Storage Design and Modeling

Revised Straw Proposal on Default Energy Bids

September 17, 2026

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1. Executive Summary

Today, the California Independent System Operator (CAISO) may replace a resource's bid with a previously agreed upon default energy bid. This process seeks to limit the ability of local market power to affect market outcomes. This default energy bid is meant to reflect the resource's marginal costs; that is, the cost of producing one additional unit of electricity.

The current default energy bid for storage resources has limitations. For one, because it relies on outputs from prior market processes, it cannot be used by resources that are not part of the day-ahead market. In addition, the current default energy bid methodology for storage resources does not fully reflect changing conditions throughout the day. Addressing these challenges is becoming increasingly important as storage resources play a larger role across the CAISO balancing authority's area, the Western Energy Imbalance Market (WEIM), and the Extended Day-Ahead Market (EDAM). Given these limitations, this revised straw proposal seeks to enhance the current storage default energy bid.

This paper builds on the July 2026 straw proposal and considers stakeholder feedback received through written comments. In this revised straw proposal, the ISO continues to support the time-of-day approach as the preferred framework to enhance the storage default energy bid. Given stakeholder feedback and analyses, the revised straw proposal modifies the time-of-day proposal in two important ways. First, this revision modifies the multiplier applied to the price-based opportunity cost component from 1.4 to 1.1. Second, this revision limits the transition of the time-of-day multiplier to hour ending 18 or later, reducing the risk that mitigation could interfere with storage state-of-charge management. This modification ensures that the time-of-day multiplier aids daily efforts to preserve solar-derived state-of-charge for the late afternoon and evening hours. Together, these changes seek to better balance accurate opportunity cost estimation with ensuring protection against the exercise of local market power and preserving bidding as the primary tool to manage state-of-charge.

The paper also advances a proposal for hybrid resource default energy bids. A hybrid resource is a generating facility with components that use different fuel sources or technologies. Importantly, hybrid resources are represented as a single resource, meaning that each of the underlying components must be bid and controlled as a single asset. In this paper, the ISO continues to support a greater-of methodology, under which a hybrid resource's default energy bid is based on the highest default energy bid value applicable to its components. The July 2026 straw proposal included the concept that a component must constitute some minimum portion of the hybrid resource to be used to set the default energy bid to prevent small resource components from disproportionately increasing a hybrid resource's default energy bid. This paper proposes that minimum value be 30 percent. This threshold is informed by the composition of today's hybrid fleet and seeks to provide a durable framework for future hybrid resource configurations.

2. Introduction

This paper evaluates enhancements to default energy bids for storage resources and creation of a default energy bid for hybrid resources. In the July 2026 straw proposal, the ISO presented two approaches for storage default energy bid redesign: a time-of-day approach and a static approach. The time-of-day approach reflected changing opportunity costs throughout the day while addressing the use of stale values from prior market runs. The static approach emphasized simplicity and consistency by relying on a uniform methodology across the day. While both approaches sought to expand applicability across the growing market footprint, the ISO concluded that the time-of-day approach was better aligned with the initiative's guiding principles. Consequently, the July proposal identified the time-of-day framework as the preferred path for continued development.

Stakeholder comments submitted in response to the straw proposal largely supported further refinement of the time-of-day approach. Several stakeholders highlighted the value of incorporating mechanisms that reflect changing opportunity costs via a time-of-day multiplier and improve the treatment of stale pricing information. Commenters also raised concerns regarding the design of time-of-day multipliers, the upward scaling methodology that would adjust the price-based opportunity cost component given recent market conditions, the proposed inclusion of the gas floor to increase alignment with the hydro default energy bid, and the multiplier applied to the opportunity cost component. In supplemental comments, the Department of Market Monitoring (DMM) proposed an alternative version of the time-of-day framework intended to better balance mitigation objectives and storage state-of-charge management efforts. DMM supported retaining the overall structure of the proposal while modifying several key design elements, such as the value of the time-of-day multipliers, their timing, the inclusion of the gas floor, and the value of the multiplier applicable to the price-based opportunity cost component.

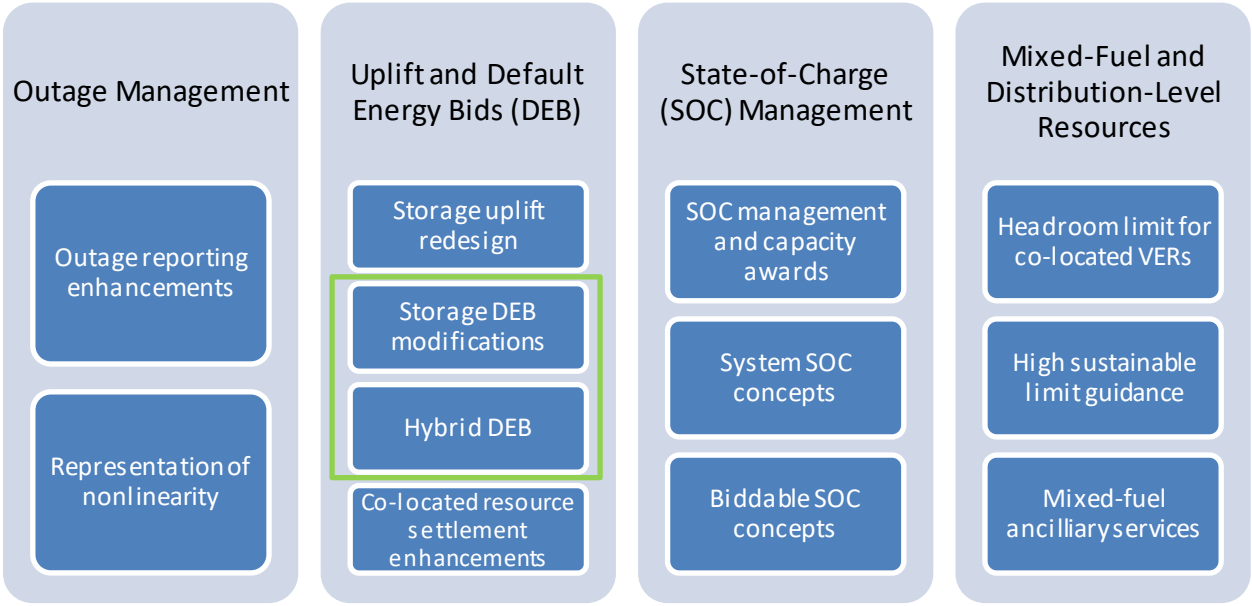
This revised straw proposal incorporates two changes informed by stakeholder feedback and DMM's analysis. First, the revision reduces the multiplier applied to the price-based opportunity cost component from 1.4 to 1.1. Second, the revision modifies the point at which the time-of-day multiplier transitions to its lower value, ensuring that the transition occurs no earlier than hour ending (HE) 18. Together, these revisions seek to better balance accurate opportunity cost estimation, protection against the exercise of local market power, and the state-of-charge management needs of storage resources.

The paper also advances a revised framework for hybrid resource default energy bids. Consistent with earlier proposals, the ISO continues to support a greater-of methodology under which the hybrid default energy bid is based on the highest eligible component value. To prevent incentivizing adding small quantities of a technology type to gain access to a higher default energy bid, only components representing at least 30 percent of installed capacity would be eligible to determine the hybrid default energy bid.

3. Stakeholder Process

To address elements related to energy storage participation, the ISO launched the Storage Design and Modeling initiative. Given the complexity, broad scope, and interrelated nature of some items, the ISO created four topic groups to facilitate parallel development, efficient stakeholder engagement, and phased resolution. Figure 1 shows these topics as grouped. The green boxes show topics discussed in this paper. Workstreams may span groupings as needed.

Figure 1. Topic Groups



This paper incorporates verbal feedback from initiative meetings, two rounds of written comments in response to the issue paper and the straw proposal, and ISO implementation assessments. Figure 2 shows the typical process for a stakeholder initiative. The Uplift and Default Energy Bids topic group is at the "develop" stage.

Figure 2: Stakeholder Process Milestones

4. Storage Default Energy Bids

In the issue paper published in December 2025, the ISO, considering stakeholder feedback, presented a problem statement regarding the storage default energy bid calculation. Since that posting, discussions with stakeholders have continued evolving the problem statement. The latest iteration of the problem statement reads:

- The storage default energy bid's dependence on outputs from prior market runs creates challenges because:
  - Those values may be "stale" in the market where the default energy bid is used.
  - With an expanding footprint, some resources that are not part of the day-ahead market cannot readily leverage the storage default energy bid option.
- A static real-time storage default energy bid has the potential to over- or underestimate opportunity costs at different hours of the day.

