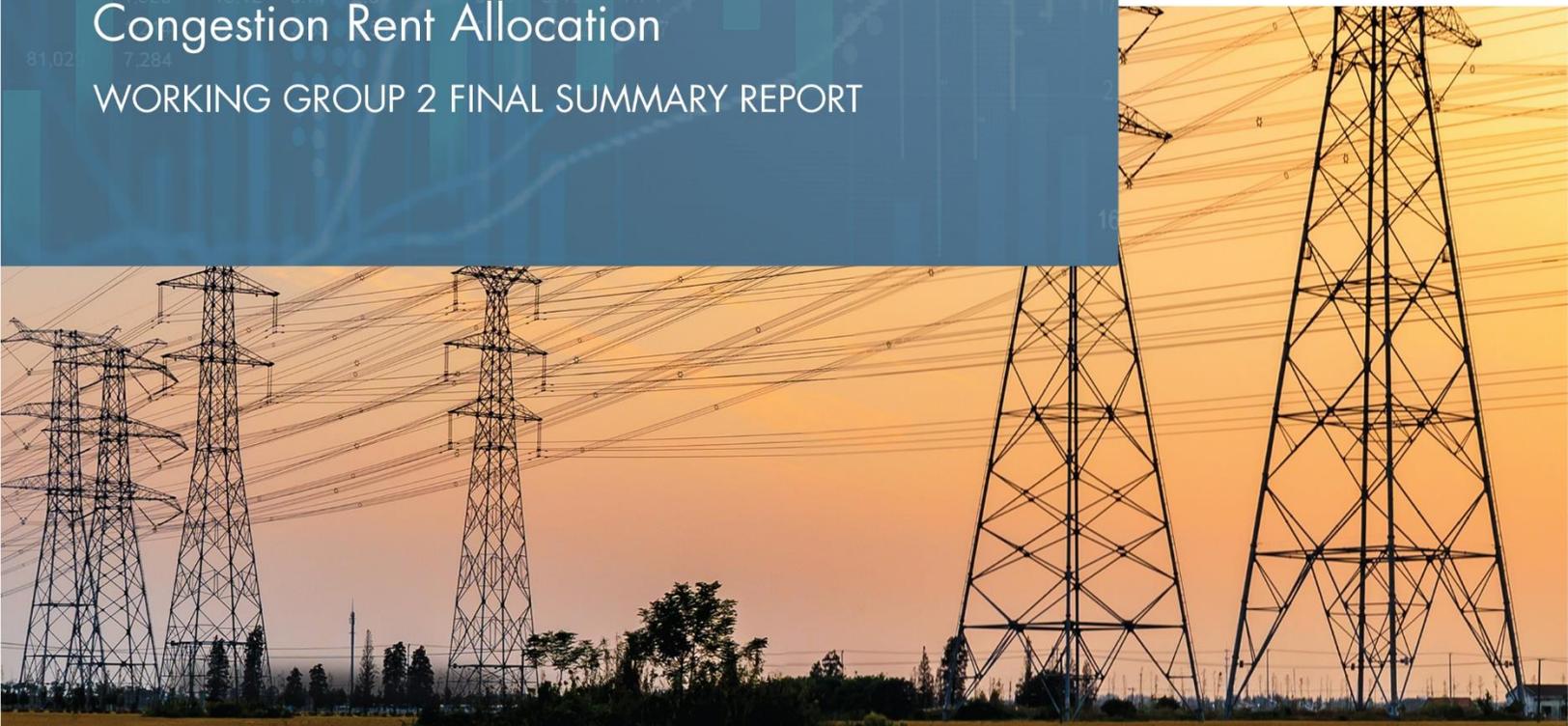


# EDAM

## EXTENDED DAY-AHEAD MARKET

### Transmission Commitment and Congestion Rent Allocation

#### WORKING GROUP 2 FINAL SUMMARY REPORT



March 30, 2022

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## 1 Preamble

The CAISO launched the *Extended Day Ahead Market (EDAM)* initiative in November 2021 to design the framework for extending the Day Ahead Market across balancing authority areas (BAA) in the western interconnection to derive the efficiencies and benefits through optimized resource commitment and build upon the Western Energy Imbalance Market (WEIM) collaboration. As part of the overall stakeholder process, the CAISO sought to leverage the stakeholder perspectives and ideas early in the process to help inform development of a comprehensive straw proposal. To that end, the CAISO introduced three stakeholder working groups on critical components of an EDAM.

