



California ISO

WESTERN ENERGY MARKETS

Decision on extended day-ahead market congestion revenue allocation proposal

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Management proposes targeted changes to congestion revenue allocation in the Extended Day-Ahead Market (EDAM)

- Addresses concerns raised by PacifiCorp transmission customers that the current design may not transfer sufficient revenue to cover their exposure to congestion costs when using firm transmission rights.
- Expedited stakeholder process yielded a targeted change to allocate sufficient congestion revenue allocation associated with parallel flows to the EDAM entity to sub-allocate out to their transmission customers under their own tariffs.

Current EDAM congestion revenue allocation design

- Market operator allocates all resulting congestion revenues associated with a constraint to the EDAM balancing area where the transmission constraint is located.
- Consistent with allocation methodology in Western Energy Imbalance Market (WEIM) today.
- The host balancing area bears the operational effects of managing the constraint.

Proposed EDAM congestion revenue allocation

Proposed change:

- Parallel flow congestion revenue: allocated to EDAM balancing area where congestion revenues are collected (not where constraint is located) based on the exercise of eligible firm Open Access Transmission Tariff (OATT) transmission rights submitted and cleared as day-ahead balanced self-schedules.

Unchanged, consistent with current FERC-approved design:

- Internal congestion revenue: these revenues resulting from a binding transmission constraint within its balancing area continue to be allocated to and remain with that balancing area where the constraint is located.
- Parallel flow congestion revenue remaining after accounting for the exercise of OATT rights: continues to be allocated to the EDAM balancing area where the transmission constraint is located.

Monitoring and commitment to continued design evolution

- Will provide robust monitoring and reporting of binding transmission constraints, price effects, and resulting allocation of congestion revenues.
- Will commence stakeholder engagement to evaluate design enhancements starting prior to EDAM launch.
- Near-term enhancements to congestion revenue allocation, for implementation in 2027, would aim to:
 - further incent economic bidding and efficient market behavior
 - provide reciprocal treatment for congestion revenue rights as that afforded to firm transmission rights

The proposal responds to concerns raised by stakeholders

- Enables additional allocation of congestion revenues to the EDAM entity associated with parallel flows.
- Enables EDAM entity to sub-allocate these revenues under the terms of their OATT to provide congestion cost protections for exercise of transmission rights.
- Establishes a commitment for monitoring and evolution of design through continued stakeholder engagement to evaluate further design enhancements.

Generally supported by stakeholders

- Stakeholders generally recognize the transitional design as an acceptable interim compromise to support the launch of EDAM.
- ISO will monitor binding constraints pre and post-EDAM launch, along with the frequency and impacts of self-scheduling to address concerns with incentives to self-schedule.
- ISO will pursue enhancements to create parity for ISO balancing area.
 - ISO balancing area will receive additional parallel flow revenues relative to today
- Continued stakeholder engagement will begin prior to EDAM launch, which will consider further design enhancements.

Management recommends approval of the EDAM congestion revenue allocation final proposal

- Proposal responds to concerns raised by transmission customers.
- Enables additional allocation of congestion revenues to the EDAM entity associated with parallel flows which they can sub-allocate under the terms of their OATT to provide congestion cost protections for exercise of transmission rights.
- Supports timely implementation of EDAM in 2026.
- Establishes a commitment for monitoring of design and continued prompt stakeholder engagement to evaluate further design enhancements.