



## Submit comment on Extended Day-Ahead Market - Bundle 1 Straw Proposal

Initiative: Extended day-ahead market – Public Interest Organizations (“PIOs”) Comments

### 1. Please provide your organization’s overall position on the EDAM bundle 1 straw proposal:

Choose:

- Support
- **Support with caveats**
- Oppose
- Oppose with caveats
- No position

### 2. Provide summary of your organization’s comments on this proposal:

The following Public Interest Organizations (collectively, “PIOs”) - Western Resource Advocates (“WRA”), Western Grid Group (“WGG”), Center for Energy Efficiencies and Renewable Technologies (“CEERT”), Union of Concerned Scientists (“UCS”), Renewable Northwest (“RNW”), Northwest Energy Coalition (“NWECC”), Environmental Defense Fund (“EDF”), Interwest Alliance, Environmental Defense Fund (“EDF”) - appreciate the opportunity to provide comments on the EDAM stakeholder initiative. PIOs consider the EDAM initiative to be an essential incremental step towards broader electricity market expansion in the West. In response to the CAISO’s Bundle 1 Straw Proposal, PIOs begin by offering a general position, followed by specific comments on the individual topic areas in the subsequent sections.

As noted in comments to the February 2020 workshops, PIOs support CAISO’s use of the following guiding principles when designing the Extended Day-Ahead Market:

- Enable growth of real-time markets that are centralized to facilitate automated and optimal dispatch of energy.
- Ensure all market transactions are transparent and accessible.
- Promote optimal and efficient resource and transmission scheduling.
- Flexibility to promote diversity of resources and allow for ease of entry for newer market participants, without compromising reliability.
- Governance should incorporate processes that allow for meaningful representation of a variety of stakeholder voices in order to effectively inform market design and implementation.

At the outset, PIOs also wish to acknowledge the unprecedented nature of California’s August rotating outages, which drove the extension of the deadline for comments on the EDAM Bundle 1 Straw Proposal. PIOs support efforts by CAISO, EIM Entities and CAISO’s Department of Market Monitoring to thoroughly investigate the outage events and to consider potential changes to EDAM’s market design that would help prevent these events in the future. Specific suggestions and considerations in light of the August outage events are addressed throughout these comments.

While understanding of the latest extension in the EDAM stakeholder process, PIOs are also concerned with the repeated delays in the process and EDAM’s “go-live” date being pushed out to Spring 2024. As noted in previous comments, PIOs believe that EDAM presents a real opportunity for consumer and environmental benefits, and any further delays to EDAM implementation delay these benefits, imposing avoidable costs to consumers (including direct and opportunity costs stemming from limited access to a wider set of resources). In order to provide certainty to policy makers and clean energy developers and to ensure benefits are able to accrue to consumers as quickly as possible, PIOs support efforts to prioritize and expedite EDAM’s implementation.

PIOs’ comments in the subsequent sections are either supportive of the proposed market design elements or raise concerns and offer suggestions for additional detail that should be included in future versions of the Bundle 1 proposal.

### **3. Provide detailed comments including examples on the Resource Sufficiency Evaluation topic:**

PIOs recognize the importance of the Resource Sufficiency Evaluation (“RSE”) in EDAM’s design and make the following recommendations regarding the RSE in the Bundle 1 Straw Proposal:

- Additional clarity is needed to better understand the implications of restricting bidding and self-schedules at the CAISO interties.
- Additional details are needed regarding the role the CAISO should play in facilitating intra-Balancing Authority Area (“BAA”) RSE.
- The role and definition of “BAA” and “LSE” should be delineated in a future version of the proposal.
- RSE and load forecasting considerations in light of the August 2020 outages must be addressed.
- Demand-side resources should be considered in the RSE.
- Additional considerations should be made when designing an effective and responsive RSE for EDAM.

#### **Additional clarity is needed to better understand the implications of restricting bidding and self-schedules at the CAISO interties**

On pages 16-17 of the Straw Proposal, as well as page 24 of the July 27-29 stakeholder presentation, the CAISO states that resource bids and self-schedules for imports and exports at ISO interties would not be permitted from or to EDAM BAAs. PIOs are concerned about the potential implications of this proposal

and request that the CAISO provide clarity on this element of EDAM in the next version of the Straw Proposal.