The December 2025 issue paper also included a set of guiding principles to address the problem statement. Like the problem statement, the guiding principles have continued to evolve as stakeholder discussions continued. The latest iteration of the guiding principles reads:

- The storage default energy bid should be designed in a way that allows for the reflection of changing real-time opportunity costs, ensuring the correct placement of storage within the bid stack, even under mitigation.
- The storage default energy bid should be calculated in a way that all storage resources, regardless of location, should be able to readily leverage a default energy bid option.
- The storage default energy bid should be designed in a way that minimizes the risks posed by charging-side mitigation.

In the July 2026 Straw Proposal, the ISO detailed two alternatives to enhance the energy storage default energy bid: the time-of-day approach and the static approach. In that paper, the ISO noted that the time-of-day approach's multiplier addresses the problem statements in alignment with the guiding principles by reflecting changing real-time opportunity costs. Moreover, by virtue of its scaling process, the time-of-day approach would address the challenges posed by using "stale" values. In addition, having a scaling step within the storage default energy bid methodology will ensure alignment with already existing negotiated default energy bids, ensuring the correct placement of all storage assets within the bid stack in case of mitigation.

The July paper underscored that the time-of-day approach also offers a formulation that allows all storage resources, regardless of location, to readily leverage a default energy bid option with minimal differences. The only material difference between the formulations applicable to EDAM-only and WEIM-only resources relates to the price proxies used to estimate the price-based opportunity cost component. The ISO held that such differences are reasonable as they would allow the novel design to preserve the accuracy offered by the current storage default energy bid calculation. Finally, the time-of-

day approach also minimizes the risks posed by charging-side mitigation by defining the charge default energy bid as the discharge default energy bid minus the variable operating costs.[1]

In contrast, the July 2026 paper highlighted that the static approach does not address the challenges posed by using "stale" values in the storage default energy bid formulae. Furthermore, the static approach does not allow for the reflection of changing opportunity costs in the real-time market. Instead, the static approach boosts alignment between the storage and hydro default energy bids. Finally, the static approach only partially ensures the correct placement of storage within the bid stack, even under mitigation. This is due to (1) the lack of a scaling step for "stale" cost proxies, and (2) the lack of a mechanism to recognize changing opportunity costs within the same trade date, particularly in real-time.

The static approach could represent fewer administrative, implementation, and maintenance burdens than the time-of-day approach. In contrast to the time-of-day approach, the static approach creates a default energy bid methodology that can be used by all storage resources regardless of location by eliminating the nodal accuracy of the current storage default energy bid paradigm. By relying solely on hub prices, the static approach ensures a single paradigm is applied across all storage assets at the expense of the current method's accuracy.

Given the differences between both approaches, the ISO noted in the July 2026 paper that the time-of-day approach appears to be the most effective at addressing the identified problem statements while remaining consistent with the guiding principles. As a result, the ISO indicated an intention to continue developing this approach.

Box 1. Time-of-Day Approach (July 2026)

$$DA\ Discharge\ DEB = Max(Variable\ Operations\ Cost * 1.1, PB\_OC * 1.4, Gas\ Floor * 1.1)$$
$$DA\ Charge\ DEB = (DA\ Discharge\ DEB - Variable\ Operations\ Cost)$$

$$RT\ Discharge\ DEB = Max(Variable\ Operations\ Cost * 1.1, PB\_OC * 1.4, Gas\ Floor * 1.1) * TOD\ Multiplier$$
$$RT\ Charge\ DEB = (RT\ Discharge\ DEB - Variable\ Operations\ Cost)$$

Where:

$Variable\ Operations\ Cost$: Represents cycling and other operational costs

PB_OC: Price-based Opportunity Cost

- In DA for EDAM, calculated by scaling the MPM outputs based on differences relative to DA LMPs
- In RT for EDAM, calculated by scaling DA LMPs based on differences relative to RT LMPs

[1] This final feature is also present in the static approach.

- In RT for WEIM, calculated by scaling DGAP based on differences relative to RT LMPs

$TOD\ Multiplier$: A value of 1.4 before the hour that sets the price-based opportunity cost and 1 after the hour that sets the price-based opportunity cost (only in real-time)

$Gas\ Floor$: 11,068 MMBtu/MWh * Fuel region gas price

Box 2. Static Approach (July 2026)

$$Discharge\ Default\ Energy\ Bid = Max(Gas\ Floor * 1.1, STC * 1.4) + Variable\ Operations\ Cost$$

$$Charge\ Default\ Energy\ Bid = (Discharge\ Default\ Energy\ Bid - Variable\ Operations\ Cost)$$

Where:

$Variable\ Operations\ Cost$: Represents cycling and other operational costs

$Gas\ Floor$: 11,068 MMBtu/MWh * Fuel region gas price

STC: Day-ahead power price index at local default electric pricing hub

Table 1. Comparison of the Approaches as Described July 2026

	Time-of-Day	Static
Addresses the "stale" value issue	Yes	No
Creates a default energy bid that WEIM-only storage can readily leverage	Yes, albeit with different cost proxies being leveraged	Yes
Allows for the reflection of changing opportunity costs	Yes	No
Ensures the correct placement of storage within the bid stack when mitigated	Yes	Partially, since it does not reflect changing opportunity costs in real-time
Minimizes the risk of charging-side mitigation	Yes	Yes

4.1. Stakeholder feedback on the Default Energy Bid Straw Proposal

In comments submitted in early August 2026, most stakeholders supported continued development of the time-of-day approach. American Clean Power-California (ACP-CA), the California Community Choice Association (CalCCA), the California Energy Storage Alliance (CESA), the CAISO Department of Market

Monitoring (DMM), PacifiCorp, the California Public Utilities Commission's Public Advocates Office (Cal Advocates), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE), and Terra-Gen all submitted comments favoring continued refinement of the time-of-day approach.

Conversely, Vistra and NV Energy supported the static approach, citing several advantages over the time-of-day framework. Vistra argued that the static approach reduces the risk of false precision by preserving discharge capability without requiring the ISO to predict discharge timing. Moreover, Vistra posited that the static approach better reflects systemwide opportunity costs through the use of hub prices rather than nodal prices, promoting consistency across participation models by reducing differences in default energy bids for similarly situated resources. Vistra further recommended that, if the ISO continues developing the time-of-day approach, it should adopt a common price source across EDAM and WEIM. More broadly, Vistra encouraged CAISO to refine the static approach by incorporating key elements of the time-of-day framework, such as market-based price scalars and periodically updated empirical multipliers documented in the relevant business practice manual (BPM).

Given the overwhelming majority of stakeholders favored continued development of the time-of-day approach, this paper focuses on the feedback received on the time-of-day approach, which can be categorized into five areas: the (1) definition of the time-of-day multiplier, (2) scaling process, (3) definition of the multiplier applicable to the price-based opportunity cost component, (4) inclusion of the gas floor, and (5) definition of the charging default energy bid.

4.1.1. DMM's Alternative Time-of-Day Methodology

Following the August 5, 2026, comment deadline, DMM provided supplemental comments to the ISO, including an alternative time-of-day formulation designed to address some of the concerns DMM expressed in its initial comments. In its supplemental comments, DMM outlined an alternative default energy bid formulation based on the time-of-day approach. This alternative time-of-day approach differs from the straw proposal in four ways:

1. The multiplier applicable to the price-based opportunity cost component is 1.1, as opposed to 1.4.
2. The time-of-day multiplier goes from 1.4 to 0.8, instead of from 1.4 to 1.
3. The time-of-day multiplier changes to a lower value in the later of either (1) the earliest of the Nth highest priced day-ahead LMPs,[2] or (2) hour ending 18, as opposed to during the hour that set the price-based opportunity cost component.
4. The gas floor component is not included.

The modifications made by DMM seek to address the concerns DMM identified with the July 2026 time-of-day approach. Specifically, DMM proposed changes because it believes the July 2026 time-of-day approach would systematically overstate the marginal cost of battery storage and therefore allow excessive bids during the hours when local market power concerns are most acute. In supplemental

[2] "N" corresponds to the storage resource's discharge duration.

comments, DMM presents analyses that suggest the DMM's alternative formulation better balances the need to mitigate the potential exercise of market power and the bidding flexibility necessary to ensure mitigation does not affect state-of-charge management efforts.