**Working Group 1: Resource Sufficiency and Supply Commitment.** The working group focused on discussing different design elements of the resource sufficiency evaluation in the Day Ahead Market under which each participating EDAM BAA would bring forward sufficient capacity to meet their expected demand and associated uncertainty. The discussion included consideration of the consequences for failing to pass the resource sufficiency evaluation as well as how sufficiency, and other components of the EDAM framework, should be considered in establishing the level of confidence in market transfers.

**Working Group 2: Transmission Commitment and Congestion Rent Allocation.** The working group focused on a framework for how transmission could be made available to the market to support transfers between EDAM BAAs and the allocation of congestion review and compensation for the associated transmission. The discussion also included focus on the ability of the market to respect and allow for the exercise of transmission rights independent of the EDAM. Finally whether or how entities outside of the EDAM footprint could interact with the market were considered.

**Working Group 3: GHG Accounting.** The working group focused on designing a framework for accurate GHG accounting and reporting requirements arising out of Day Ahead Market commitment and market participation to facilitate compliance with current and emerging greenhouse policy requirements in states adopting GHG regulation polices across the EDAM footprint while also respecting states that are not adopting GHG regulations.

The stakeholder working groups met over an eleven week period, from January 3<sup>rd</sup> to March 17<sup>th</sup>, through an open and inclusive process to foster dialogue, the sharing of ideas, presentations and perspectives.<sup>1</sup> In the initial meetings, each working group reviewed and ratified a list of scope items to discuss over the course of the meetings, reviewed the relevant *Extended Day Ahead Market Common Design Principles and Concepts*,<sup>2</sup> and developed a general schedule of when topics would be covered in the working groups to facilitate stakeholder engagement. As part of working group process stakeholders in addition to CAISO developed presentations to share their perspectives, ideas, or frameworks for consideration and vetting through the process.

The working group summary reports attempt to capture the summary of the discussion across each one of the working groups, and are not intended to capture all positions or points of discussion heard during the meetings.<sup>3</sup> While these summaries, and the more detailed working group discussions, will help inform the CAISO comprehensive straw proposal on the initiative which is targeted for publication the last week of April 2022, the summaries are not intended to be a representation or indication of the direction of the CAISO straw proposal.

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<sup>1</sup> Each working group met twice per week, with a two hour duration for each meeting. Over the eleven week period, the three working groups totaled 60 meetings.

<sup>2</sup> The *Extended Day Ahead Market Common Design Principles and Concepts* were developed by a group of WEIM Entities and California Participating Transmission Owners, facilitated by the CAISO, in an effort to provide an initial point for consideration on various topics that would need to be considered further in designing an EDAM. Link: <https://www.caiso.com/Documents/EDAM-Common-Design-Principles-Concepts.pdf>

<sup>3</sup> Each working group meeting has been recorded and is accompanied by a weekly written summary that can be found on each working group web page. For a more detailed view into each meeting, stakeholders are encouraged to access these documents. Link: <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Extended-day-ahead-market>

## 2 Introduction

The purpose of the *Transmission Commitment and Congestion Rents Allocation* working group is to evaluate how transmission could be made available to support Extended Day Ahead Market (EDAM) transfers and the associated compensation structure. Transmission capacity at transfer points between EDAM BAAs, the usage of internal transmission within EDAM BAAs and the associated cost structures for each type of transmission provided, is key to facilitate EDAM and derive benefits of optimized Day Ahead Market commitment. Market design should seek to maximize the transmission available for EDAM optimization, while respecting existing transmission rights.

Over an 11-week period, in an open and inclusive forum, this working group covered topics identified collaboratively in the first meeting and captured in the scoping document for the group including: transmission availability; timing and duration; transmission compensation; congestion rent allocation; and external resource participation.<sup>4</sup> Weekly summary reports following this working group's progress, including meeting recordings, can be found on the initiative webpage.<sup>5</sup>

The following sections in this document provide an overview of the concepts discussed in the working group for each of the scope topics. With over 100 stakeholder participants in every meeting it is a challenge to reach consensus on items, the group did develop a common understanding of the different issues through the discussions. A number of topics discussed during the working group will need further consideration moving forward in the stakeholder process.

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<sup>4</sup> Draft List of Scope Items for Consideration - updated Jan 27, 2022,  
<http://www.caiso.com/InitiativeDocuments/SecondRevisedDraftList-ScopelItems-Consideration-EDAMStakeholderWorkingGroup2-TransmissionCommitmentCongestionRentAllocation.pdf>

<sup>5</sup> EDAM Working Group 2 – initiative webpage,  
<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Extended-Day-Ahead-Market-Working-Group-2-Transmission-Commitment-Congestion-Revenue-Allocation>

## 2.1 Principles and Scope Items

The EDAM Common Design Principles & Concepts<sup>6</sup>, developed by a subset of WEIM Entities and California Participating Transmission Owners, formed the starting point for the discussion of concepts within the working group.

