



# FERC Rescinds the Longstanding Western Electricity Coordinating Council's Soft Price Cap

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## Overview

At its February 19, 2026 Open Meeting, the Federal Energy Regulatory Commission (FERC or Commission) approved an [order](#) in *Western Electricity Coordinating Council*, 194 FERC ¶ 61,123 (2026) (WECC Order) rescinding the longstanding Western Electricity Coordinating Council's (WECC) soft price cap applicable to bilateral spot market energy sales. The Commission determined that the cap is no longer just and reasonable due to the development of Western markets (Energy Imbalance Market (EIM), Extended Day-Ahead Market (EDAM), RTO West and Markets +), enhanced federal oversight and enforcement tools, and the regulatory burden associated with the soft cap. The order is effective July 18, 2025, the date on which the Commission initiated its Federal Power Act (FPA) section 206 investigation. In connection with the order removing the WECC's soft price cap, FERC's Office of Enforcement and Regulatory Accounting (Enforcement) provided the Commission with an [overview](#) of Enforcement's oversight and surveillance of Western electricity markets.

## Background

### A. Origins of the WECC Soft Price Cap

FERC established the WECC soft price cap in 2002 following the 2000–2001 Western Energy Crisis.<sup>1</sup> Initially set at \$250/MWh and later increased to \$1,000/MWh, the cap did not bar sales above the threshold; instead, sellers were required to justify above-cap transactions and were subject to potential refunds if they failed to do so. Hence, the term “soft cap.” Above-cap transactions proliferated during major heat events in 2020, 2021, and 2022, and generated numerous cost-justification filings by sellers seeking to demonstrate that their bilateral energy transaction pricing, above the soft cap, remained just and reasonable.

### B. The July 2024 D.C. Circuit Opinion

In July 2024, the D.C. Circuit issued a ruling in *Shell Energy North America (US), L.P. v. FERC*, 107 F.4th 981 (D.C. Cir. 2024) (Shell Energy), which vacated multiple FERC refund orders and held that FERC must apply the *Mobile-Sierra*<sup>2</sup> public-interest standard before ordering refunds for above-cap bilateral transactions. Because the Commission did not undertake that analysis in a series of orders that required refunds for above-cap sales, the court vacated and remanded multiple FERC refund orders back to the Commission for further proceedings.

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 100 FERC ¶ 61,060 (2002).

<sup>2</sup> The *Mobile-Sierra* presumption takes its name from two cases decided by the Supreme Court of the United States on the same day: *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) (*Mobile*) and *Fed. Power Comm'n v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956) (*Sierra*).

## FERC's Findings and Rationale for Eliminating the Cap

In light of the July 2024 Opinion, the Commission instituted a section 206 investigation to reconsider the need for the WECC soft price cap framework. In last week's WECC Order, FERC eliminated the soft cap based on three principal findings. First, the development and maturation of Western wholesale markets. The Commission emphasized that Western market structures have changed fundamentally since the cap's adoption. The region now features:

- The CAISO EIM;
- The forthcoming EDAM; and
- New centralized market constructs (RTO West, Markets+) coming online in 2026–2027.

The Commission found that these organized markets offer transparent price signals, robust market monitoring, and competitive alternatives to bilateral spot transactions. The Commission concluded that these market advancements reduce the need for the separate WECC-wide mitigation measures imposed in 2002.

Second, FERC highlighted major improvements in its own oversight capabilities since 2002, including enhanced monitoring and enforcement tools to deter and detect potentially manipulative conduct in FERC-jurisdictional wholesale electric markets. Following the Energy Policy Act of 2005, the Commission gained explicit anti-manipulation authority.<sup>3</sup> The Commission now receives continuous non-public Intercontinental Exchange (ICE) trading data, Commodity Futures Trading Commission (CFTC) Large Trader Reports which provide data on market participants' financial power positions at the energy trading hubs, Order No. 760 data from organized markets, real-time e-Tag interchange scheduling data, and electronic quarterly report data, which is a quarterly report submitted by each public utility with authority to transact at market based rates identifying transactions. The Commission found that these tools allow FERC to identify market abnormalities, detect misconduct, and evaluate trading behavior significantly earlier and more comprehensively than through after-the-fact soft cap justification filings.