DMM's analysis, which covers the January 2024 through December 2025 timeframe, found that the straw proposal's time-of-day approach default energy bid exceeded real-time LMPs by an average of 74% during hours-ending 18-21. In addition, DMM found that, when resources were mitigated and the straw proposal's time-of-day approach default energy bid exceeded LMPs, that default energy bid was still about 72% above market prices. DMM notes that this delta would leave substantial room for the exercise of local market power. In contrast, DMM's time-of-day alternative produces more modest default energy bid values that are still consistent with revenue efficiency. Even under the conservative assumption that resources are mitigated in every interval, DMM's time-of-day variant achieved 98.67% of the maximum potential revenue value, only 1.18% lower than the straw proposal's time-of-day approach. Based on these results, DMM concludes that its approach provides significantly stronger protection against market power without materially reducing batteries' ability to reserve energy for the highest-priced periods of the day.

Box 3. DMM's Alternative Version of the Time-of-Day Approach in Real-Time

$$RT\ Discharge\ DEB = Max(Variable\ Operations\ Cost * 1.1, PB\_OC\ * 1.1) * TOD\ Multiplier$$
$$RT\ Charge\ DEB = (RT\ Discharge\ DEB - Variable\ Operations\ Cost)$$

Where:

$Variable\ Operations\ Cost$: Represents cycling and other operational costs

PB_OC: Price-based Opportunity Cost

- In RT for EDAM, calculated by scaling DA LMPs based on differences relative to RT LMPs
- In RT for WEIM, calculated by scaling DGAP based on differences relative to RT LMPs

$TOD\ Multiplier$: A value of 1.4 before the hour that set the price-based opportunity cost and 0.8 after the later of either (1) the earliest of the Nth highest priced day-ahead LMPs, or (2) hour ending 18 (only in real-time)

4.1.2. Comments on the time-of-day multiplier

ACP-CA, CESA, NV Energy, and the Western Power Trading Forum (WPTF) generally support CAISO's revised approach to the time-of-day multiplier, particularly the modification included in the July 2026 paper that limited the value to be equal to or greater than 1. CESA supported applying a 1.4 multiplier to the real-time default energy bid in the hours leading up to the hour that establishes the price-based opportunity cost, with the multiplier declining to 1 afterward. According to CESA, this structure would

reduce the risk that a mitigated discharge bid depletes a storage resource's state of charge before it is needed to serve the real-time net-load peak.

WPTF supported the simplified multiplier structure but argued that additional discussion is needed on the logic used to determine when the multiplier transitions from 1.4 to 1. WPTF noted that certain price patterns could result in the step-down occurring too early in the day, potentially causing mitigation outcomes that do not align with the intended policy objectives. To provide greater flexibility for future adjustments, WPTF suggested that the multiplier values and applicable hours be specified in the BPM rather than the tariff, allowing the ISO to refine the design through the stakeholder process without requiring a filing for every modification.

Cal Advocates and DMM both opposed the exclusion of time-of-day multipliers below 1, arguing that doing so fails to accurately reflect the variation in storage opportunity costs throughout the day. Both commenters contended that opportunity costs are highest before peak periods, when storage resources have value in preserving state-of-charge for later discharge, and lowest during and after peak periods, when fewer opportunities remain to earn higher revenues. As a result, both Cal Advocates and DMM recommended incorporating time-of-day multipliers below 1 during peak and post-peak hours to capture declining opportunity costs and avoid overstating storage marginal costs. DMM also recommended applying time-of-day multipliers in both the real-time and day-ahead markets to improve consistency and market convergence.

Moreover, both DMM and Cal Advocates urged for the time-of-day multiplier values and their periods to be determined via empirical analysis. Cal Advocates argued that empirical analyses should determine the appropriate hourly shaping factors that would ensure mitigated storage is neither prematurely dispatched nor withheld when needed, using a reasonable reliability threshold. While not generally supportive of the time-of-day approach, Vistra similarly echoed the need for empirical analyses to inform the application of the time-of-day multiplier.

4.1.2.1. ISO response to comments on the time-of-day multiplier

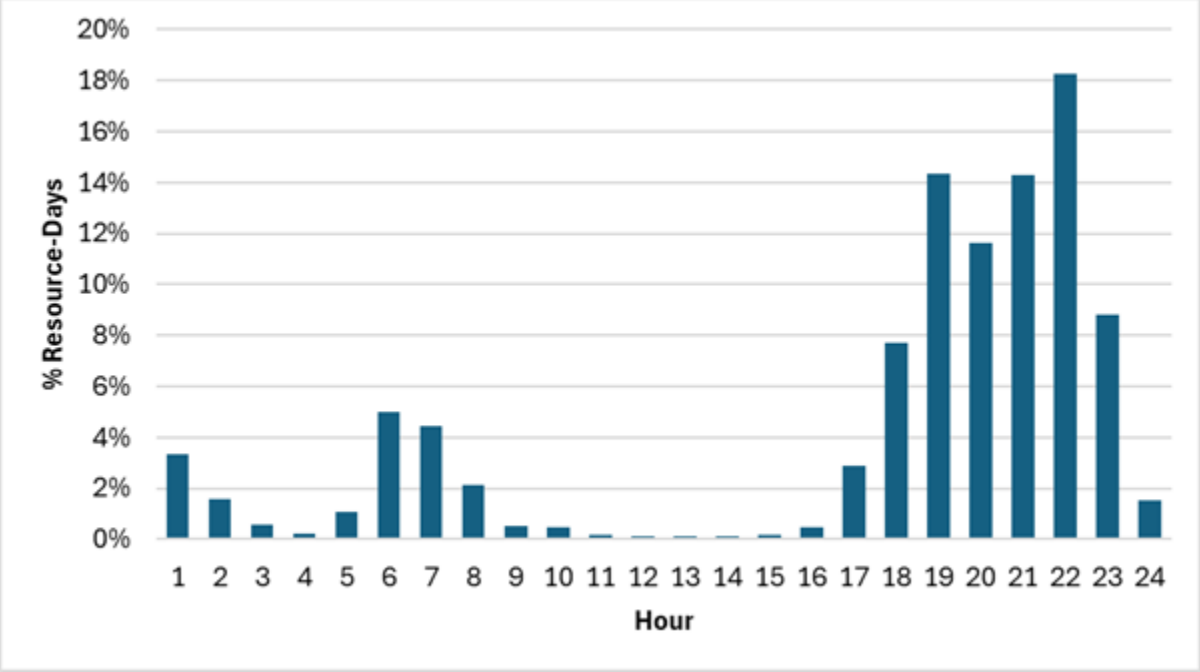
First, on the value of the time-of-day multiplier, the ISO agrees with having a higher multiplier value during solar production hours and a lower multiplier value later in the day to capture changing opportunity costs throughout the real-time trade date. While the ISO acknowledges that opportunity costs are lower during and following the expected peak hours, the value of stored energy is not limited to opportunities within the same trade date.

For example, while an asset that has discharged most of its state-of-charge by hour ending 23 is likely to face significantly diminished opportunity costs for the remainder of that real-time trade date, the value of its state-of-charge is informed by opportunities in the following trade date as well. In winter and shoulder seasons, prices may be highest during the morning peak preceding solar irradiation hours. As a result, there are legitimate opportunity costs beyond the optimization horizon that storage resources consider when bidding. Therefore, the ISO does not believe that it would be prudent to set the lower value of the real-time time-of-day multiplier in a manner that could result in the real-time default

energy bid value to be lower than the day-ahead default energy bid. For this reason, the ISO continues to believe it is prudent to preserve 1 as the lower of the time-of-day multipliers.

Second, regarding when the time-of-day multiplier's transitions to a lower value, the ISO appreciates the suggestion made by DMM. To inform this piece of the time-of-day approach, DMM provided analysis of the frequency with which each hour sets the price-based opportunity cost component of the current storage default energy bid. Figure 3 below shows this data, highlighting that hour ending 22, 19, 21, and 20 are the hours that most frequently set the price-based opportunity cost component today. Figure 3 also shows that there is a material share of resource-days [3] where HE 6, 7, and 1 set the price-based opportunity cost component. This directly relates to the concern expressed by WPTF, where defining the transition hour as the one that set the price-based opportunity cost component could result in a default energy bid that decreases too early in the day, therefore not aiding in the daily effort to preserve solar-derived state-of-charge during the afternoon hours for discharge later that day or during the following day.