The working group sessions began with a review of principles and scope items related to the Transmission Commitment and Congestion Rent Allocation EDAM Working Group 2 with the goal of reviewing, clarifying, modifying or adding items as needed throughout the working group discussions. This review of guiding principles relevant to transmission included the following:

- Transmission Commitment; maximize the amount of transmission made available to EDAM while respecting the existing OATT framework and contractual commitments;
- Transmission would be made available in accordance with three “buckets”;
- Congestion Rent Allocation (between BAAs); to hold transmission customers harmless without creating new uplifts;
- Congestion Rent Allocation (Distribution to LSEs and transmission customers); facilitate the congestion rent allocation priorities in the prior section in an equitable and implementable manner; and
- Level of confidence in EDAM transfers; to encourage EDAM participation, EDAM entities must have confidence that the Day-ahead award transfer is firm and can be relied upon.

In the first working group meeting, and through different scope item discussions, stakeholders discussed the principles and raised questions related to these principles. Some questions were related to specific topics planned for discussion and those were deferred to the applicable scope topics.

The review of the scope items generated questions, comments and suggested additions and while some details were added to the existing scope items, the list was ultimately not altered to include additional items.

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<sup>6</sup> EDAM Common Design Principles & Concepts,  
<https://www.caiso.com/Documents/EDAM-Common-Design-Principles-Concepts.pdf>

## 2.2 Working Group 2 Progression

The following is a high level summary of the structure and progression of topics this working group covered in 11 weeks:

- **Week 1:** Background and level-setting; review design objectives; review principles and fundamentals; and revise initial scoping document based on participants' inputs.
- **Weeks 2-4:** Review and define buckets; discuss various sources of transmission; overview of transmission products and transmission availability.
- **Weeks 5-6:** Discuss transfer revenue distribution and review congestion rent and transfer compensation examples in an Excel workbook.
- **Weeks 7-8:** Revisit bucket 1 and bucket 3 transfers going over examples; revisit bucket 2 transmission characteristics; and discuss market re-dispatch if needed to honor existing contracts.
- **Weeks 9-11:** Discuss CAISO transmission in EDAM; intertie bidding; performed a status review of all subjects discussed to determine if additional discussion is needed or fill in any gaps.

Supporting these discussion topics, multiple stakeholders provided their perspectives followed by question and answer sessions.

## 3 Transmission Availability

This section identifies the different frameworks the working group discussed regarding how transmission is made available to facilitate Day-Ahead Market optimization, and exercise of existing contracts. The prevalent topic discussed was the concept of transmission buckets in supporting EDAM transfers between EDAM BAAs. The group reviewed different types of transmission made available under each bucket and how each bucket would be utilized in the market.

Several organizations made presentations on the topic of transmission capacity and transfers. The group heard from Idaho Power, on behalf of WEIM Entities, on elements

of EDAM design<sup>7</sup>, as well as a presentation from Vistra regarding transmission types, and a presentations from CAISO on a number of concepts throughout the working groups to help facilitate broader discussion. Stakeholders had the opportunity to ask clarifying questions and express perspectives on each of these topics.

### 3.1 Transmission Supporting EDAM Transfers<sup>8</sup>

One of the key elements of discussion in the working group was the topic of how transmission is made available at interfaces between EDAM BAAs to support EDAM transfers and derive benefits of optimized resource commitment across the wider EDAM footprint. The discussion primarily centered on the concept of “transmission buckets” as described further below. However, other concepts were briefly discussed as well particularly during the last working group meeting that will be noted further below.