Specifically, CAISO should clarify this restriction and the underlying intent. PIOs seek certainty on whether the restriction would apply only for the RSE in EDAM, or if it applies in a broader context to include the elimination of inertia bidding and self-scheduling of resources at the CAISO interties in the day-ahead market optimization. CAISO should provide additional clarity on how schedules across the interties between CAISO and EDAM BAAs will be treated and honored under the proposed EDAM structure. PIOs are interested in understanding whether this proposed restriction is motivated primarily by the need to avoid the double counting of resources in EDAM or if there are other concerns driving this proposal. If there are other concerns, CAISO should clearly articulate those so that stakeholders can better understand CAISO's reasoning for this provision of the proposal. Additional details will also be necessary in order to better understand the broader implications of this portion of the RSE, including any potential impact on GHG accounting and resources delivering to California under California's RPS law (as discussed later in these comments). Examples would be highly valuable in elaborating on this proposal and its impacts on resource counting, GHG accounting, RPS accounting, etc.

### PIOs request details regarding the role the CAISO should play in facilitating intra-BAA RSE

On page 23 of the Straw Proposal, as well as page 37 of the July 26-29 stakeholder presentation, CAISO proposes to offer sub-area load aggregation points and separate resource IDs to allow BAAs to administer more granular RSE compliance within their area. PIOs are supportive of any market design that reduces transaction costs across and within EDAM participating BAAs. However, PIOs question whether CAISO is the more appropriate entity to facilitate these transactions. If CAISO were to directly facilitate intra-BAA RSE compliance, PIOs suspect it would provide a number of benefits. For instance, it could centralize the RSE compliance processes, create consistency for all BAAs' RSE compliance processes, and provide efficiencies through reduced RSE compliance errors that would result from centralized management of RSE testing.

### The role and definition of "BAA" and "LSE" should be delineated in a future version of the proposal

The Straw Proposal appears to use the terms Load-Serving Entity ("LSE") and "BAA" interchangeably in some instances, making it difficult to discern the proposed RSE approach for an LSE that lies *within* a BAA as compared to a BAA that is *also* an LSE. PIOs recommend that a future version of the proposal specify the roles for LSEs and BAAs and address how RSE would be implemented when these two footprints are not the same. Additionally, future proposals should clarify what roles and responsibilities are specifically envisioned for BAAs versus what roles and responsibilities are envisioned for LSEs.

## RSE and load forecasting considerations in light of the August 2020 outages

PIOs recognize that a preliminary multi-agency investigation into California’s August rotating outages (i.e., the Preliminary Root Cause Analysis) has been completed by CAISO and California agencies and that a final version is currently underway. We also understand that WECC (with support from NERC) is conducting an assessment of the August blackouts and broader Western energy emergencies and other events that occurred in the West in August 2020. While we do not yet have final results from these assessments, PIOs recommend that the CAISO consider the lessons learned from the August events in the context of EDAM to determine whether any changes to EDAM design should be considered.

Further, PIOs understand that the preliminary Root Cause Analysis points to certain day-ahead market practices that exacerbated supply challenges – notably, that during the event, under scheduling of demand in the day-ahead market was not appropriately addressed in the Residual Unit Commitment (“RUC”) process. While we understand the problem with RUC has since been corrected, we urge CAISO to conduct a further evaluation of load forecasting and load bidding in the context of EDAM. PIOs do not believe that underscheduling and stressed conditions are one-time issues, especially as there are reports that the Pacific Northwest may be at risk of experiencing similar future system-wide capacity concerns (which will require support from neighboring utilities with diverse resources). The recent California outages and potential for additional outages elsewhere in the West underscore the need for solid load forecasting methodologies and a thorough consideration of load bidding in the context of EDAM.

## Demand Response resources should be considered in the RSE

PIOs recommend that Demand Response (“DR”) be incorporated into the EDAM RSE and that in the next iteration of the Straw Proposal, that CAISO specify how DR will be incorporated. It is well established that DR has the capability to reduce electric demand (and therefore load), resulting in flexibility to meet resource sufficiency needs. PIOs consider DR to be an integral component of the RSE framework.

The August 2020 rolling outages in the CAISO footprint provide an illustrative example of the critical role that DR can play to maintain a reliable grid. According to the Preliminary Root Cause Analysis, over the net demand peak hours on August 14 and 15, dispatched DR increased to approximately 80% and 50%, respectively.<sup>1</sup> Further, CAISO’s dispatch of non-IOU demand response (in response to bids) was significantly higher during the 6-7 pm peak hour periods. This contribution of DR to assist in peak load drop with appropriate economic price signals justifies the larger unlocked potential of dispatched DR.