Figure 3. Frequency of hour when the time-of-day multiplier would decrease under the straw proposal



To address this, DMM proposed the time-of-day multiplier could decrease in the later of either (1) the earliest of the Nth highest priced day-ahead LMPs, or (2) hour ending 18. This sets HE 18 as "the floor" for the time-of-day multiplier to decrease, therefore eliminating the possibility of the time-of-day multiplier interfering with state-of-charge management efforts while ensuring that a lower default

[3] Resource-days seek to alleviate the methodological challenges related to the fact that the number of resources participating varies by day. As such, a resource-day is equivalent to saying that a resource was available for one day. Therefore, resource-days are a way of counting both how many resources you have and how long they're available. Several figures in this paper show the y-axis as percentage of resource-days. This can be understood as the share in which the conditions in the x-axis were met all resource-days in the dataset.

energy bid is used in the hours when real-time opportunity costs are lower for that given trade date. The ISO sees merit in DMM's recommendation and includes it in the revised proposal.

4.1.3. Comments on scaling

CESA, DMM, Cal Advocates, and PG&E offered differing perspectives on the time-of-day approach's inclusion of a step to scale the price-based opportunity costs based on recent pricing data. CESA and DMM generally supported the concept of scaling opportunity costs to better reflect market outcomes. CESA and DMM supported upward scaling of opportunity costs based on historical comparisons of hourly locational marginal prices across market runs, noting that the proposal is consistent with the existing negotiated default energy bid approach used for WEIM-only storage resources. CESA requested confirmation that the underlying opportunity cost calculation would continue to rely on the lowest-priced hour among the highest discharge-value hours that correspond to a resource's duration, such as using the fourth highest-priced hour for a four-hour battery.

In contrast, Cal Advocates expressed concerns about the scaling step only allowing upward adjustments by establishing a scaling floor of 1. Cal Advocates argued that this method would effectively ignore situations in which recent day-ahead or real-time prices are lower than the prices used in the default energy bid calculation. According to Cal Advocates, this one-sided approach could systematically increase default energy bids and provide greater opportunities for storage resources to exercise market power while failing to recognize periods when opportunity costs are lower.

4.1.3.1. ISO response to comments on scaling

Regarding the scaling process, the ISO agrees with most commenters' support for the inclusion of this step. In response to CESA, the ISO confirms that the underlying opportunity cost calculation would continue to rely on the lowest-priced hour among the highest discharge-value hours that correspond to a resource's duration. In response to Cal Advocates, the ISO continues to believe it is reasonable for the scaling step to only allow for upward adjustments based on recent price data. This is because this step is intended to address the "stale" value issue underscored in the problem statement, which is most salient when there are systematic upward differences between the prior and current market run. In addition, preserving the upward-only nature of the scaling step is necessary to ensure consistency with existing negotiated default energy bids.

4.1.4. Comments on the multiplier applicable to the price-based opportunity cost component

CESA, DMM, and Cal Advocates provided comments on the application of a 1.4 multiplier to the price-based opportunity cost component of the storage default energy bid under the time-of-day approach. CESA supported extending the 1.4 multiplier to storage resources in both the day-ahead and real-time markets, viewing the proposal as a means of aligning the storage default energy bid framework with the existing hydro default energy bid methodology. CESA noted that the rationale for the hydro multiplier was based on analysis designed to avoid excessive dispatch, limiting hydro operations to four hours or

less on more than 90 percent of days. In CESA's view, the same reasoning can be applied to four-hour battery storage resources, making the 1.4 multiplier an appropriate and consistent treatment across resource types.

DMM rejected the notion that consistency with the hydro default energy bid alone constitutes sufficient theoretical or empirical justification for the 1.4 value. According to DMM, the existing opportunity cost framework already captures the highest-value discharge opportunities by using the Nth-highest hourly price. DMM further argued that applying a 1.4 multiplier across all hours, combined with the proposed time-of-day adjustments, could result in default energy bids far exceeding actual opportunity costs, particularly during peak periods when storage opportunity costs are declining and local market power concerns are most acute. Cal Advocates raised similar concerns. DMM therefore recommended either eliminating the separate price-based opportunity cost multiplier altogether or, at a minimum, retaining the current 1.1 multiplier rather than increasing it to 1.4.

4.1.4.1. ISO response to comments on the multiplier applicable to the price-based opportunity cost component

The 1.4 multiplier applied to the price-based opportunity cost was originally proposed to align the storage default energy bid framework with the existing hydro default energy bid methodology. The ISO considered this approach reasonable because the multiplier was derived from analyses intended to limit hydro operations to four hours or less on more than 90 percent of days, an objective broadly consistent with the assumptions underlying the current storage default energy bid framework. While the 1.4 value would align the storage default energy bid with its hydro counterpart, the ISO agrees with the stakeholders who noted that, unlike the hydro default energy bid framework, the proposed time-of-day storage default energy bid also includes additional upward adjustments, such as the scaling step and the time-of-day multiplier. In response to these comments, the ISO's revised straw proposal retains the 1.1 multiplier at this time.

4.1.5. Comments on the pertinence of the gas floor

CESA, NV Energy, and SDG&E generally supported the inclusion of the gas floor into both approaches to enhance the storage default energy bid. CESA supported including the gas floor in both the day-ahead and real-time storage default energy bids, arguing that it would increase alignment with the hydro default energy bid and therefore help ensure storage resources are appropriately placed within the bid stack, even when mitigated. NV Energy and SDG&E similarly expressed support for incorporating a gas floor under either the time-of-day or static approaches. Although acknowledging that gas prices are not directly related to the costs of battery storage, SDG&E viewed the gas floor as a reasonable proxy for replacement energy costs because it approximates the cost of serving load with a marginal gas-fired resource when stored energy is discharged. SDG&E further noted that CAISO's proposal appropriately limits the gas floor's influence by applying the greater-of the calculated opportunity cost or the gas floor.

DMM opposed including the gas floor in the storage default energy bid calculation. DMM noted that gas prices are not directly related to the marginal cost of battery storage and that any influence of gas prices on storage opportunity costs is already reflected through electricity prices and therefore captured in the opportunity cost component of the default energy bid. Moreover, DMM rejected the rationale provided in the straw proposal that the gas floor is needed to prevent mitigated storage from being dispatched ahead of hydro resources. In response, DMM posited that dispatch order, just like default energy bids, should be determined by relative marginal costs rather than administrative preferences to achieve a predetermined ordering of resource types in the bid stack.

4.1.5.1. ISO response to comments on the pertinence of the gas floor

Regarding the inclusion of the gas floor, the ISO underscores that the gas floor would be one of several elements considered within a maximizing function, meaning that, in most cases, the gas floor is unlikely to be the binding variable setting the storage default energy bid. The likelihood of the gas floor setting the storage default energy bid value is low precisely because, as DMM notes, the effects of the gas floor may already be represented in the prevalent LMPs that inform the price-based opportunity cost component. As a result, the inclusion of the gas floor has fairly limited impact in most circumstances and would only be material in a situation where the gas floor is material for both hydro and storage resources. In such a context, incorporating the gas floor in both the hydro and storage default energy bids would ensure that these two types of energy-limited resources are placed similarly in the bid stack if they were mitigated. Therefore, the revised straw proposal included in this paper preserves the gas floor so as to better understand the frequency with which this component would set the default energy bid. The ISO seeks stakeholder feedback on whether there is merit to including the gas floor despite its limited impact.

4.1.6. Comments on the definition of the charging default energy bid

CESA and NV Energy generally supported the objective of creating a transparent methodology for mitigated charging bids but expressed different views on the implications of setting the charging default energy bid to be equal to the discharging default energy bid minus the variable operations and maintenance costs. CESA supported this approach, viewing it as a straightforward way to maintain consistent relationships between charging and discharging bids. CESA also supported the proposed increase in the default storage variable operations and maintenance costs from $0.00/MWh to $14.74/MWh under the 2026 Variable Operations and Maintenance Cost Review initiative.

NV Energy acknowledged that defining the charging default energy bid as the discharging default energy bid minus the variable operations and maintenance costs is a simple and transparent construct but raised concerns about its operational impacts. Specifically, NV Energy noted that the proposal could create a “dead band” between the charging and discharging default energy bids, resulting in a range of market prices where a storage resource would neither charge nor discharge. NV Energy expressed concern that such an outcome could reduce dispatch opportunities and affect the resource’s ability to maintain an appropriate state of charge.

4.1.6.1. ISO response to comments on the definition of the charging default energy bid

In response to NV Energy, the ISO notes that creating a difference between the discharge and charge default energy bids is intended to mitigate the risks associated with charging bid mitigation. As explained in previous papers, the mitigation of charging bids is the result of the current design paired with the need for bid curves that never decrease as the amount of energy offered increases, also known as monotonically non-decreasing bid curves. When a resource is subject to mitigation, any segment of the bid curve that falls above the default energy bid and the competitive locational marginal price will be mitigated to the higher of either of those values. As a result, for storage resources, this means that bid curve segments that are higher than either the default energy bid or the competitive locational marginal price may be mitigated to the higher of those two values, regardless of whether they are bid segments for charging or discharging.