#### Concept of Transmission Buckets

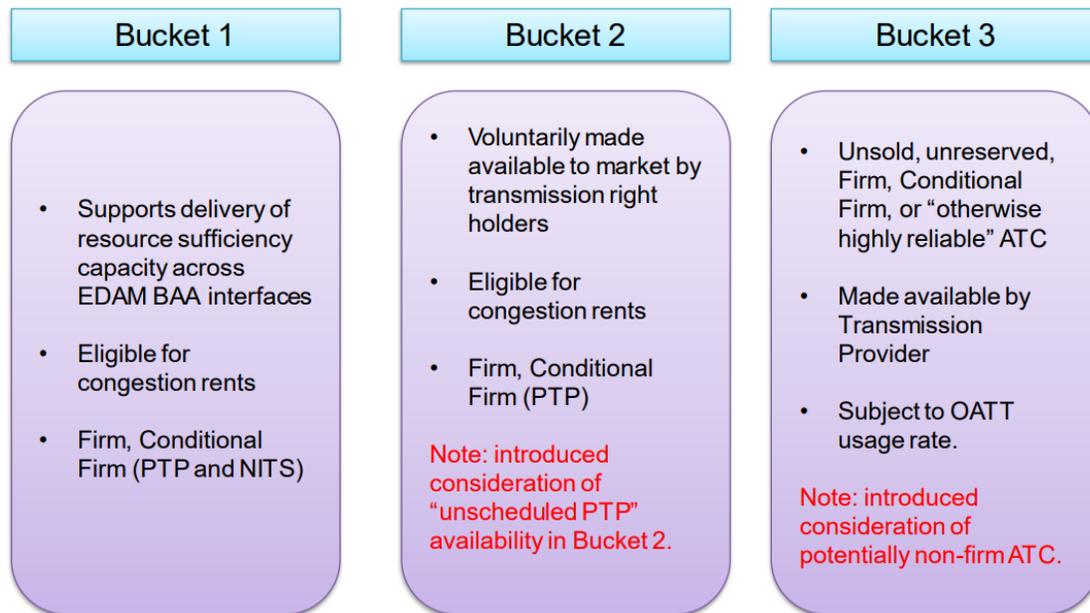
The graphic below was discussed during the March 17 working group meeting and is a helpful summary of the concept of the transmission buckets and the distinction between each of these ahead of the more complete description further below in this report.

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<sup>7</sup> EDAM Working Group 2 – Presentation - Jan 11, 2022,  
<http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarket-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Jan11-2022.pdf>

<sup>8</sup> EDAM Working Group 2 – Presentation - Feb 17, 2022,  
<http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarket-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Feb172022.pdf>

Figure 1: Transmission buckets framework



High quality transmission supporting transfers supports reliability and dependability of transfers.

**Bucket 1 Transmission:** Consists of transmission rights held by transmission customers associated with capacity imported across interfaces between two adjoining EDAM BAAs to support the demonstration of resource sufficiency. Transmission in this bucket is mandatory to be made available to the EDAM if it sports delivery of generation to meet resource sufficiency obligations. The quality of transmission is Firm or Conditional Firm, consistent with the need to ensure confidence in EDAM transfers. The transmission rights, whether acquired under the Open Access Transmission Tariff (OATT) agreements or legacy agreements, are already paid for by the transmission customer, with a plan to serve load and meet resource sufficiency.

The transmission rights are typically sourced at an external resource or bilateral firm transaction which can be either firm network transmission service or firm point-to-point transmission service. Stakeholders expressed the need to ensure that there be recognition that not all transmission that is brought as Bucket 1, supporting capacity delivered for resource sufficiency purposes, is optimizable as some may be associated with self-schedules for delivery of must run generation, or potentially delivery of firm energy contracts for which the transmission may not be known in advance. And thus,

the market should allow for the EDAM entity to identify how much of Bucket 1 transmission can support optimization in the market in the form of EDAM transfers. Bucket 1 transmission needs to be made available and known to the market by 9 am in the day ahead to support conducting the resource sufficiency evaluation associated advisory processes.

**Bucket 2 Transmission:** Consists of transmission rights that have already been sold and voluntarily made available to the EDAM, in return for congestion rents. The quality of transmission is of a Firm or Conditional Firm Point to Point quality, and has otherwise not been made available to the market as Bucket 1 transmission. A transmission customer with transmission rights (whether holding transmission rights under OATT or legacy agreements) can make the decision ahead of the Day-Ahead Market run at 10am to voluntarily make transmission rights available to the market to optimize EDAM transfers in return for congestion rents. Once the transmission rights are voluntarily made available to the market, if these rights are utilized to support EDAM transfers, the parties could exercise those rights after that commitment if those rights were optimized in the market.

The group also explored and discussed an additional variation in Bucket 2 where Firm or Conditional Firm Point to Point unscheduled transmission rights by 10 am in the day-ahead timeframe are automatically made available to the market for optimization in an effort to maximize transmission made available to derive optimization benefits. The transmission customer could exercise those unscheduled transmission rights after the day-ahead market run, but it may lead the market to re-optimize in RT and lead to potential differential in congestion costs or other settlement consequences resulting from the re-optimization. Further discussions and ideas centered on how the EDAM entity could potentially utilize the accrued congestion rents stemming from the Day-Ahead Market to keep customers whole and otherwise protect their customers from re-optimization costs.

