Extended Day-Ahead Market Congestion Revenue Allocation Phase 2:

Stakeholder Working Group Meeting

August 20, 2026

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The meeting is structured to stimulate dialogue and engage different perspectives.

Please engage in a respectful and professional manner. Introduce yourself and your organization when speaking. Follow the facilitator's guidance for speaking or asking questions.

Please keep comments brief and avoid repeating points already made to ensure everyone has an opportunity to participate in a robust discussion.

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Please remember to state your name and affiliation before making your comment.

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You may also send questions via chat to all panelists.

If you need technical assistance during the meeting, please send a chat to the event producer, Intellor Events.

Agenda

Time	Topic	Presenter
1:00 – 1:05 PM	Welcome	Christina Guimera
1:05 – 1:20 PM	Meeting Objectives and Introduction	CAISO Team
1:20 – 2:45 PM	Design Concept #3 Discussion	CAISO Team
2:45 PM – 3:00 PM	Next Steps	Christina Guimera

Meeting Objectives

- Continue discussions regarding potential viable design elements of a design concept #3 (common EDAM simultaneous feasibility test with CRRs and OATT rights)

- Recap the discussions from the prior working group meeting (8/13) and discuss some of the broader stakeholder comments/suggestions raised during the meeting

- Discuss tradeoffs, incentives, and additional questions in vetting the structure and features of a potential design

Recap of Concept #3 design discussions from August 13th working group meeting

Concept #3 – Congestion revenue allocation for CRRs and OATT rights evaluated through a common Simultaneous Feasibility Test (SFT)

- Establishes congestion revenue entitlements in the Day-Ahead Market for CRRs and eligible firm OATT rights based on their effectiveness on constraints across the broader EDAM footprint.

- The CRRs and eligible firm OATT rights are evaluated through a common SFT which defines the level of congestion revenue entitlement in relation to effectiveness on constraints.
  - CRRs in the CAISO balancing area are funded by EDAM-wide constraints
  - Congestion revenue entitlements associated with eligible firm OATT rights are funded by EDAM-wide constraints

- Day-Ahead congestion revenues in excess of those allocated to CRRs and eligible firm OATT transmission rights would be allocated to the EDAM entity based on the location of the transmission constraint.

What does the SFT identify and confer?

- The results of the common SFT – with CRR and OATT rights inputs – will confer congestion revenue entitlements that enable a congestion hedge.
  - Congestion revenue results from the difference in the Marginal Congestion Component (MCC) of the LMP, which could be positive or at times negative depending on the direction of congestion.

- CRRs in the CAISO balancing area continue to confer a congestion revenue entitlement, as today.

- Eligible firm OATT transmission rights considered in the SFT and associated with a congestion revenue entitlement retain their physical rights conferred under the OATT.

Inputs into a common Simultaneous Feasibility Test

Data Inputs

1. Transmission model of WECC
2. Contingency set (across EDAM footprint)
3. Monitored transmission elements and flowgates (EDAM)
4. Loop flow assumptions (WECC-wide)
5. ETC/TOR (legacy rights)
6. Nominated CRRs and OATT rights

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Software model performing SFT

Annual and Monthly SFT

Representation of CAISO balancing area CRRs within the common SFT

- CRR nominations through the allocation process would be incorporated within the common SFT along with eligible firm OATT transmission rights.

