



California ISO

# EDAM Congestion Revenue Allocation – Phase 2 Briefing

Body of State Regulators

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# Overview of *Congestion Revenue Allocation* design for EDAM launch

- As part of Phase 1 of the initiative, the ISO and stakeholders evaluated enhancements to the congestion revenue allocation design supporting EDAM launch.
  - Enhancements sought to support a more complete congestion hedge for transmission customers exercising firm OATT transmission rights.
- In August 2025, FERC approved the Phase 1 design supporting the launch of EDAM in 2026.
- The design for EDAM launch (Phase 1) provides for:
  - Congesting revenue resulting from internal transmission constraint is allocated to the EDAM balancing area where the constraint is located
    - This is design in the WEIM today
  - EDAM balancing area also receives congestion revenue necessary to provide a more complete congestion hedge for transmission customers exercising eligible firm OATT transmission rights.

**Congestion Revenue** is the difference between the LMP paid to generation and the LMP charged to load/exports

\*Difference in the congestion component of LMP

## Phase 2: evaluating near term enhancements and a long-term design

The EDAM go-live design for congestion revenue allocation is considered transitional, allowing room for the ISO and stakeholders to consider near-term enhancements and a long-term, durable, design.

Key issues to address when evaluating designs in Phase 2:

- Eliminating or reducing self-schedule incentives and supporting robust economic bidding
- Creating symmetry in allocation of parallel flow congestion revenues for CAISO balancing area (which does not sell OATT transmission products) resulting from Phase 1 of initiative

## Phase 2 initiative status and progress

- Initiated stakeholder working groups (two sessions thus far).
- Focus areas of stakeholder working groups:
  - Data analysis (Phase 1 design for EDAM launch)
  - Establishing principles to guide design considerations
    - Principles are grounded in equity, establishment of proper market incentives, and ability to manage congestion risk exposure.
- Next stage of stakeholder working groups will focus on evaluation and consideration of different design concepts for congestion revenue allocation.
  - Slated for late March through May

## Next Steps and Upcoming Milestones

- Next stage of Phase 2 design focuses on consideration of design concepts and alternatives.
  - Stakeholder are invited to present concepts for discussion within working groups slated March through May
- Design concept alternatives will lead to the publication of an issue paper in Q3 2026 as well as a commencing iterative proposal development.
  - Iterative stakeholder workshops to inform proposal evolution
- Presentation for decision to the Western Energy Markets Governing Body expected by Q2 2027.

# Working Group & Decisional Timeline