**Bucket 3 Transmission:** Consists of unreserved, unsold, Firm ATC that is made available by the Transmission Service Providers (TSP) within an EDAM BAA. Transmission that is proposed to be made available is unsold, unreserved Firm ATC as of 10 am ahead of the Day-Ahead Market close.

Bucket 3 transmission would be made available to the market at a hurdle rate – the OATT or otherwise published transmission rate. In practice, it is likely that Bucket 3

transmission would be optimized by the market only after the hurdle free transmission has been optimized ahead of it. Bucket 3 transmission (unsold Firm ATC) at the interfaces with an adjacent EDAM BAA would be made available to the market by or at 10 am in the day-ahead timeframe so that it could be considered by the market in optimizing EDAM transfers. Since the Day-Ahead Market is run between 10 am to 1 pm, the Bucket 3 transmission (Firm ATC) made available at the interfaces between adjoining EDAM BAAs should not be available for sale on the Transmission Provider's OASIS during that time period across those particular interfaces (but this does not impact internal transmission sales or across non-EDAM BAA interfaces).

Once market results are available, the Firm ATC not utilized or committed in EDAM can go back to the TSP for continued sales on its OASIS. The group also briefly discussed the potential of allowing non-firm transmission in bucket 3 to support EDAM transfers, but there was recognition that this would introduce extensive complexities as to the type of non-firm transmission and would impact the confidence in market transfers supported by low quality non-firm transmission. This can continue to be a concept evaluated through the stakeholder process or in a future evolution of the EDAM framework.

### **Other Concepts Broached During the Working Group**

A number of other concepts were raised for consideration related to how transmission can be made available to the EDAM to support transfers between EDAM BAAs. Vistra, for example, provided a presentation<sup>9</sup> where it put forward the concept of the Reliability Coordinator (RC) administering a competitive solicitation process for transmission to be made available to the EDAM. The presentation also put forward the concept that all transmission types – ranging from non-firm hourly to long-term firm – can be made available to the market with differing levels of priority supporting EDAM transactions. The concept also considers that the CAISO would be required to move to an OATT framework for providing and reserving transmission service across its system to enable the framework to work across the EDAM footprint. While some stakeholders noted the benefit of a more robust compensation structure for transmission, stakeholders generally expressed concern with a competitive solicitation concept that was not defined

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<sup>9</sup> EDAM Working Group 2 – Presentation - Jan 18, 2022,  
<http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarket-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Jan18-2022.pdf>

and the interplay with the OATT where transmission is procured from the transmission provider only to be submitted to the RC for competitive solicitation, in addition to the concerns with a RC administering such a process. Stakeholders also expressed concern with all qualities of transmission, including low priority non-firm, supporting EDAM transfers and the implications for confidence in market transfers that are supported by low quality transmission. Lastly, stakeholders expressed concern with the pre-requisite that CAISO move to an OATT framework for making transmission available to the market to support this approach. There was recognition and appreciation for the out of the box thinking regarding some of these concepts and the potential of considering these concepts throughout the rest of the working group discussions.

Concept of “matching” hurdle free transmission between EDAM BAAs, including CAISO, to support deriving of further benefits through EDAM transfers.<sup>10</sup> This concept was broached more in detail toward the end of the working groups but it considers that in maximizing transmission available, EDAM entities could consider making an amount of Bucket 3 transmission hurdle free to match the amount of hurdle free transmission available by the adjoining EDAM BAA in the export direction across an interface to maximize the ability to conduct hurdle free transfers. A number of stakeholders noted that while the concept of maximizing hurdle free transmission is desired, they expressed the concern with rationalizing under the OATT making unsold Firm ATC (bucket 3) available hurdle free to the EDAM but selling it at the full rate outside of EDAM context, along with concerns of cost recovery. Parties also noted that there may be opportunities to build off this concept to consider variations that consider potentially a common discounted rate for bucket 3 transmission, a common pre-determined hurdle free amount available to EDAM well in advance of day-ahead market run, or similar concepts that could continue to be vetted through the stakeholder process.

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<sup>10</sup> EDAM Working Group 2 – Presentation - Mar 1, 2022,  
<http://www.caiso.com/InitiativeDocuments/Presentation-Extended%20Day-Ahead%20Market-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Mar012022.pdf>

## 3.2 Respecting Transmission Contracts

Through the working group discussions, there was recognition of the need to ensure that transmission customers holding transmission contracts/transmission rights should continue to have the ability to exercise those independent of the EDAM. The CAISO staff introduced the concept described here on how these existing transmission rights could be exercised and respected by the market.<sup>11</sup> All existing contract types would need to be honored in EDAM through Bucket 1, 2, and 3 transfers and internal transmission through the Full Network Model (FNM). Transfers from EDAM BAA to EDAM BAA would use Energy Transfer System Resource (ETSR) to define transfer path and the amount of optimizable transmission available to market. Contract Reference Numbers (CRN) could be used to match a source and sink pair. Internal transmission in each EDAM BAA is not part of the buckets and would be included in the FNM using CRNs.