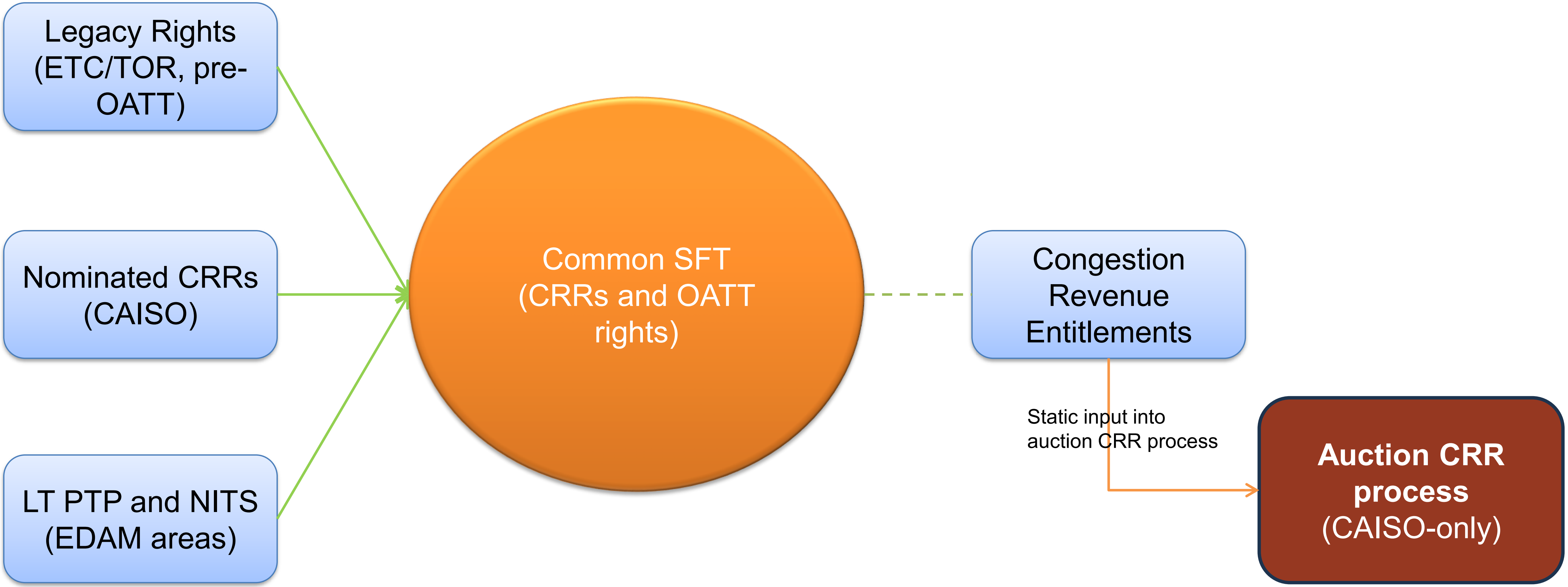
- These CRR nominations are submitted by LSEs within the CAISO balancing area as a recognition of them bearing the long-term costs of the transmission system.
  - The CAISO does not sell physical transmission rights on the system (as under OATT), but the entire transmission system is available to support market optimization

- Auction CRRs would not be reflected in the common SFT as the awarding of these CRRs depends upon the allocation first and the result of the common SFT.
  - The auction CRR process would continue, as today, after the CRR allocation process
  - CRRs in the auction participate through economic bids in the auction process
  - Auction CRRs would continue to be available at CAISO balancing area source/sink locations

Representation of OATT rights within the common SFT

- Eligible OATT rights: **Long-Term Firm PTP and NITS** (1-year or longer in duration)
- Comparable to CRR nominations in the allocation process which are allocated to the long-term users of the transmission system
- These transmission rights contribute to the costs of the transmission system on a long-term basis and drive transmission upgrades under the EDAM entity OATTs.
  - Firm PTP and NITS rights have the same level of priority under the OATT
  - Short-term firm and non-firm transmission rights would not be considered in the SFT
- Long-term PTP rights would be represented at their reserved source/sink locations.
- Long-term NITS rights would be represented at the source of the designated network resource and load as sink.
  - Representation limited by the NITS load in the seasonal SFT

Process flow associated with the common SFT of CRRs and OATT rights



Features of an annual SFT incorporating CRRs and OATT rights

- The common SFT would be performed across four seasons (annual calendar quarters).

- The SFT would apply a Global Derate Factor (GDF) across the EDAM footprint – currently set at 65% - considering the transmission system capacity available in the feasibility test.
  - Accounts for uncertainty – in the annual process – associated with system topology, outages, and loop flow from outside the market footprint
  - Potential consideration of whether the 65% GDF should be increased in the annual process

Tier 1

- Up to 50% of nominated CRRs load metric and eligible OATT rights
- For CRRs, includes source/sink nomination of prior year CRR allocation (as today)

Tier 2

- Up to two-thirds nominated CRRs load metric and eligible OATT rights

Tier 3

- Up to 100% of nominated CRRs load metric and eligible OATT rights

Note: for OATT rights, the process can be streamlined so OATT rights move automatically through the three tiers (reducing administrative burden of EDAM entity having to resubmit OATT rights into each tier).

