, 2024. The ISO will present the proposal to the ISO Board of Governors and the WEM Governing Body on September 25-26 joint session meeting for decision. In anticipation of the decisional presentation, the ISO will publish the draft tariff language for stakeholder review prior to or soon after the decisional meeting. If the proposal is approved by the ISO Board of Governors and the WEM Governing Body, the ISO will continue the tariff review stakeholder process and plan to file the revised tariff provisions with FERC by mid-October 2024.