The TSP or the EDAM entity could register the transmission contracts with the CAISO. In the case of long-term contracts or transmission rights, these could only need to be registered once, then can be updated as needed. But there was recognition for the need to also register short-term transmission rights and this would be made available through a process to be identified. Once registered the transmission customer will be provided an ETSR or CRN to ensure appropriate settlements.

Long-term contracts would register their terms in Master File. If there is insufficient time to register the contract in Master File, as is the case with short-term transmission rights, another mechanism will be made available as needed as part of the EDAM bidding and scheduling process to reflect those transmission rights including making those available to EDAM for optimization.

A transmission customer, choosing to exercise its transmission rights (transmission contract) to deliver generation without the benefit of EDAM optimization could submit a self-schedule into the market associated with the registered transmission contract/transmission right.

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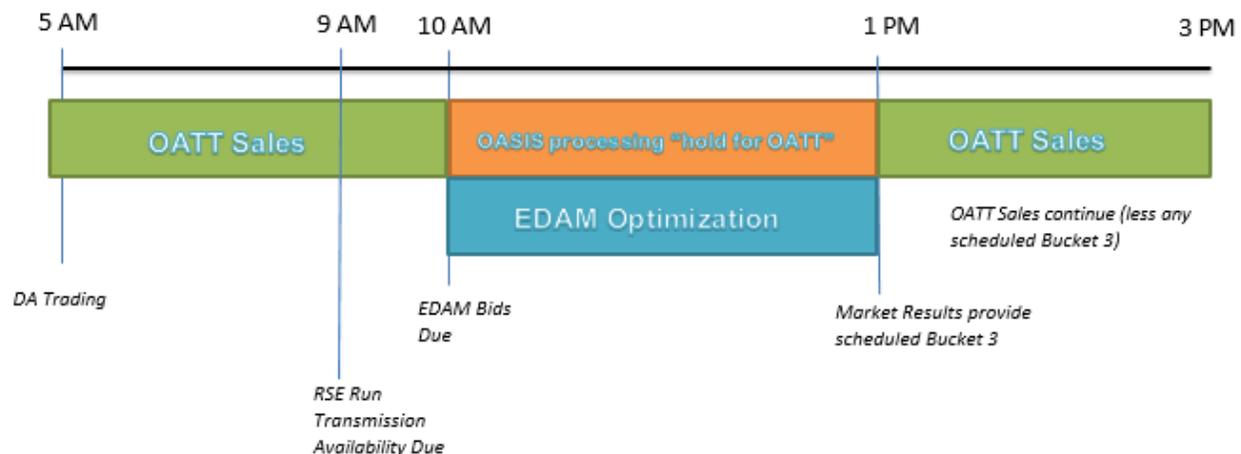
<sup>11</sup> EDAM Working Group 2 – Presentation - Jan 20, 2022, <http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarket-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Jan20-2022.pdf>

## 4 Timing and Duration

The group also spent some time on the topic of when transmission capacity is available to the market. The discussion was mainly focused in the context of transmission buckets described earlier in this document.

The intent is to identify on a day-to-day, day-ahead basis which hours the transmission customer wants to make available its reserved transmission capacity. The expectation is that any unsold transmission capacity would be made available to EDAM. Figure 2 depicts a suggested timeline for when transmission, in the context of the transmission buckets, is made available to the EDAM.

Figure 2: EDAM Timeline for Transmission



### 4.1 Timing transmission is made available

This topic was discussed within the context of the transmission buckets framework. Bucket 1 transmission would be made available by 9am to support advisory resource sufficiency evaluations, while Bucket 2 and 3 transmission would be made available by or at 10 am to the market. In the context of Bucket 3 transmission (unsold Firm ATC) there is consideration of the need for the transmission provider of needing to stop sales over its OASIS of Firm ATC (10am to 1pm) for transmission across interfaces between the EDAM BAAs while the market is running. Following the market run, any unused Firm ATC (Bucket 3) would go back to the Transmission Provider to continue selling over its OASIS and under the terms of its OATT.

A clarification was provided that the stopping of sales of Firm ATC is only limited to the points that interface between two EDAM BAAs, and there is no need to stop sales of internal transmission or across interfaces with non-EDAM BAAs.