PIOs believe that that the August 2020 outage event demonstrates the value proposition for DR to be deployed with accurate and responsive price signals before initiating Stage 3 rotating blackouts. Further, EDAM provides an opportunity for DR and other demand-side resources to play an important role in

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<sup>1</sup> Page 54, [CAISO Preliminary Root Cause Analyses](#) Rotating Outages-August 2020 (“CAISO August 2020 RCA”).

maintaining a reliable electric system in the West. In the next version of the Straw Proposal, CAISO should specify how DR will be incorporated into the RSE and should further ensure the EDAM market design can take advantage of available and responsive DR through price signals.

### General comments for an effective and response RSE

PIOs additionally recommend the consideration of the below key characteristics when designing an effective and responsive RS evaluation:

- **RSE reasonableness and transparency:** PIOs recommend that CAISO design the RSE to be reasonable and transparent by setting clear definitions of RS requirements and what is required for resources to be counted towards those requirements.
- **Freezing OATT bilateral transmission sales:** PIOs support additional discussion and thorough consideration of the proposal to freeze OATT transmission bilateral sales during the RSE phase. The freezing of bilateral sales should allow for consistent accounting and visibility into the degree and type of transmission available for resources that may make EDAM resource bids. However, the freezing of OATT bilateral sales (and, consequently, the redirecting of OATT transmission rights) should be considered in the context of its implications for entities that may not be participating in EDAM. While there are likely to be impacts to many transmission systems as a result of a bilateral OATT sale freeze during the RSE, it seems likely the most significant impacts may occur to transactions that occur across BPA's transmission system and, thus, exploring impacts of a bilateral OATT sales freeze in the context of BPA would be particularly useful. For instance, we understand that "redirects" of transmission service are frequently used on the BPA system and it would be helpful for CAISO to explore (in conjunction with other entities that transact across BPA) how a freeze of bilateral OATT sales would impact redirects across the BPA system. It would be helpful to understand the impacts of a freeze under two different scenarios: one where BPA is participating in EDAM and another where BPA is *not* participating in the EDAM.
- **BAA-led and BAA-level RSE tests:** PIOs recognize the needs for EDAM to be operational and facilitated at the BAA level. However, PIOs are concerned about the possibility of RSE tests being inconsistent across BAAs, resulting in a higher degree of accuracy of RSE test results in some BAAs and poorer quality evaluations by others. CAISO should clarify that the RSE tests will be consistently applied to all participating EDAM BAAs. An additional concern for PIOs are risks of uneven compliance processes created between a BAA and the multiple LSEs within the specific BAA. To address this potential uncertainty, PIOs reiterate our request made earlier in this section that CAISO should play a key role in administering intra-BAA (or LSE-level) RSE tests and in designing the requirements for these intra-BAA tests.

#### 4. Provide detailed comments including examples on the Transmission Provision topic:

PIOs recognize the importance of, and challenges associated with, appropriately designing transmission provision rules for EDAM and appreciate CAISO's efforts to outline transmission provision design in the

Straw Proposal. PIOs' primary concerns regarding EDAM's transmission provision in the Bundle 1 Straw Proposal include:

- Tension between contract path transmission rights and optimized market flows;
- Potential impacts to renewable resources delivering to California;
- Transmission provision's impact on resource procurement and support for further consideration of elimination of rate pancaking in EDAM's optimization; and
- The need for transparency in the transmission provision framework.
- Transmission availability under stressed system conditions

### Tension between contract path transmission rights and optimized market flows

CAISO seeks for the transmission provision of EDAM to provide fair and open access while maximizing transmission system use and respecting long-term scheduling and other contractual rights. To encourage optimal dispatch and use of available clean energy resources, including renewables, storage and demand response, to the greatest extent possible, PIOs support the EDAM utilizing the physical capabilities of the transmission system. However, given that EDAM will need to "co-exist" with the existing OATT contractual transmission paths and rights in the West, it is likely not possible for EDAM to fully optimize use of the transmission system without creating adverse impacts on long-term scheduling and contractual rights. This tension will continue to be at the heart of EDAM and its appropriate resolution is key to EDAM's successful development and operation.