Features of a <u>monthly</u> SFT incorporating CRRs and OATT rights

- The common SFT including CRRs and OATT rights would also be performed on a monthly basis (approximately 4-6 weeks ahead of the start of each month).
- The congestion revenue entitlements resulting from the annual SFT process feed as static inputs into the monthly SFT.
  - Annual entitlements cannot be reduced through the monthly SFT
  - Monthly SFT process will identify additional congestion entitlement allocations
- In the monthly SFT, a GDF of 82.5% is utilized to represent the availability of the system recognizing uncertainty between monthly process and operational horizon.

Tier 1

- Nomination up to 100% difference between monthly CRR eligible quantity and total CRRs allocated in annual process
- Inclusion of remaining portion of eligible OATT rights that may not have received full allocation in the annual process (and new eligible rights that may have arisen since annual process)

Tier 2

- Nomination up to 100% difference between monthly CRR eligible quantity and total CRRs allocated in annual process, minus those allocated Tier 1
- Inclusion of remaining eligible OATT rights not fully allocated in annual process and Tier 1

Comments raised during the last workshop – tradeoffs considerations

- **Q: Should or could there be considerations beyond "allocation" CRRs within the common SFT representing the CAISO balancing area (i.e., auction CRRs)?**

- Considerations and tradeoffs:
  - Nomination CRRs (allocation process) and long-term firm PTP/NITS OATT rights are comparable to be considered in the common SFT
    - This subset of OATT rights represents purchased/reserved physical rights which contribute and bear the long-term costs of the transmission system in their respective areas
    - Other OATT rights are not eligible for SFT under this design
  - Auction CRRs – as financial rights – are evaluated based on economic bids for what remains after the CRR allocation process, subject to its own feasibility test.
    - CAISO LSEs may also sell back some of their CRR allocations in the auction, which further creates dependency on allocation running before auction.

Comments raised during the last workshop – tradeoffs considerations

- **Q: Should the common SFT reflect additional constraints that limit parallel flow between EDAM balancing areas within the solution?**

- Considerations and tradeoffs:
  - The SFT is intended to reflect market constraints (IFM constraints) to approximate the feasibility considering how the market will dispatch generation. Parallel flow constraints or limitations are not enforced in the market (optimization across common interconnected transmission footprint).
  - These types of constraints in the SFT would bias the results and lead to sub-optimal allocation of entitlements including over-allocation in one BAA, which can risk or contribute to underfunding of those particular congestion revenue entitlements (and cause reductions in funding for other rights).
  - The current SFT – in the CAISO balancing area for CRRs – approximates loop flow effects from outside of the CAISO area and affects the magnitude of CRRs allocated. The common SFT will more directly model these effects across the EDAM footprint and award CRRs more accurately in the CAISO balancing area, improving ability to fund these congestion revenue entitlements.

Key comments raised during the prior workshop

- **Q: Is the reduction methodology – weighted least squares – the most appropriate to be applied in the context of common SFT across the broader EDAM area, or should rights outside of the balancing area where the constraint is located be reduced first (or other similar method)?**

- Considerations and tradeoffs:
  - Deviations from the weighted least squares methodology may not lead to equitable results. The weighted least squares approach is applied in other similar contexts in other ISOs/RTOs.
  - Reducing first – within the SFT – rights in an EDAM balancing area that has an effect on a constraint binding in another EDAM balancing area will lead to overly inefficient reductions that affect the magnitude of the congestion hedge.

Allocation during underfunding conditions

Managing Congestion Underfunding Risk

- Entitlements to congestion revenues receive equal treatment at constraints based upon their contribution on the constraints.

- Entitlements to congestion revenues may be affected by unplanned constraints/transmission outages that may materialize within the month (outside of what is captured in SFT).

- The market operator may not collect sufficient congestion revenues to fully pay out the entitlements in those circumstances.

- In those cases, the ISO as market operator would allocate only the collected congestion revenues.

- This is consistent with how congestion revenues are allocated within the CAISO balancing area for CRRs – only collected revenues are allocated and an entitlement does not establish a financial right to non-collected congestion revenues.
  - Consistent with the *CRR 1B Initiative* policy

Inviting stakeholder perspectives - benefits, incentives & key questions from a common SFT design incorporating CRRs and OATT rights

What are the potential benefits of a common SFT design?

