

Western Resource Adequacy Program DAM Task Force Proposal — Concept Paper

Task Force Proposal

This Concept Paper was prepared by the Program Review Committee’s 2025 Workplan Task Force 01 – Day-Ahead Market Optimization of the Operations Program / Southwest & East Subregion Transmission Limits (aka “DAM” Task Force) ahead of the September 10th, 2025, Resource Adequacy Participants Committee (RAPC) meeting. This version of the Concept Paper includes responses to suggestions made at the September 10th, 2025, RAPC meeting and has been prepared for the RAPC’s consideration at its October 16th Meeting.

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I. Background

a. Overview

The Program Review Committee’s (PRC’s) 2025 Workplan consolidated Concepts 2024-CRF-004 and 2024-CRF-001 into the DAM Task Force to develop ideas on DAM Optimization of the Operations Program / SWEDE Transmission Limits in relation to the Western Resource Adequacy Program (WRAP) Operations Program. The DAM Task Force aims to develop these ideas into a Proposal ready for comment as established in *BPM 302 Program Review Committee Proposal Development and Consideration*.

The WRAP Tariff was originally designed and built upon a bilateral market framework with two Subregions: the Northwest and SWEDE. The Forward Showing component of the WRAP requires planning ahead of the Binding Seasons and has Planning Reserve Margins (PRMs) set based on diversity sharing within Subregions (and limited diversity between the Subregions). To capture that diversity operationally, the WRAP has an Operations Program that runs during the Binding Seasons, matching Participants that are deficit to those that are sufficient (compared to a Participant Forward Showing, taking into account updates in load forecasts and anticipated resource performance). Energy Deployments between Participants are currently settled in such a way (with adders) to incentivize Participants in deficit to resolve shortfalls outside of the WRAP and only use the Operation Program as a reliability backstop of last resort.

The Northwest Subregion has a Central Hub at Mid-C and allocates the results of the Operations Program Sharing Calculation on a pro-rata basis. The SWEDE does not have an identified Central Hub, so the allocation of the Sharing Calculation is optimized based on transmission transfer capabilities. There is currently no sharing obligation between the two Subregions (although there is a voluntary Raise Hand function).

As WRAP Participants begin to commit themselves to CAISO's EDAM and SPP's Markets+ (or neither) the bilateral foundation of the Operations Program needs to be revisited. This Proposal considers significant changes to, and restructuring of, the four key components of the Operations Program: Holdback, Energy Deployment, Settlement, and Energy Delivery Failure.

b. Impact

This Proposal, if implemented, will further the WRAP's long-term goals of simplifying program execution to the extent possible and increasing access to the diversity of loads, resources, and transmission across the footprint. This increased access could eventually move the program towards a single Forward Showing footprint for all Participants. In addition to increased efficiencies, access, and simplicity, this Proposal could also lead to reduced Forward Showing PRMs by incorporating a broader range of loads, resources, and transmission in the Loss of Load Expectation (LOLE) study.

In the short-term the DAM Task Force's re-evaluation of the Operations Program through the emerging markets paradigm will affect all Participants and lead to changes allowing for increased interoperability and efficiencies and avoid situations where the WRAP and DAM processes and requirements interfere with each other.

II. Objectives – Principles of Engagement

Task Force members will strive to represent their respective organizations (if part of one) while working in the best interests of the region. A spirit of collaboration will govern discussions, and the Task Force will strive to navigate cordially through conflicts and differences of opinion. Consistent member attendance and engagement at Task Force meetings are critical. In addition, this Task Force's Proposal should:

- Be an improvement for all Participants whether they are joining either, or neither, market.
- Lead to WRAP obligations that apply equally to all Participants, while acknowledging that market actions may lead to differing outcomes.
- Ensure WRAP incentives and risks are properly aligned with respect to the emerging markets paradigm.

III. Solution

- The foundation of this Proposal is the realignment of the two Subregions with the market footprints of CAISO's EDAM and SPP's Markets+, with any non-market Participants assigned to one of these Market-Based Operational Subregions (MBOS) as appropriate. This realignment would allow for pro-rata allocation of the Sharing Calculation in both Subregions and potentially allow for more diversity sharing between the two Subregions than the status quo. The MBOS paradigm would also lead to an initial intra-Subregion Sharing Calculation run within each MBOS (Run 1), with pro-rata sharing of the holdback allocation for both Subregions (as is currently the case in the Northwest Subregion) and optimization of the Energy Deployment by the respective markets. The initial holdback allocation (Run 1) would be followed by an inter-Subregion Sharing Calculation (Run 2) between the two MBOSs to address any outstanding energy shortfalls (any remaining negative Sharing Calculation results after Run 1). However, developing detailed policies and methodologies regarding sharing between MBOSs will require further clarification on the implementation of CAISO's EDAM and SPP's Markets+, and will therefore likely be part of the long-term vision of this Proposal.

Regarding market optimizations, it is a priority that Participants assigned to an MBOS but not committed to either market are still able to find equivalent value in the WRAP, and this will likely require discussions with market operators to understand how non-market Participants would interact with markets. However, in the interim, this Proposal will develop guidance regarding how a non-market Participant should be assigned to an MBOS.