## 5 Transmission Compensation

This section defines transfer revenue and compensation from a settlements perspective, and provides an overview of the discussions and concepts raised during the working group. Compensation was discussed primarily in the context of the transmission buckets framework and transfers between EDAM BAAs.

The CAISO team shared with the working group detailed examples regarding transfer revenue allocation in an excel workbook over multiple meetings.<sup>12</sup> Stakeholders were able to walk through and follow several examples together and discuss the implications of different approaches.

### 5.1 Transfer Revenue

Transfer Revenue is the difference between the settlement amount of export transfer resource and import transfer resource at each side of the transfer. It is the difference between the marginal cost of energy in the receiving and sending EDAM BAAs. It would include the transmission fee for bucket 3 transmission and congestion rents. Transfer revenue from bucket 1 and bucket 2 would be distributed between EDAM BAAs across the transfer.

The working group discussed the collection and allocation of transfer revenue.<sup>13</sup> The revenue would be collected from the energy settlement and paid to the transmission customer who provided the transmission in the context of the transmission buckets.

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<sup>12</sup> Supplement – Transfer Revenue Discussion - Feb 3, 2022,  
<https://www.caiso.com/InitiativeDocuments/Supplement-TransferRevenueDiscussion-Feb032022.xlsx>

<sup>13</sup> EDAM Working Group 2 – Presentation - Feb 3, 2022,  
<http://www.caiso.com/InitiativeDocuments/Presentation-Extended%20Day-Ahead%20Market-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Feb032022.pdf>

Congestion revenue collected on the CAISO controlled grid is different from transfer revenue and it would be used to fund Congestion Revenue Rights in the CAISO BAA. Congestion revenue collected on the internal network of an EDAM BAA is also different from transfer revenue and it would be part of the neutrality for that EDAM BAA to be allocated according to the respective OATT.

## 5.2 Compensation and Allocation

The group discussed various potential scenarios for how congestion rents can be allocated between EDAM BAAs, and CAISO and an EDAM BAA for transmission made available to EDAM in the context of the transmission buckets.

One of the concepts discussed, consistent with the Common EDAM Design Principles<sup>14</sup> is that transfer revenue between EDAM BAAs where both BAAs provide transmission to the transfer location to facilitate the transfer would be split 50% to each EDAM BAAs. This 50% split of the transfer revenue only applies to bucket 1 and bucket 2 transmission. The group discussed additional approaches and walked through scenarios where the transfer revenue was not shared between the two BAAs but remained entirely with one BAA.<sup>15</sup> While the group did not develop consensus, stakeholders varied in their support of the different options with an interest in ensuring the fairest result.

Transfer revenue between EDAM BAAs where only one BAA provides the transmission through the transfer location would go 100% to the EDAM BAA providing the transfer capability. This 100% allocation of the revenue only applies to bucket 1 and bucket 2 transmission. Here as well the group discussed the different scenarios, including sharing the revenue, but and did not develop consensus with an interest in ensuring fairness.

For bucket 3 transmission, the transfer revenue portion that corresponds to the respective usage fee would be allocated to the transmission customers or providers that make available the associated transmission capacity. Any transfer revenue in excess of

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<sup>14</sup> EDAM Common Design Principles and Concepts,  
<https://www.caiso.com/Documents/EDAM-Common-Design-Principles-Concepts.pdf>

<sup>15</sup> Supplement - Transfer Revenue Discussion – Feb 3, 2022,  
<https://www.caiso.com/InitiativeDocuments/Supplement-TransferRevenueDiscussion-Feb032022.xlsx>

the usage fee would be allocated to the EDAM BAAs across the transfer based on the previously stated rules: 50% split between the EDAM BAAs that provide transmission to the transfer location, or 100% to the EDAM BAA that provides transmission through the transfer location.

For declared transmission contracts with financial rights, the transfer revenue could be allocated to the contract owner(s) irrespective of the type of the transfer, bucket 1, bucket 2, or bucket 3.

## 6 External Resource Participation

This section provides consideration to intertie bidding, or how external resources could participate in EDAM. The group spent multiple meetings discussing this topic.<sup>16</sup>

### 6.1 Intertie bidding

The working group discussed the concept of intertie bidding and the different implications depending upon whether external generation, outside of the EDAM footprint, self-schedules or economically bids into the EDAM.

In the context of continuing to allow intertie bidding for the CAISO, there was wide support during the meetings for both self-scheduling and economic bids, remaining a feature in the EDAM, consistent with this feature being in place today in the context of WEIM.