Lastly, FERC concluded that the soft price cap's function has been narrowed and provides negligible regulatory benefit. The Commission found that the soft cap justification filings imposed significant burdens on both sellers and the Commission and created uncertainty for individual spot market transactions that outweigh the benefits of the soft cap.

## Enforcement Presentation

In connection with the order removing the WECC soft price cap, FERC's Office of Enforcement provided the Commission with an overview of Enforcement's oversight and surveillance of Western electricity markets followed by a Q&A session that provided insight into the Commission's enforcement techniques and expectations as wholesale markets, including in the Western Interconnection, continue to evolve. Enforcement staff conducts regular surveillance of trading

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<sup>3</sup> See 16 U.S.C. § 824v; 18 C.F.R. § 1c.1.

behavior and constantly monitors the markets for possible violations, including market manipulation. For instance, staff monitors physical trades at hubs to determine whether any market participant may be using physical power trades in an attempt to raise or lower index prices in a manner that would benefit a larger financial position. Similarly, staff screens for market participants that may be conducting circular or circuitous scheduling of transmission, which could constitute a wash trade. Staff closely monitor market conditions during disruptive events, such as periods of unusually high prices in the wholesale natural gas or electricity markets or dramatic weather events.<sup>4</sup>

Additionally, the Division of Analytics and Surveillance's (DAS) ex-post team actively monitors wholesale market activity in the non-ISO/RTO bilateral regions for the potential exercise of market power. As part of the Commission's oversight of its market-based rate program, DAS conducts its ex-post review using the public electronic quarterly report data, along with other public data sources, to create and analyze dozens of market indicators that collectively identify potential instances of the exercise of market power in each balancing authority and trading hub.<sup>5</sup> This analysis evaluates transactions against market fundamentals at the time of execution to confirm that market outcomes are competitive. Other behaviors tracked by Enforcement include the price of a subject's transactions relative to the overall market and the timing of the trading. For example, staff said it pays particular attention to trades that occur very early or very late in the day, since those periods are susceptible to market-framing trades that benefit a particular market participant's position.

DAS also reported that it has undertaken an effort to modernize and streamline its electric surveillance process using cutting edge techniques. This modernization includes use of more advanced, dynamic dashboards that have user defined parameters rather than static screen trip metrics, to enhance its ability to detect potentially manipulative behavior. Enforcement staff stated that they expect that surveillance in the developing FERC jurisdictional western markets (EDAM and Markets+) will begin to resemble the robust surveillance already conducted in the ISO/RTO markets. Examples provided by staff included examination of financial participants' activity, generator offers and commitments, tracking interchange between the multiple seams, and screening for manipulation based on strategies already observed in the ISO/RTO markets. In short, staff expect to have access to more data and have a better overall view of the market activity in the West.

### Conclusion

In conclusion, FERC rescinded the WECC soft price cap and associated cost-justification filing requirement **effective July 18, 2025**. The WECC Order retires a mechanism in place for nearly twenty-five years and reflects the Commission's confidence in the evolution and maturation of Western electricity markets and FERC enforcement and mitigation measures.

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<sup>4</sup> Overview of Enforcement's Oversight and Surveillance of the Western Electricity Markets Presentation, FERC (Feb. 19, 2026) <https://www.ferc.gov/news-events/news/presentation-overview-enforcements-oversight-and-surveillance-western-electricity>.

<sup>5</sup> *Id.*

### For More Information

VNF closely monitors and counsels clients on the development of Western energy markets, compliance, and WECC bilateral energy sales. If you would like more information on how these developments may impact your business, please contact [Malcolm McLellan](#), [Meghan O'Brien](#), or any member of VNF's electric practice.

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