

Expanding Western Energy Markets

SB 540 would reduce California energy costs by more than \$1 billion annually while strengthening grid reliability through expanded regional energy markets.¹

Key Takeaways

- **The problem:** California relies on energy markets that are constrained by a lack of participation from other Western states—meaning less supply, higher prices, and less efficiency compared to a broader regional market.
- **The solution:** SB 540 would allow California's grid operator and utilities to participate in expanded regional markets governed by an independent body with Western state representation.
- **The benefits:** Access to markets "bigger than the weather" could save Californians more than \$1 billion per year, providing more energy to keep the lights on during grid stress while allowing California to sell more of its abundant clean power to other states.



The Challenge

The California Independent System Operator (CAISO), whose board is appointed by the governor, sets rules for energy markets it runs today, including the Western Energy Imbalance Market (WEIM) where utilities from multiple states can buy and sell extra energy in real time.

CAISO plans to launch an Extended Day-Ahead Market (EDAM) that would expand those benefits by allowing utilities to plan larger energy purchases 24 hours ahead.

However, utilities in other states won't join if California controls all decisions. A competing market from Arkansas-based Southwest Power Pool is gaining traction, risking California's isolation if EDAM doesn't expand.

SB 540 addresses this by paving the way for independent oversight of market rules while preserving California's control over its grid and renewable energy requirements.

Proven Benefits

The CAISO-run WEIM has delivered **more than \$7 billion in benefits²** over a decade, proving regional markets work. The market kept power flowing when Western energy demand hit record highs during last year's extended heat wave.

SB 540 builds on this proven success—but without legislative action, California risks losing these benefits. Market participants will likely abandon WEIM for Southwest Power Pool's competing day-ahead market if California doesn't act.

Building Consensus

Previous attempts to create regional markets have failed, but this effort is different. Western energy officials started fresh with the West-Wide Governance Pathways Initiative (WWGPI), converting former opponents into supporters.

The results speak for themselves: California unions, environmental groups, Idaho utilities, and Nevada utilities now back the plan. SB 540 is essential to keep this momentum moving forward.

Protecting California's Priorities

SB 540 includes built-in safeguards for ratepayers and state energy policies, including California's Renewable Portfolio Standard. California entities can only join if these protections are guaranteed—and must leave if they're ever compromised.

The timeline provides additional security. California entities cannot join the new market until 2028 at the earliest, allowing time to monitor federal developments. Since California's grid operator already operates under Federal Energy Regulatory Commission (FERC) jurisdiction, SB 540 creates no new federal oversight.

¹ California Energy Commission Fact Sheet — Updated Day-Ahead Energy Markets Impact Study <https://efiling.energy.ca.gov/GetDocument.aspx?tn=263571>

² <https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>