Intertie bidding – economic bidding - is currently not allowed at the border of other WEIM entities, but self-scheduling is supported. In the context of EDAM, a concern with economic intertie bidding at the EDAM footprint is that it could allow for participation in the EDAM without bearing the costs of procuring and paying for transmission – the free rider issue. A number of WEIM entities expressed their support for continuing to allow self-scheduling at the interties of the EDAM footprint as this indicates a contract for generation and secured transmission (paid for) across the different systems. But they

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<sup>16</sup> EDAM Working Group 2 – Presentation - Feb 24, 2022,  
<http://www.caiso.com/InitiativeDocuments/Presentation-Extended%20Day-Ahead%20Market-WorkingGroup2-TransmissionCommitment-CongestionRentAllocation-Feb242022.pdf>

expressed concern for economic inertia bidding as not providing incentives for EDAM participation if entities can derive the benefits of optimized dispatch without being in the EDAM, reliability concerns of unknown source generation offering at the EDAM BAA border, and overall lack of obligation to secure and pay for transmission if awarded.

However, there was recognition from other entities about needing to consider potential market implications of such an approach, which could be further considered through the straw proposal.

The working group did broach the following concepts during the discussion as well prior to running out of time, with limited discussion:

- Exports from the EDAM footprint – is there a need for a transmission fee/rate to export from the EDAM footprint or wheeling through the EDAM footprint?
- If so, would there be a single fee/rate for the EDAM footprint as a whole or a fee/rate at an individual EDAM entity level?

There was cautious openness to considering these, with recognition that the concepts need to or should be developed further with consideration of complexity and interplay with bilateral reservation of transmission and self-scheduling out of the EDAM footprint.

## 7 CAISO Transmission in EDAM

This section provides a discussion on the use and availability of CAISO transmission in EDAM. In today's market, the transmission is optimized as part of the market solution and the CAISO does not make transmission available for sale outside of the market construct. But to offer transmission in EDAM on a comparable basis as the other EDAM BAAs, the CAISO introduced some potential concepts for discussion.

### 7.1 Concept: Matching Transfers

The CAISO introduced the concept for consideration of matching the transfer capability at its BAA boundary with the transfer capability that was made available by the adjacent EDAM BAA at the interfaces. Under this concept, if EDAM BAA 1 provides hurdle free (Bucket 1 and Bucket 2) transmission available across the interface in its export direction available, the CAISO would match the amount of hurdle free transmission in its export direction across the interface. This would allow an amount of hurdle free transmission to be matched at the interface between EDAM BAA 1 and CAISO to derive the mutual benefits of EDAM transfers. The CAISO would make additional transmission available across that interface in the export direction as Bucket 3 transmission subject

to the hurdle rate. It was recognized that under this approach, the CAISO would be foregoing transmission revenues for the hurdle free transmission in order to derive the mutual benefits of EDAM transfers, and there would be a need for additional analysis on this point.

While a number of stakeholders recognized the benefits of the concept of hurdle free matching transmission, it was recognized that if considered it should be a concept applying not only in the CAISO context but across the EDAM footprint – that all EDAM BAAs have a mechanism to make an amount of Bucket 3 transmission as hurdle free to match the amount an adjoining BAA makes available hurdle free to derive mutual benefits. A number of WEIM entities expressed concerns with making Bucket 3 transmission available hurdle free in the OATT context. However, there was recognition that this concept or similar variations of it should be considered further to ensure a level playing field recognizing the benefit of making hurdle free transmission available to derive benefits of EDAM. This item and variations of it can be explored further through the straw proposal.

## 8 Conclusion

Working group 2 covered topics related to transmission commitment and congestion rent allocation. This working group was able to discuss and develop common understanding of issues across all of the scope items identified in the Draft List of Scope Items for Consideration as this summary report has detailed. All the discussion, comments, presentations from stakeholders, and questions have provided valuable input to the stakeholder process. These insights will help inform the development of the straw proposal. Over the 11 week period of meetings a design framework began to emerge in the following areas:

- Transmission internal to an EDAM BAA is available to support optimized commitment of generation in the day-ahead market.
- Transmission at interfaces between EDAM BAAs can support robust EDAM transfers under the “buckets” concept.
- Consideration of intertie bidding framework comparable to the existing intertie bidding in WEIM.
- Consideration of compensation approaches for transmission made available to support EDAM transfers; congestion rents for bucket 1 and bucket 2 transmission and discussion around the viability of hurdles beyond bucket 3.

These are just a few examples of where the strong engagement throughout the entire working group process is providing great value that will be realized as the straw proposal is starting to be developed. The CAISO greatly appreciates the participation and input from all the stakeholders who attended the sessions, contributed to discussions and development of ideas.