Today's storage default energy bid calculation can result in discharging and charging default energy bids to have the same value. As a result, the market may interpret this lack of a "bid spread" as a willingness by the asset to both charge and discharge a resource at the same price, not accounting for cycling and other operating costs. This results in increased degradation to the asset and an erosion of its ability to manage its state-of-charge. To address this challenge, both the time-of-day and static approaches would modify the charging default energy bid to consider the registered (or default) variable operations cost to create a bid spread informed by available cost data between the charging and discharging default energy bid values.

As such, what NV Energy refers to as a "dead band" is what we have called the "bid spread" in prior materials such as the July 2026 paper: the difference between the highest offer to charge and the lowest bid to discharge. This bid spread, as explained previously, is used to optimize storage resources when state-of-charge constraints are binding within the optimization horizon. As such, we view the creation of a difference between the charging and discharging default energy bids as a desirable feature that minimizes the risks mitigation may pose to state-of-charge management by avoiding the market discharging and charging a resource at the same price.

4.2. Revised Straw Proposal on Storage Default Energy Bid Enhancements

In this paper, the ISO proposes a modified version of the time-of-day approach. This version of the time-of-day approach has been altered in response to stakeholder feedback and takes elements from the alternative offered by DMM in their supplemental comments. Relative to the straw proposal's time-of-day approach, the revised straw proposal includes two modifications:

1. The multiplier applicable to the price-based opportunity cost component is 1.1, as opposed to 1.4.
2. The time-of-day multiplier changes to a lower value in the later of either (1) the earliest of the Nth highest priced day-ahead LMPs, or (2) hour ending 18; as opposed to during the hour that set the price-based opportunity cost component.

Box 4. Revised Straw Proposal on the Time-of-Day Storage Default Energy Bid

$$DA\ Discharge\ DEB = Max(Variable\ Operations\ Cost * 1.1, PB\_OC * 1.1, Gas\ Floor * 1.1)$$
$$DA\ Charge\ DEB = (DA\ Discharge\ DEB - Variable\ Operations\ Cost)$$

$$RT\ Discharge\ DEB = Max(Variable\ Operations\ Cost * 1.1, PB\_OC * 1.1, Gas\ Floor * 1.1) * TOD\ Multiplier$$
$$RT\ Charge\ DEB = (RT\ Discharge\ DEB - Variable\ Operations\ Cost)$$

Where:

$Variable\ Operations\ Cost$: Represents cycling and other operational costs

PB_OC: Price-based Opportunity Cost

- In DA for EDAM, calculated by scaling the MPM outputs based on differences relative to DA LMPs
- In RT for EDAM, calculated by scaling DA LMPs based on differences relative to RT LMPs
- In RT for WEIM, calculated by scaling DGAP based on differences relative to RT LMPs

$TOD\ Multiplier$: A value of 1.4 before the hour that set the price-based opportunity cost and 1.0 after the later of either (1) the earliest of the Nth highest priced day-ahead LMPs, or (2) hour ending 18 (only in real-time)

$Gas\ Floor$: 11,068 MMBtu/MWh * Fuel region gas price

To assess the differences between the different time-of-day alternatives, the ISO conducted analyses to compare them relative to each other and to the status quo. The analyses below seek to build upon the analytical record provided by DMM in its supplemental comments. To do so, the analyses looked at 240 battery storage assets from August 1, 2025, through July 31, 2026.[4] The analyses presented below have a common set of assumptions. First, the LMPs used were derived from market results and therefore represent pricing outcomes that may have been impacted by market power mitigation. Second, the analyses provided assumed 100% mitigation such that resources were mitigated in every interval when the default energy bid value was below the LMP. As such, these are conservative analyses that do not only consider actual instances of mitigation. This is intended to provide a conservative bookend estimate

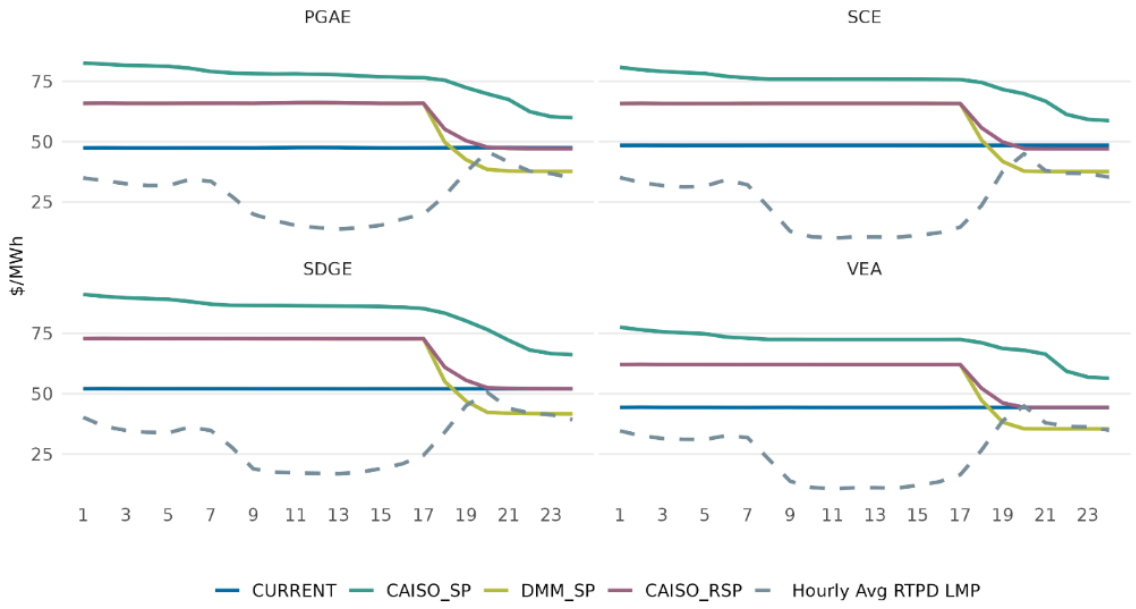
[4] Of these 240 battery assets, 176 had a four-hour duration; 54 had a duration under four hours, and 10 had a duration greater than four hours. All assets considered are storage resources within the CAISO balancing authority area. This is because the analysis seeks to offer a comparison between different variants of the time-of-day approach and the current real-time default energy bid. Because today there is no standardized default energy bid methodology for WEIM-only resources and the analysis period only covered two months of EDAM operations, the comparisons produced in these analyses focus only on storage resources within the CAISO balancing authority area.

of the impacts of the different variants relative to the status quo. Third, for simplicity, the effects of the scaling step are not considered in these analyses. Finally, and particularly relevant for the revenue efficiency analysis, the bids submitted by the assets analyzed were not considered to determine the optimal dispatch assumed for the revenue efficiency metric.

With these assumptions, the ISO first compared the current default energy bid and the different time-of-day formulations to the average 15-minute LMP by utility distribution company (UDC). This analysis shows that all default energy bid formulations result in a value greater than the average 15-minute LMP for all hours except hour ending 20 and 21 in the case of VEA, where the DMM alternative yields a value below the average 15-minute LMP. This figure highlights that both the DMM proposal (DMM_SP) and the revised straw proposal (CAISO_RSP) consistently result in higher default energy bid values before the net peak, minimizing the likelihood of mitigation impeding state-of-charge management efforts. Moreover, by virtue of their time-of-day transition logic, both these options provide a more dependable and consistent transition timing relative to the straw proposal (CAISO_SP).