- Improved market efficiency by removing the self-schedule incentive
  - Market operator would not settle congestion revenue allocation based on schedules

- An effective congestion hedge that more equitably integrates CAISO balancing area CRRs and eligible firm OATT transmission rights based on a footprint-wide SFT that considers flow contributions simultaneously across all the modeled rights and constraints

- Supports continued administration of OATTs and sale of transmission rights, along with continued administration of CRRs within CAISO balancing area

- Level of consistency with industry practice in applying a SFT to determine the level of financial congestion revenue allocation

Consideration of incentives under Concept #3 (common SFT)

Economic Bidding

- Incents economic participation in market
- Enables allocation irrespective of schedules

Transmission Investment

- Retains value in long-term OATT transmission
- Incents investment into long-term transmission rights and upgrades

Flow-Based Methodology (AFC)

- Can incent TSP consideration of flow-based physical rights evaluation (AFC)
- Can better align AFC evaluation results with congestion rent in SFT

Important technical questions for consideration in a common SFT

- ***Considering a common SFT across the broader EDAM footprint – incorporating CRRs and OATT rights – should more than 65% of the physical transmission system capacity be considered in the <u>annual</u> SFT? (global derate factor)***
  - The 65% global derate factor in the annual SFT process is intended to account for broader uncertainty of system unavailability (transmission outages, loop flow, topology uncertainty)
  - Expanding the percentage could enable more allocation and feasibility in the annual process recognizing ability to account for loop flow more effectively across modeled EDAM footprint and ability to account for modeling of WECC-wide loop flow effects.

- ***Aside from long-term firm OATT transmission rights, should other OATT transmission rights be considered?***
  - Long-term firm OATT rights reflect the value the holders have placed into the transmission system: they pay for the long-term uses of the grid.
  - Shorter term transmission rights, firm and non-firm, don't necessarily bear the costs of the system on a long-term basis and these do not drive transmission upgrades under the OATT construct.
  - There is variability in use and availability of shorter-term firm transmission products, along with conditional firm, across the West that it may not provide added value.
  - Consideration of other rights, particularly non-firm, can dilute simultaneous feasibility.

Broader design questions with Concept #3 – considerations and tradeoffs

- ***How should congestion revenues be allocated in the <u>real-time market</u>?***
  - Recognition that the congestion hedge under concept #3 is primarily geared toward the day-ahead market, consistent with industry practice and incenting day-ahead participation.
  - The real-time market participation consists of balancing areas in the EDAM and those that participate in WEIM-only across the Western footprint.
  - Retaining the status quo where the market operator allocates real-time congestion revenues to the balancing area (whether area participating in EDAM or WEIM-only) where the transmission constraint is located seems a less disruptive path forward recognizing the different market participation models.

Data analysis - conducting a simulated SFT

- The ISO is in the process of gathering data to conduct a simulated SFT which can provide information on the broader feasibility of the CRRs and OATT rights and support continued consideration of the design.

- The simulated SFT will consider:
  - A summer scenario with all facilities in service to evaluate feasibility of CRRs and long-term firm OATT rights
  - A broader annual SFT, seasonal, with the incorporated global derate factor to evaluate feasibility under a more traditional annual evaluation

- The ISO is finalizing data collection and expects to perform the analysis in August/September.

- *****New - based on stakeholder suggestion in last meeting**: compare the aggregate magnitude of CRR nominations and the long-term PTP and NITS OATT rights.

Next Steps

- Meeting materials are available on the initiative webpage: [California ISO - Extended day-ahead market - congestion revenue allocation]

- Comments on today's workshop are requested by September 3, 2026.

- The next working group meeting will be scheduled for **early September** to take stock of comments across the different design concepts and seek to address issues that may have been raised in comments that could shape the viability of designs.

- For any additional questions, please email us at ISOStakeholderAffairs@caiso.com

This Week at the ISO – 8/17/26

<u>Stakeholder Meetings</u>-*For an overarching view of where each initiative is in the development process, view the Policy Initiatives Timeline.*

All public stakeholder meetings are also listed on the CAISO Calendar

- Tuesday, August 18 – Joint Market Seams Workshop
  - 8:30am – 1:30pm PT (link)
- Tuesday, August 18 – Release User Group Forum
  - 10:00am – 11:00am PT (link)
- Tuesday, August 18 – Interconnection Customer User Group
  - 1:00pm – 2:00pm PT (link)
- Wednesday, August 19 – Large Loads Straw Proposal
  - 9:00am – 4:00pm PT (link)
- Thursday, August 20 – 2026 Variable Cost Operations Review - Final Proposal and Tariff
  - 9:00am – 10:30am PT (link)
- Thursday, August 20 – Market Update
  - 10:00am – 10:30am PT (link)
- Thursday, August 20 – Standard NRI Process Impact Review - Protection and Control Standards (PRC-028, PRC-029, and PRC-030)
  - 11:00am – 12:00pm PT (link)
- Thursday, August 20 – Extended Day-ahead Market (EDAM) Congestion Revenue Allocation
  - 1:00pm – 3:00pm PT
- Thursday, August 20 – RC West Oversight Committee - Q3 Public Session
  - 1:00pm – 2:30pm PT (link)
- Friday, August 21 – Demand and Distributed Energy Market Integration
  - 9:00am – 12:00pm PT (link)

