Extended Day-ahead Market Benefits
Draft Methodology

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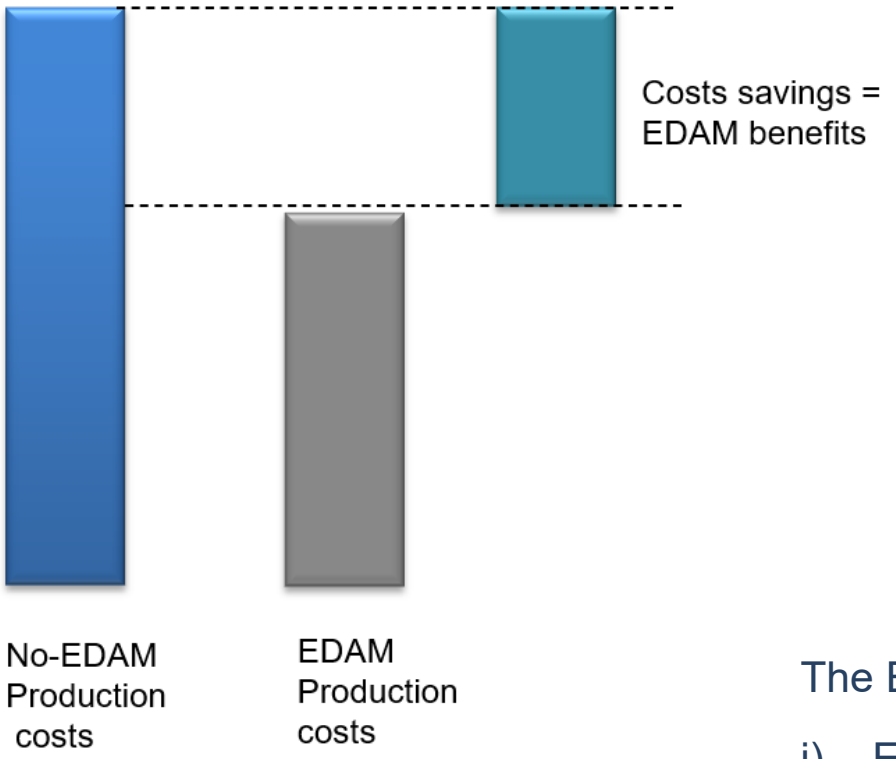
The ISO and future EDAM participating entities developed a draft methodology to estimate EDAM's gross economic benefits

The Extended Day-Ahead Market (EDAM) continues the real-time market imbalance evolution by enabling coordinated day-ahead resource optimization while preserving the autonomy of western utilities

The draft methodology estimates economic benefits based on production cost savings



The EDAM scenario is the actual market solution, which includes economic transfers among areas

The no-EDAM scenario is a counter-factual scenario of individual areas and no transfers

The production costs difference between EDAM and Counterfactual scenarios is the benefits

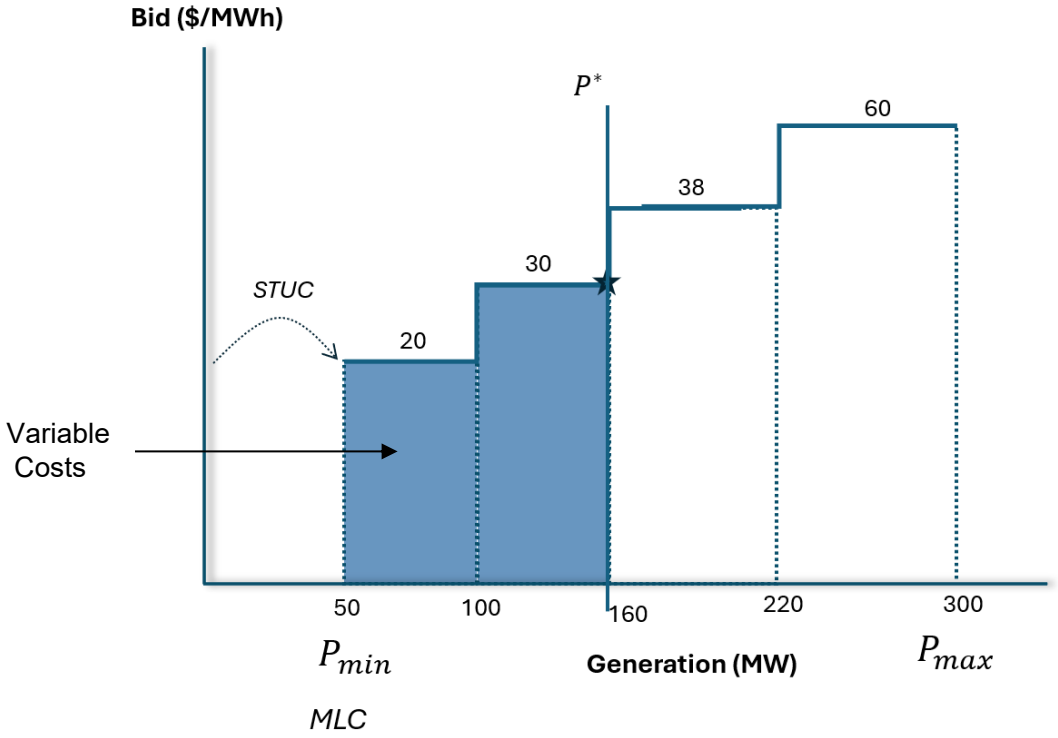
The EDAM benefits consists of three main components:

i) Energy production costs savings
ii) Imbalance reserve savings
iii) Green-house gas inframarginal revenues

The draft methodology estimates economic benefits based on production costs

- Production costs for energy include:
  - Start-up costs
  - Minimum load costs
  - Transition costs
  - Variable costs

- Production costs are estimated based on the total supply scheduled to meet the day-ahead load forecast



EDAM production costs:
Energy costs of EDAM scheduled supply + costs of optimized transfers

Counterfactual costs:
Energy cost of Counterfactual scheduled supply

The counterfactual scenario requires a tailored software solution

- Uses all the EDAM input data
- Supports a full unit-commitment least-cost dispatch
- Can be operationalized and run programmatically
- Generates counterfactual results for all market areas
- Provides a uniform and consistent methodology
- Runs each participating area in isolation
- Represents a conservative estimation derived from a least-cost dispatch

Imbalance Reserves is a new market product introduced to address net load uncertainty from day ahead to real time

- Imbalance reserves are procured economically in the day-ahead market based on bids and its demand curve
- In EDAM scenario, imbalance reserves can be procured from supply among areas
- In counterfactual scenario, each area procures its requirements independently
- The procurement target in both scenarios is based on the (lower) adjusted requirements for diversity
- The benefits of EDAM's IR component can be estimated as the cost difference to procure imbalance reserves between scenarios

A key component of the methodology is the availability of a counterfactual scenario

The counterfactual scenario leverages the EDAM software solution with a dedicated setup and support

- Uses same input data available for EDAM
- Supports a full unit-commitment least-cost dispatch
- It can be operationalized and run programmatically
- Generates counterfactual results for all areas in the market
- Ensures a uniform and consistent methodology across all participating areas
- Runs the market with each participating area in isolation
- Represents a conservative estimation derived from least-cost dispatch

Key considerations of the EDAM benefits calculation

- The benefits are based on estimates of production costs and do not use settlement data
- Due to the complexities of hydro resource management, benefits will be estimated using their default energy bids
- No adjustments to the production-cost methodology are needed to reflect any congestion revenue allocation methodology
- The Western energy imbalance market benefit calculation will be adjusted for EDAM entities to be estimated as the incremental benefits