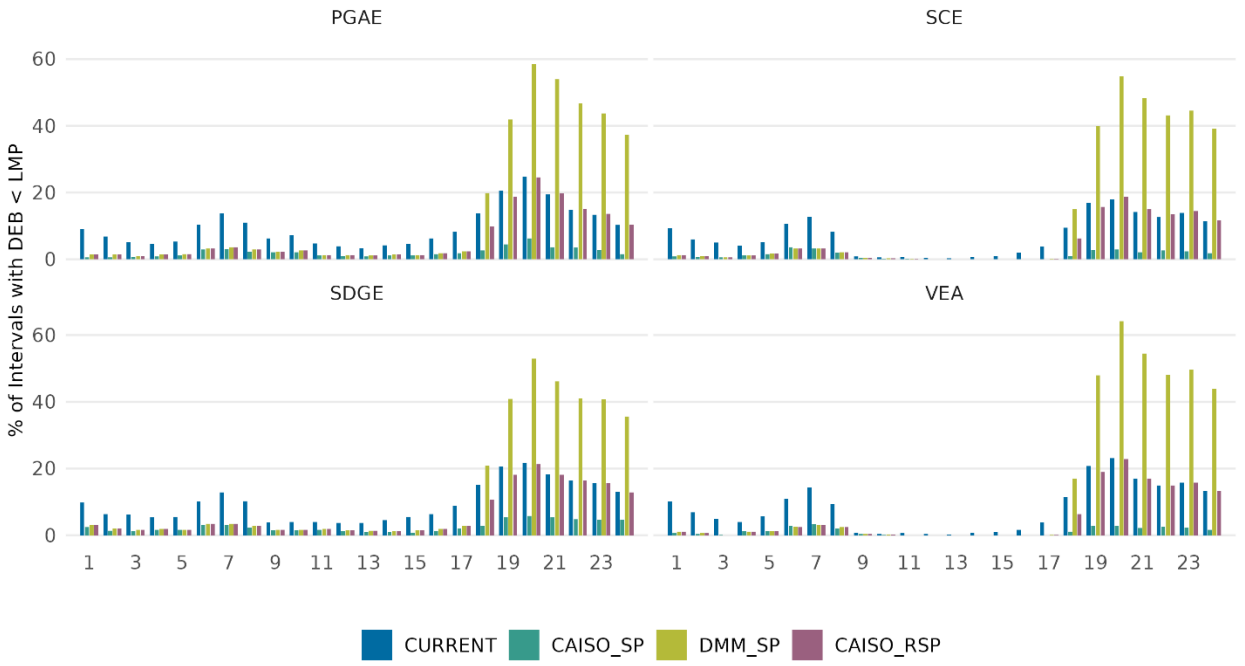
While the revised straw proposal does not result in default energy bid values as low as the DMM proposal achieves in the later hours of the day, this outcome is by design with preserving a lower time-of-day multiplier of 1 as opposed to 0.8. As stated previously, while the ISO acknowledges that opportunity costs are lower during and following the expected peak hours, the value of stored energy is not limited to marketing opportunities within the same trade date. Therefore, the ISO does not believe that it would be prudent to set the lower value of the real-time time-of-day multiplier in a manner that could result in the real-time default energy bid value to be lower than the day-ahead default energy bid. For this reason, the ISO continues to believe it is prudent to preserve 1 as the lower of the time-of-day multipliers.

Figure 4. Comparison of Default Energy Bid Formulations and Average 15-Minute LMPs, by UDC



In addition, the analysis demonstrates the efficacy of including a higher multiplier in the earlier hours of the day. As shown in the figure above, all time-of-day variations result in a default energy bid value that is significantly higher than the average 15-minute LMP during the midday hours, minimizing the risks mitigation during solar hours poses to state-of-charge management. To be clear, the figure above shows a comparison relative to the average LMP value. As such, the instances in which the default energy bid was lower than the LMP in midday hours are muted by looking at a large sample across a whole year. To further inform this discussion, the figure below shows the share of intervals where the default energy bid is lower than the average LMP, demonstrating that the current default energy bid (CURRENT) is the most likely to result in incremental discharge during solar hours.

Figure 5. Percentage of Intervals where the Default Energy Bid Value is lower than the Average LMP, by UDC.

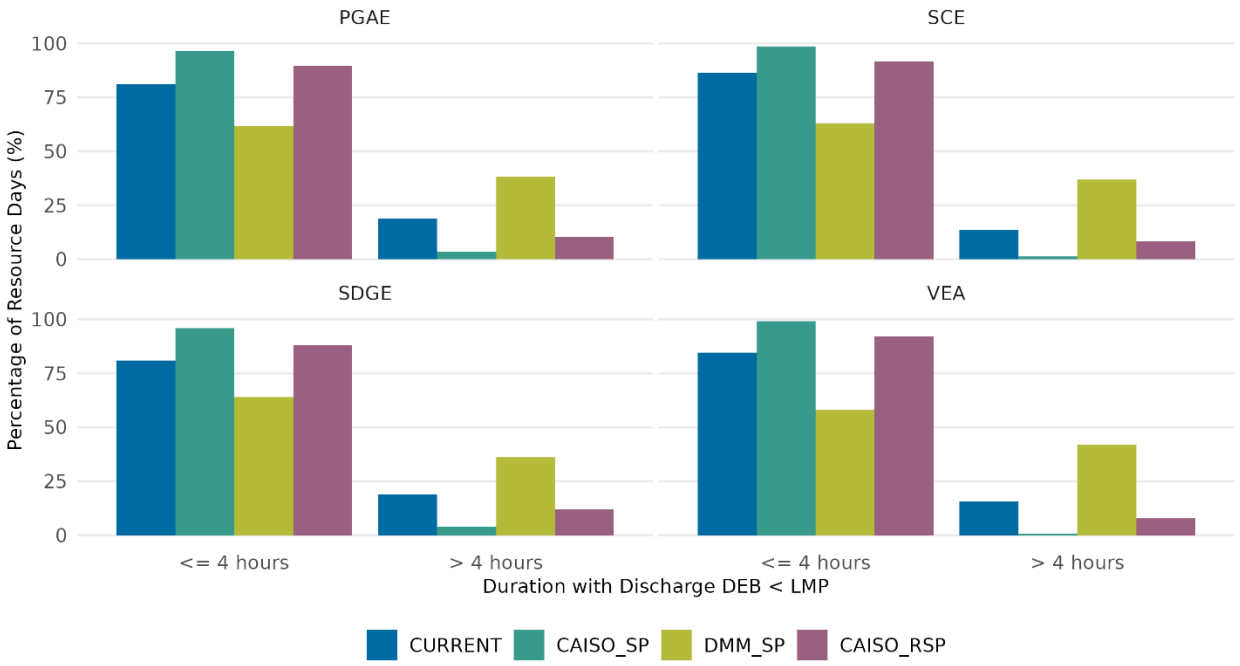


Next, the ISO compared the number of hours for which the status quo and the different time-of-day alternatives produce a default energy bid lower than the average 15-minute LMP. This metric is helpful as it can provide some indication of the potential impact of the default energy bid formulation on the dispatch of batteries if it were driven solely by mitigation. Figure 6 shows histograms of the percentage of resource-days in which the default energy bid value is below the average 15-minute LMP for up to four hours and for more than four hours.

As shown in Figure 6, the revised straw proposal offers a viable balance between the straw proposal and the DMM proposal while improving upon the current default energy bid. First, the revised straw proposal's default energy bid is lower than the average LMP for more than four hours at a greater rate than the straw proposal. This is primarily due to the change to the price-based opportunity cost multiplier. Conversely, the revised straw proposal's default energy bid is lower than the average LMP for

more than four hours at a lower rate than the current default energy bid calculation. This is primarily due to the inclusion of the time-of-day multiplier, as shown in Figure 5 above. Second, while the revised straw proposal's default energy bid is lower than the average LMP for more than four hours at a lower rate than the DMM alternative, Figure 5 supports that this is primarily due to the difference in the value of the lower time-of-day multiplier (1 vs. 0.8).

Figure 6. Percentage of Resource-Days with a Default Energy Bid Value lower than the Average 15-Minute LMP, by UDC.



In addition, the ISO estimated the revenue efficiency of the status quo and the different time-of-day formulations, by UDC. This metric tries to assess the economic efficiency of each default energy bid formulation based on the LMPs of the intervals during which storage resources would be discharged if mitigated. As such, this metric represents an idealized schedule that, for a four-hour resource, adds all the LMPs of the 16 highest-priced intervals under each default energy bid formulation. As noted previously, the analyses assumed 100% mitigation such that resources were mitigated in every interval when the default energy bid value was below the LMP. This total is then compared to a counterfactual that added all the LMPs of the 16 highest-priced intervals for that day. The resulting percentage represents the maximum potential revenues that each resource could earn when mitigated by each of the default energy bid formulations relative to a scenario without mitigation. As such, the revenue efficiency metric can be understood as a value that seeks to measure the balance between economic efficiency and an ability to mitigate the exercise of market power in order to preserve system reliability.

