



WESTERN ENERGY MARKETS OBSERVATIONS

Jul 7, 2026

Share and share alike: pricing changes in EDAM

During the first month of operation, prices for energy followed typical patterns for spring. However, the launch of the extended day-ahead market (EDAM) on May 1 changed how those prices are calculated. Before EDAM, locational marginal prices shared a common energy component across the entire market footprint.

Remember prices for electricity in CAISO markets are broken up into energy, transmission congestion, losses, and greenhouse gas costs. Under EDAM, each Balancing Authority Area (BAA) now has its own energy component reflecting the balance of supply, demand, and interchange in each region. This is a change from the WEIM market, which used a single marginal energy price for the entire WEIM footprint.

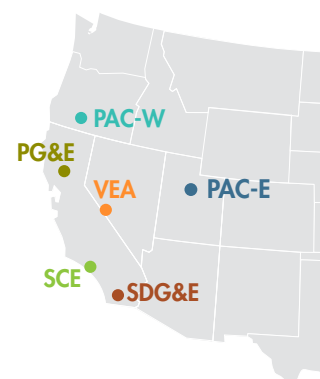
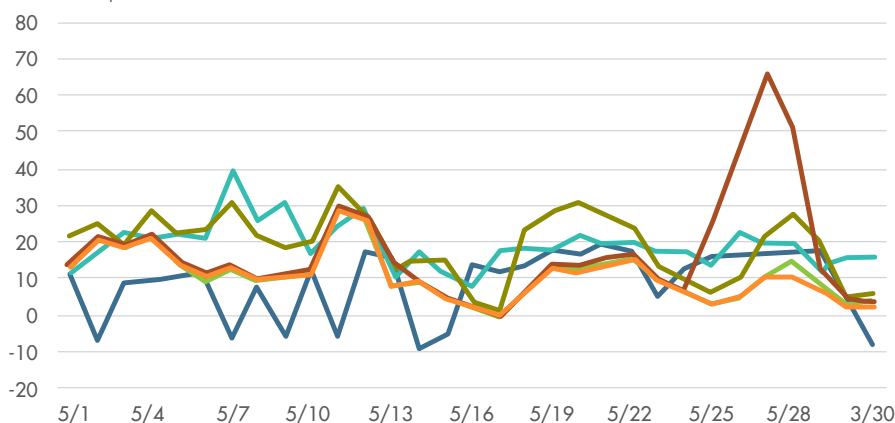
Creating separate marginal energy components for each BAA ensures that EDAM transfers settle accurately while preserving and clearly reflecting each BAA's unique supply and demand conditions and constraints. Regional prices can now differ either because of differences in the BAA energy costs or because of more traditional congestion (transmission constraints) within a BAA. We'll walk through examples of both.

How this has played out in the EDAM areas

At the launch of EDAM, prices were calculated for six major load aggregation points, and thousands of nodes within each participating BAA. For simplicity, we will focus on the large regional price points. The California ISO load aggregation points — Pacific Gas & Electric Company, San Diego Gas & Electric, Southern California Edison and Valley Electric Association share a marginal energy component. PacifiCorp East and PacifiCorp West, however, each have their own independently calculated marginal energy components.

Daily average price for May

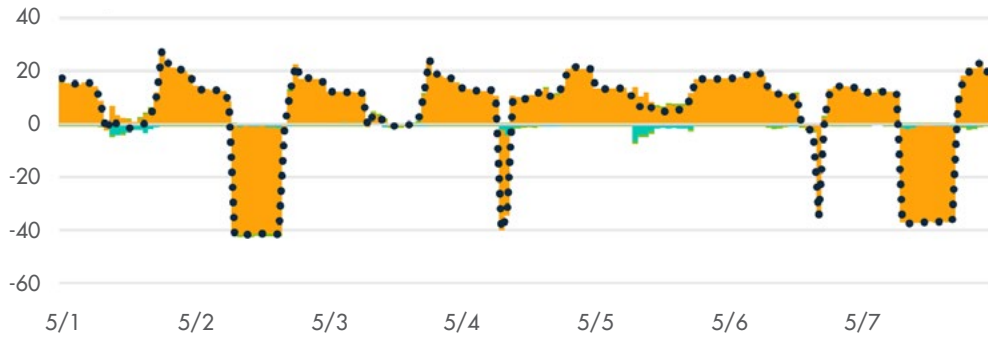
dollars per MWh



The differences in the prices across regions can reveal important information about the local system conditions. For example, during the first week of May prices in PacifiCorp East were negative because supply exceeded demand within that region.