This MBOS Proposal has significant implications for each of the four key components of the Operations Program (Holdback, Energy Deployment, Settlement, and Energy Delivery Failure) as described below. Certain elements of this Proposal require further development and clarification around the implementation of CAISO's EDAM and SPP's Markets+ before they can be more fully elaborated and are identified by an asterisk (*). In addition, this Proposal aims to ensure that the Operations Program will continue to be structured so that Operations Program assistance is a product of last resort. As this is a Concept Paper, some elements will be subject to further development and are identified by a cross (†).

a. Holdback

- There will be no significant changes to the Sharing Calculation.
- Run 1 of the Sharing Calculation will be within each MBOS, with allocation assigned pro-rata within both MBOSs (so there will no longer be any submission of point-to-point [PTP] or PTP-

Limit data, nor any matching optimization done by WRAP, as is currently happening in the SWEDE).

- * Run 2 of the Sharing Calculation will be between MBOSs, assigning additional holdback to address any outstanding energy shortages after Run 1, and allocated pro-rata.
- In both Runs, the WRAP will dictate a holdback obligation for individual Participants, but the way in which Participants choose to meet these obligations will continue to be at the discretion of the Participant and/or their market of choice.
- * Deficit Participants are currently able to specify the Energy Deployment amounts up until T-85 on the Operating Day, resulting in potential capacity deoptimizations in future DAMs. The ability to specify the Energy Deployment amount will be moved back to a to-be-determined amount of time prior to the day-ahead market submission deadlines (currently 10 am for both markets). The goal of this to-be-determined time ahead of the DAM submission deadline is to allow participants time to adjust their DAM positions as they deem necessary once WRAP sharing obligations are finalized.
- * WRAP Participants will have the flexibility to meet obligations by making the necessary capacity to meet the obligation available to the market to which the deficient Participant is tied.

b. Energy Deployment

- Energy Deployments within an MBOS (Run 1) between markets Participants will be left to the respective markets to optimize, or, when both the holdback and deficit Participants are not in a market, left for non-market Participants to determine how to meet their Energy Deployment Obligations (similar to current policy).
- * Energy Deployments between MBOSs (Run 2) will be left to the respective Participants of the markets to deliver, or, when both the holdback and deficit Participants are not in a market, left for non-market Participants to determine how to meet energy deployment obligations (similar to current policy).
- WRAP will require verification that the required capacity was offered into the markets.
- In addition to WRAP obligations being met by the necessary capacity obligations into the day-ahead markets, E-Tags will be required for Energy Deployments between MBOSs.
- From a WRAP perspective the surplus Participant retains responsibility for Energy Deployments within an MBOS.
- † From a WRAP perspective the surplus Participant retains responsibility for Energy Deployments between MBOSs.
- The Raise Hand Tool feature will be retained.

c. Settlement

- Settlement prices should ensure that the Operations Program remains a backstop rather than an economic alternative.
- * † This Task Force will explore how WRAP Settlement prices relate to market penalties for failing to meet a Resource Sufficiency Evaluation (RSE) or Must-Offer Obligation (MOO).
- * The WRAP Tariff will retain a capacity payment for holdback.
- The 10% adder to the Total Settlement Price will be removed.

- * Participants will pay for energy deployments within an MBOS at the appropriate market-based price as agreed to with the market operator instead of a WRAP-calculated energy price.
- The Task Force will explore whether the Settlement calculation should retain the Make Whole Adjustment for breaking up a block sale.
- † The day-ahead Applicable Price Index used in settlements will be updated to reflect the appropriate market.
- † The real-time Applicable Price Index used in settlements will be updated to reflect the appropriate market. Such a price will be required for bilateral Energy Deployments between non-market Participants within an MBOS and between MBOSs.
- † Settlements between MBOSs will use the higher of any Applicable Price Indexes.

d. Energy Delivery Failure

- WRAP obligated surplus Participants will retain responsibility for Energy Delivery Failure within an MBOS.
- WRAP obligated surplus Participants will retain responsibility for Energy Delivery Failure between a MBOS.
- The policy on Waivers for an Energy Deployment Obligation will be reviewed to align with the MBOS paradigm.

IV. Issues outside of Task Force/Concept Paper Scope

The DAM Task Force encourages RAPC, PRC, and WPP to consider the appropriate venue to address the following issues related to, but not strictly contained within the scope of, this Proposal. Some of these issues could be addressed through a Non-Task Force Proposal (NTFP).

- Impact of MBOSs on Forward Showing (including PRMs) mechanics and calculations; the Task Force will recommend that WRAP consider how Forward Showing metrics can and should be updated if and when MBOSs are implemented in the Operations Program. Generally, the Task Force recommends considering realigning the Subregions with the two MBOSs (instead of Mid-C/SWEDE) and considering whether inter-MBOS sharing (Run 2) enables modeling more diversity sharing across the whole WRAP footprint, once market mechanics for such sharing are better understood.
- Reducing the Uncertainty Factor by moving the Sharing Calculation(s) closer to the Operating Hour.
- Efficiencies for data sharing between WRAP and Market Operators.
- Seams agreement between CAISO's EDAM and SPP's Markets+.
- Critical Mass is the threshold level of participation in a Subregion below which each Participant of such Subregion may elect to participate as a non-Binding Participant. The thresholds are currently set in *BPM 107 Forward Showing Deficiency Charge* as 20 GW load volume and 3 Participants for the Northwest Subregion, and 15 GW load volume and 3 Participants for the Southwest Subregion. These Critical Mass thresholds will need to be revisited given the shift to MBOSs. Further consideration of Critical Mass by this Task Force will be taken in coordination with the PRM Task Force.

- Operations Program terminology may need to be reconsidered to better align with the mechanisms of the emerging markets.
- † The role of the Raise Hand Tool feature for voluntary assistance between MBOs.