For this analysis, the ISO does not account for the bids submitted by resources. In order to produce both counterfactuals, the analysis assumes perfect foresight and simply dispatches the asset during the applicable number of highest-priced 15-minute intervals given the asset's duration. Similarly, resource

awards are not accounted for, meaning that the resource is assumed to be generating at its full power capability for all intervals in which it is dispatched. This analysis only looked at storage resources in the CAISO balancing authority area and included batteries with discharge durations between one hour and eight hours, with the majority of assets being four-hour resources. The revenue efficiency results are detailed in Table 2. These results also suggest that the revised straw proposal offers a balance between the straw proposal and DMM alternative. Across all UDCs, the revised straw proposal achieves a revenue efficiency that is about 0.4% lower than the straw proposal and 1.3% greater than the DMM alternative, on average.

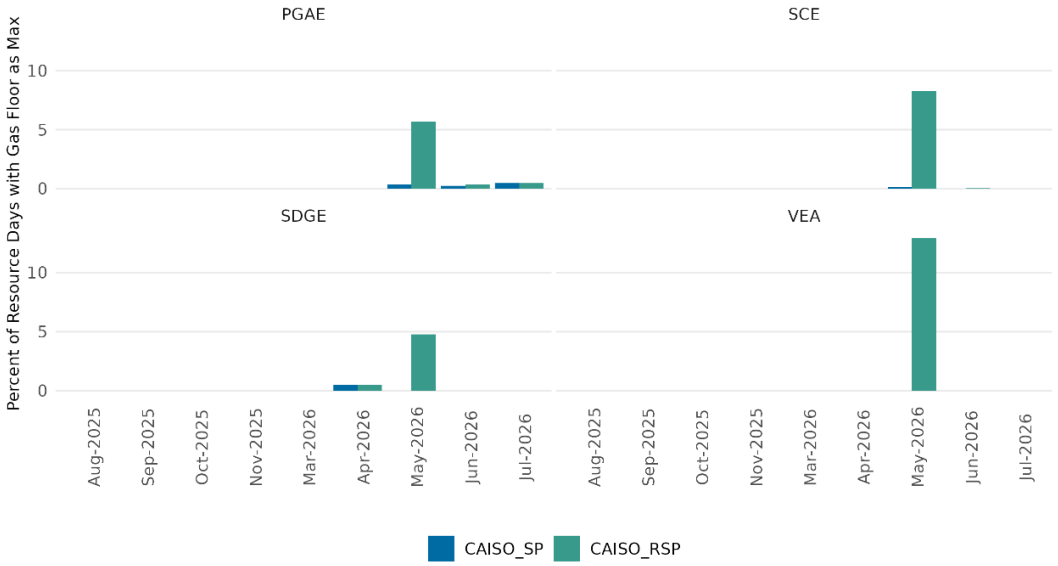
Table 2. Revenue Efficiency Comparison

UDC	CURRENT	CAISO_SP	DMM_SP	CAISO_RSP
PGAE	97.4	99.56	97.9	99.14
SCE	98.67	99.84	98.35	99.57
SDGE	96.23	99	96.59	98.18
VEA	99.03	99.92	98.47	99.7

Finally, the ISO conducted analysis to better understand the frequency with which the gas floor component would set the default energy bid. To do so, the ISO looked at the percentage of resource days when the gas floor would set the default energy bid value for both the straw proposal and the revised straw proposal, by UDC. This analysis looked at the August 2025-to-July 2026 period and assumed the same gas floor value for all batteries in the CAISO BA.[5] As shown in the figure below, the gas floor set the default energy bid value only in a limited share of resource-days. While the share of days is greater under the revised straw proposal relative to the straw proposal, the gas floor is only impactful during a limited set of days, primarily in May. As a result, the inclusion of the gas floor is impactful in less than 10% of resource-days across most UDCs, showing that its inclusion would be fairly limited but meaningful to ensure consistency with the hydro default energy bid in a subset of days and hours.

[5] This value is based on FRCISO fuel region, which is set by the minimum of all custom fuel regions used by gas resources in the CAISO balancing authority area.

Figure 7. Share of Resource-Days in which the gas floor set the storage default energy bid, by UDC



Overall, the ISO finds that the revised straw proposal effectively addresses the identified problem statements while remaining consistent with the guiding principles and responsive to stakeholder feedback.

5. Hybrid Default Energy Bids

In the July 2026 straw proposal, the ISO provided an overview of three different approaches to estimate a default energy bid applicable to hybrid resources: the greater-of approach, the largest component approach, and the weighted average approach. After detailing each approach and its relative strengths, the ISO favored further development of the greater-of approach with a minimum share requirement. This requirement would make it so that a component must constitute at least N% of all installed capacity that is part of the hybrid resource for its default energy bid value to be considered as part of the greater-of approach. With this proposal, the ISO sought stakeholder feedback on the percentage at which the minimum share requirement should be set. Under the ISO's proposed path forward, if a component were to fail the greater-of approach's minimum share requirement, the largest component's default energy bid would be leveraged for the hybrid resource. The ISO envisions that the hybrid default energy bid will be implemented no sooner than the updated storage default energy bid.

5.1. Stakeholder feedback on the Hybrid Default Energy Bids Straw Proposal

Twelve stakeholders (ACP-California, AES, CalCCA, CESA, DMM, Cal Advocates, PG&E, PacifiCorp, SDG&E, SCE, Vistra, and WPTF) provided supportive comments in response to the proposal. CalCCA and SCE, in addition to their supportive comments, expressed caution that a different approach may be appropriate

for hybrids with dispatchable generation. For example, a hybrid resource with one gas and one storage component may face different needs from a hybrid default energy bid than a hybrid resource with one solar and one storage component.

The ISO does not believe that it would be prudent to develop different default energy bid methodologies for different hybrid configurations. This is because the ISO seeks to develop a hybrid default energy bid framework that considers the underlying composition of every hybrid resource while ensuring similar treatment across all hybrid resources. Furthermore, development of bespoke or differentiated default energy bid paradigms could significantly increase the implementation burden associated with this effort. As such, the ISO holds that the greater-of approach is able to fairly represent the impacts and costs of a hybrid's underlying components.

One stakeholder, Terra-Gen, did not support the proposal. Terra-Gen believes it is premature to apply a default energy bid to hybrid resources without clearer tools for managing hybrid resource state-of-charge. The ISO reiterates that scheduling coordinators are able to manage their hybrid resources through economic bidding and the use of dynamic limits, as specified by the tariff and business practice manual. As such, the ISO believes that there are existing tools available for hybrid resources to manage their state-of-charge.

Eleven stakeholders (ACP-California, AES, CalCCA, CESA, DMM, Cal Advocates, PG&E, PacifiCorp, SDG&E, SCE, WPTF) expressed support for further consideration of a minimum share threshold. Of those, eight stakeholders (ACP-California, AES, CalCCA, CESA, Cal Advocates, PacifiCorp, SCE, and WPTF) requested additional analysis on the hybrid fleet composition. Four stakeholders (AES, CESA, Terra-Gen, and WPTF) suggested that the minimum threshold should be lower than most or all existing hybrid resources. Conversely, Cal Advocates supported setting the minimum threshold at 50% of the resource's total capacity. PG&E and SDG&E suggested that the initiative should consider whether the minimum share should be tied to a storage component's ability to meaningfully shift generation over time. For example, the calculation could perhaps consider the duration and state-of-charge of the asset to assess the default energy bid.

The ISO shares data regarding the composition of the hybrid fleet below. In response to PG&E and SDG&E, having a minimum share tied to the storage component's ability to meaningfully shift generation over time would require a dynamic or even hourly default energy bid to be calculated within the real-time market. Implementing a dynamic or hourly default energy bid would represent complex implementation efforts including new data inputs, systems, and processes. The primary challenge related to this approach lies in sourcing relevant price estimates for energy and opportunity costs within the real-time market. Today, the process with the longest lookahead in the real-time market is the short-term unit commitment (STUC) process, which offers a look-ahead horizon of approximately four hours. The length of this horizon proves challenging for the development of an hourly default energy bid since it may be too short to capture the operational nature of four-hour battery resources. Therefore, the ISO does not propose to explore an intertemporal hybrid default energy bid methodology that is tied to a storage component's ability to meaningfully shift generation over time.

Two stakeholders opposed a minimum threshold approach. Vistra and Terra-Gen believe that no demonstrated reason for the minimum threshold has been shown. The ISO believes that the possibility of having the greater-of approach may incentivize the development of hybrid resources with diminutive shares of storage or gas components to access higher default energy bids is, in and of itself, a significant gap that demonstrates the rationale for a minimum threshold. This is because allowing for a diminutive amount of capacity from a certain technology to raise the default energy bid applicable to an entire hybrid configuration would undermine the ISO's ability to limit the exercise of local market power.