PacifiCorp East prices in the first week of May

dollars per MWh



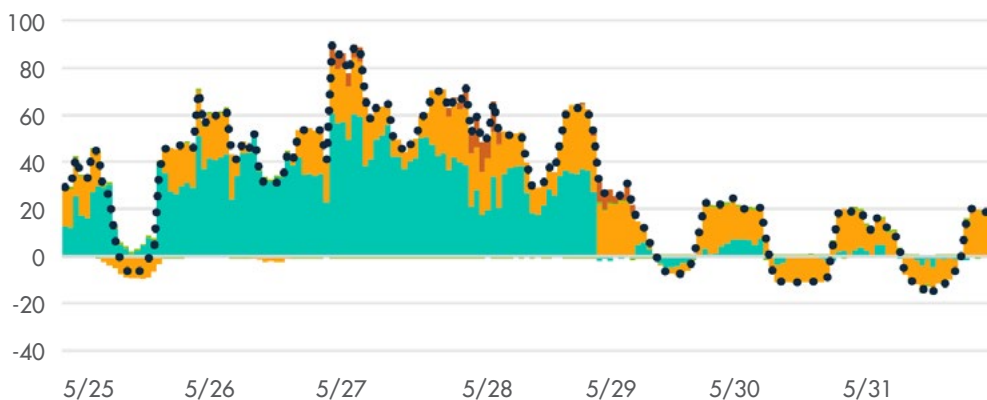
Note: The areas represent the components of the locational marginal prices, MCC is the marginal congestion component, MCE is energy, MCL is losses and MGHG is the greenhouse gas.

This oversupply resulted in a negative energy price component for PacifiCorp East. In the second half of the month, higher energy demand combined with lower output from solar and wind resources reduced the extent of the negative energy components. During this same period, congestion played only a minor role in pricing and was often negative due to internal constraints within PacifiCorp East. Because the imbalance of supply and demand was localized to PacifiCorp East, prices in other EDAM regions were unaffected.

Prior to EDAM, congestion was the main reason prices differed between load aggregation points. This pattern still exists today. For example, we can look to the last week of May in the San Diego area. During this period, transmission constraints limited the amount of electricity that could be delivered into Southern California. When these constraints were binding, the congestion costs increased, resulting in higher marginal congestion component in San Diego Gas & Electric's price. While congestion drove price differences, the energy component remained the same across the California ISO BAA footprint. Other parts of the California ISO BAA footprint had offsetting, negative congestion, while the other EDAM regions saw no congestion.

SDG&E prices in the last week of May

dollars per MWh



Note: The areas represent the components of the locational marginal prices, MCC is the marginal congestion component, MCE is energy, MCL is losses and MGHG is the greenhouse gas.

Greenhouse gas component changes

Another important driver of price differences between areas is the marginal greenhouse gas component of the market price. This component reflects the cost of complying with state greenhouse gas programs when energy is transferred into where those programs apply. Currently, California's cap-and-invest program is the only program modeled in the market, administered by the California Air Resources Board. In the future, EDAM will also incorporate Washington's cap-and-invest program administered by the Washington State Department of Ecology.

The greenhouse gas price associated with energy transferred from PacifiCorp East or PacifiCorp West into the California ISO BAA ranges between \$1-\$22 per MWh. The daily average is much lower, between \$0/MWh and \$6/MWh, because the greenhouse gas price is zero during hours when no energy is being imported into California.

EDAM also introduced a change in how the greenhouse gas component is displayed. Within the WEIM regions, marginal greenhouse gas imports appeared as a negative. Now, the same cost component appears positive, but the underlying economics have not changed. The importing region pays the greenhouse gas cost, and the exporting region receives the corresponding revenue.

Additional documentation

For readers interested in the details, [the first Monthly Extended Day-Ahead Market \(EDAM\) Performance Report](#), covering results from May, explains how locational marginal prices changed with the launch of EDAM. Additional documentation and material from the monthly reports will be posted to the [Extended Day-Ahead Market \(EDAM\) Market Performance meetings page](#) throughout the year. The pricing structure is discussed in detail, with specific formulation in [EDAM's transfer's Draft Technical Description](#) including how energy transfers between EDAM areas incorporate the power balance for each BAA (and the corresponding marginal energy price).

Prices for all EDAM areas, including the separate components and binding constraints, are provided for each day in the [Daily EDAM Reports](#) and discussed in the [bi-weekly Market Update calls](#).