<u>Comment Submission Deadlines</u>

- Tuesday, August 18 - BPM Proposed Revision Requests (PRR) 1680 - 1694

This Week at the ISO continued

DAME/EDAM Resources

FAQ & Training:

- EDAM FAQ Guide - Designed to address general EDAM related questions
- EDAM Training Resources - A comprehensive set of EDAM training materials is available, offered in both instructor-led and computer-based training (CBT) formats. These resources include courses covering:
  - Bids and Base Schedule
  - EDAM Bidding Basic Concepts
  - Scheduling Infrastructure Business Rules (SIBR)
  - EDAM Scheduling Coordinator responsibilities
  - Intertie Scheduling
- EDAM Business Requirements Specifications - Describes EDAM's business processes and the associated business requirements.
- DAME Business Requirements Specifications - Describes DAME's business processes and the associated business requirements.
- EDAM Scheduling Coordinator Decision Matrix

Settlements:

- Settlements BPM Walkthrough
- Known Issues List

BPMs:

- Extended Day-Ahead Market BPM
- Market Instruments BPM
- Reliability Requirements BPM
- Market Operations BPM
- BPM Change Management Process (PRRs)

EDAM Stakeholder Initiative:

- Meeting materials and recordings can be accessed through the stakeholder initiative page here.

This Week at the ISO continued

Market Simulations

Please refer to our Release Schedule for the most recent updates of initiatives scheduled for MAP- and Production- stage market sims

- Monday, August 17 – Extended Day-Ahead Market (EDAM) Enhancements 2026 - Inter-Scheduling Coordinator (Inter-SC) Trades
- 9:00am – 10:00am PT (link)

Presentations and recordings of the Parallel Operations Meeting are posted here.

To participate in the DAME and EDAM Implementation pre-Market Simulation meeting series, please follow these steps:

Submit a CIDI Request:

- Log in to the CAISO Customer Inquiry, Dispute, and Information (CIDI) system.
- Create a new request with the 'Functional Environment' set to "Market Simulation."
- In the request, specify your intent to participate in the DAME & EDAM Market Simulation.
- Include the following information:
  - Market Simulation initiative(s) you will participate in.
  - Any specific resources or systems you plan to test.
  - Contact names and email addresses for coordination.

Email Option:

- If you do not have access to CIDI, you may send an email to marketsim@caiso.com with the subject line "DAME & EDAM Market Simulation Registration.“

Business Practice Manual (BPM) Updates

- The status of all PRRs and updated BPMs in the BPM Library are published on the BPM Change Management Website.
- *Please note: The California ISO has updated how participants access call-in information for Business Practice Manual (BPM) Change Management meetings. Going forward, registration is required to receive Webex and audio participation details. Previously, meeting links were posted directly on the event calendar. This change allows us to collect participant contact information to support future outreach, communication, and process improvement efforts.*

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FREQUENCY BAND

The *Energy Matters* blog provides timely insights into ISO grid and market operations as well as other industry-related news and a new energy podcast, *Frequency Band*.

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The 2026 Stakeholder Symposium Agenda now available: Powering the Future - Shaping the Next Era of Energy

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Announcing the launch of a new publication series:

Western Energy Markets Observations

This new periodical offers concise and accessible insights into notable developments across the western power markets. Read the first issue for highlights on market performance during the first weeks of Extended Day-Ahead Market (EDAM) operations.

The document will be posted on the EDAM Overview page of WesternEnergyMarkets.com website.


REGISTRATION IS OPEN
2026 STAKEHOLDER SYMPOSIUM
Welcome reception - Oct. 5
at Kimpton Sawyer Hotel, Sacramento, CA
Symposium program - Oct. 6
SAFE Credit Union Convention Center
Sacramento, CA
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