Finally, DMM stated that the ISO should prioritize additional hybrid resource default energy bid enhancements after these changes are made to reflect the costs of hybrid resources more accurately as a full system of different generation components. The ISO believes that the greater-of approach with a minimum share requirement is a viable starting point for the implementation of default energy bids for hybrid resources and agrees with DMM that, following implementation of this approach, continued monitoring should determine if and how the default energy bid formulation for hybrid resources could be further refined.

5.2. Revised Straw Proposal on Hybrid Default Energy Bids

The revised straw proposal continues to build upon the greater-of approach, as described in the July 2026 straw proposal, and stakeholder feedback. In summary, the ISO proposes:

- A hybrid resource's default energy bid would be equal to the greater-of the default energy bid values applicable to each of the components that make up that hybrid resource.
- A component must represent at least 30 percent of the hybrid resource's installed capacity for its default energy bid value to be considered as part of the greater-of approach.

For example, under the greater-of approach, a hybrid resource made up of a battery component and a solar component would have a default energy bid as follows. First, calculate each component's default energy bid. Since most storage resources leverage the storage default energy bid and most solar resources leverage the locational marginal price default energy bid, this example uses those methodologies. Next, compare the two component default energy bids and whichever is greater becomes the default energy bid for the whole resource.

As noted in the July 2026 straw proposal, the ISO has concerns about whether the greater-of methodology alone would properly mitigate the exercise of market power for some hybrid configurations under certain circumstances. For example, consider the edge case of a 100 MW hybrid resource made up of 99 MW of solar and 1 MW of battery storage. Under this approach, if the storage default energy bid is higher than the locational marginal price default energy bid, the storage default energy bid would be used for all 100 MW of its capacity.

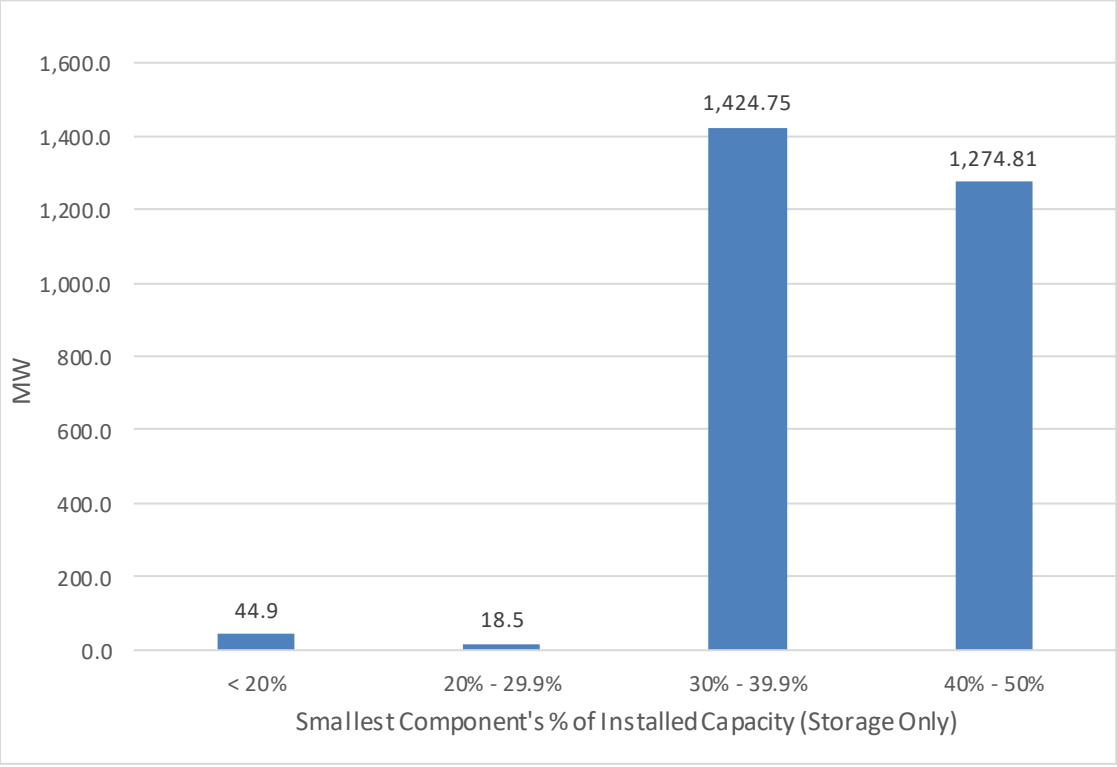
To ensure hybrid resource default energy bids reflect the characteristics of a significant portion of the hybrid resource, the ISO believes that any application of the greater-of approach should include a

minimum share requirement. This requirement would make it so that a component must constitute at least N% of all installed capacity of the hybrid resource for its default energy bid to be considered as part of the greater-of approach.

Considering a significant share of stakeholders agreed with the development of a minimum share requirement to be informed by current hybrid data, the ISO analyzed the current hybrid fleet across the market to further develop this proposal. As of August 4, 2026, all 42 hybrid resources had two components of which one is a storage component. Of these 42, 40 resources had the storage component as their smallest component by installed capacity.[6] Of these, 7 resources had storage components that were less than 30% of the hybrid resource's installed capacity. These 7 hybrid resources had 63 MW of storage capacity combined, less than 3% of the total hybrid storage capacity. In other words, over 83% of hybrid resources, representing 97% of storage capacity in a hybrid configuration, have a smaller component that constitutes at least 30% of their total installed capacity.

Figure 8 shows the distribution of storage capacity across smallest components' percentage of total installed capacity. Note that this figure includes only resources that have a storage component as their smallest component.

Figure 8. Storage MWs by Smallest Component % of Installed Capacity, Excluding Resources with Non-Storage Smallest Component



[6] This figure includes resources whose installed capacity is evenly split across their components.

Considering this data, the ISO proposes a minimum share requirement of 30%. This would mean that a hybrid component must have at least 30% of its installed capacity for that component's default energy bid value to be considered in the greater-of hybrid approach for the hybrid default energy bid. Any component that constitutes less than 30% of the total installed capacity of a hybrid resource would not have its default energy bid methodology considered when calculating the hybrid default energy bid.

The ISO believes that this threshold is reasonable. Default energy bids are intended to approximate a resource's marginal cost. An accurate approximation of these costs is particularly important for resources that include energy-limited components, such as energy storage. This is because, as explained in the sections regarding the storage default energy bid, an accurate default energy bid is crucial to ensure that energy-limited assets that face similar opportunity costs are similarly positioned in the bid stack when mitigated.

The greater-of approach ensures that hybrid resources are correctly positioned in the bid stack by taking the conservative stance of assuming that the greater-of the default energy bids applicable to the underlying components is the opportunity cost for the entire hybrid asset. In parallel, the minimum share requirement ensures that hybrid resource default energy bids reflect the marginal cost characteristics of components that constitute a significant portion of the hybrid resource because larger components have a greater impact on the overall marginal cost structure of the hybrid resource.

If a hybrid resource only has one component that meets the threshold, the default energy bid applicable to that underlying asset would be the default energy bid for the entire hybrid resource. Additionally, the analysis above shows that the majority of existing resources would have all components eligible if a 30% minimum share threshold is implemented.

Because the greater-of approach could be used for any combination of underlying components, this approach would represent a durable solution, but its implementation would require significant effort. First, implementation would require increased data collection on hybrid resources and their underlying components. Furthermore, the implementation of this approach would require the development of new data pipelines to allow for the calculation of component-level default energy bids and their comparison.

6. Governance Classification

This proposal discusses changes to the calculation of default energy bids for storage and hybrid resources. Because these changes would apply to WEIM/EDAM Entity balancing authority areas, rather than solely the ISO balancing authority area, they fall under the WEM Governing Body's primary authority.

The WEM Governing Body has primary 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 WEIM/EDAM. The scope of this primary authority excludes, without limitation, any other proposals to change or establish tariff rule(s) applicable only to the ISO balancing authority area or to the CAISO-

controlled grid.[7] The proposed tariff changes 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."

The changes proposed are not limited to the ISO balancing authority area or to the CAISO-controlled grid. Accordingly, the proposed changes fall within the scope of the WEM Governing Body's primary authority. Stakeholders are encouraged to submit a response in their written comments to the proposed classification of as described above, particularly if they have concerns or questions.

7. Next Steps

This paper will be discussed at a stakeholder meeting scheduled for September 22, 2026. Comments on the paper and the stakeholder meeting will be due October 6, 2026.

[7] Charter for WEIM and EDAM Governance § 2.2.1.