



California ISO

EDAM Congestion Revenue Allocation: Phase 2 - Briefing

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Overview of *Congestion Revenue Allocation* design for EDAM launch

- In Phase 1 of the initiative, the ISO and stakeholders evaluated a design for parallel flow congestion revenue allocation among EDAM balancing areas.
- In August 2025, the FERC approved the Phase 1 design supporting launch of EDAM in May 2026.
- The Phase 1 design is transitional, and establishes:
 - Congestion revenue resulting from internal transmission constraints is allocated to the EDAM balancing area where the constraint is located
 - Parallel flow congestion revenue associated with the exercise of eligible firm OATT transmission rights with a balanced self-schedule is allocated to the balancing area where the transmission rights are exercised

EDAM Congestion Revenue Allocation: Phase 2 – Initiative Scope

- The EDAM go-live design for congestion revenue allocation (Phase 1) is considered transitional, allowing for evaluation of near-term enhancements and a long-term durable design.
- Key issues to address when evaluating Phase 2 designs:
 - Eliminating or reducing self-schedule incentives and supporting robust economic bidding
 - Creating further symmetry in allocation of parallel flow congestion revenues for the CAISO balancing area resulting from the transitional design

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
- 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

MSC Perspectives – Negotiated Entitlements

- MSC opinion on the Phase 1 design recommended exploration of a negotiated entitlement approach to congestion revenue allocation.
- Additional perspectives from MSC that can help guide consideration of a negotiated entitlements concept:
 - *Who are the parties to the negotiation recognizing the unique structure of EDAM?* (Eastern interconnection structure to negotiated entitlements may not translate to Western markets)
 - *To what extent can a negotiated entitlement approach affect/undermine existing operational agreements or arrangements that may exist between balancing areas to manage loop flow?*
 - *What could be the basis for establishing entitlements through negotiation on specific constraints?* (historical flows and limits, dollar allocation limits, other)