One critical area where this tension became evident is on pages 16-17 of the Bundle 1 Straw Proposal, which would not allow for intertie bidding or self-scheduling at the CAISO interties where the CAISO intertie adjoins to a BAA participating in EDAM. PIOs acknowledge that this element of the proposal may help to incent more efficient EDAM dispatch and use of the CAISO interties. However, as pointed out by some stakeholders during the late July stakeholder calls, this element of the proposal also raises significant concerns about the value of long-term transmission rights connecting to CAISO if EDAM is successfully implemented. If CAISO intertie bidding and self-scheduling is ultimately eliminated, there may be little, if any, value to a Transmission Customer that has purchased transmission rights to deliver to CAISO via an EDAM BAA, since the current value of those rights is primarily tied to intertie bidding into CAISO. The elimination of intertie bidding to and from EDAM BAAs may, therefore, diminish the incentives for procuring long-term transmission rights through EDAM BAAs to CAISO. This, in turn, may cause current transmission customers to forego future investments in these long-term transmission rights, negatively impacting transmission providers that rely on those revenues to meet their transmission revenue requirements. EDAM's transmission provision and compensation proposal does not currently appear to include a mechanism to provide revenue sufficiency to mitigate these types of concerns.<sup>2</sup>

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<sup>2</sup> While some revenue may be accrued via transfer revenues and usage fees, it is not clear that these will be sufficient to fully address transmission revenue concerns.

PIOs encourage CAISO and the EIM Entities to consider whether direct payments between transmission providers in EDAM might offer a solution to this issue, while still allowing EDAM to maximize transfers between BAAs. Alternatively, PIOs suggest that CAISO work closely with entities that own transmission rights impacted by this element of the proposal to help identify a solution that protects those investments, while also addressing CAISO's market pricing, modeling and other concerns that may have driven the proposal to eliminate intertie bidding and self-scheduling through EDAM BAAs.

Finally, PIOs have concerns that the potential for transmission limitations contributing to the August 2020 blackouts could have ripple effects in EDAM. While it may be premature to determine the extent to which transmission availability was a factor in these events, results from pending analyses may reinforce PIOs' concerns about restricting intertie bidding in EDAM, as such limitations would have the potential to exacerbate outages in the future. PIOs suggest that the next iteration of the Straw Proposal address transmission availability under stressed system conditions, both for EDAM and for the EIM, and include proposals for the design of appropriate and flexible incentives to ensure outages are prevented while not undermining long-term transmission rights.

### Potential impacts to renewable resources delivering to California

Another unintended consequence of not allowing intertie bids or self-schedules at the CAISO interties is that it could have negative impacts on renewable resources that are located outside of CAISO, but that are used to meet California's RPS law. These resources utilize their transmission rights and accepted bids or self-schedules into CAISO to demonstrate "delivery" to a California BAA for purposes of meeting the requirements of Portfolio Content Category 1 under the law. By eliminating the ability for transactions that flow through EDAM BAAs to submit CAISO intertie bids or self-schedules, it is unclear how existing or potential future resources outside of CAISO could demonstrate "delivery" to the CAISO, especially since CAISO has not provided details on whether or how e-Tags would be used under EDAM, and whether they could be resource-specific. This unfortunate unintended consequence would likely discourage entities in CAISO from contracting with renewable generation that is not located inside of the CAISO BAA.

As noted earlier in these comments, one of PIOs' key EDAM principles is for the market to enable more diverse renewable resources on the system and to encourage, rather than discourage, entities from engaging in more diverse renewable procurement. In the absence of intertie bidding and self-scheduling at CAISO interties that adjoin to EDAM BAAs, PIOs request that CAISO consider the implications for diverse resource procurement that might result from challenges with out-of-state resources qualifying as Portfolio Content Category 1 resources under California's RPS law.



## Transmission provision impact on resource procurement and support for further consideration of elimination of rate pancaking in EDAM's optimization

EDAM has the potential to offer significant benefits across the West, but PIOs and other stakeholders recognize that, while EDAM can offer benefits, it is not a Regional Transmission Organization (“RTO”). Therefore, EDAM’s design does not contemplate development of a transmission cost allocation framework that would allow for sharing of either existing or future transmission investment costs across the footprint without necessitating transmission service. Instead, under an EDAM framework, participants would continue to recover the costs necessary to meet their transmission revenue requirements primarily through selling transmission under their OATT (with the potential for additional transmission revenues from Bucket 3 transmission transactions under EDAM and from EDAM transfer revenues).

Because the transmission cost recovery framework effectively remains the same under EDAM, it does not offer substantial cost savings benefits to LSEs that procure renewable and other clean resources that are remote from their loads. Under the EDAM construct, these entities would need to continue to purchase OATT transmission service from the location where the resource is located and through all intervening BAAs in order for the characteristics of the resource to be counted towards the RS obligations of the BAA where the LSE resides. This practice will result in continued rate pancaking in the context of long-term resource procurement. While it may not be possible for EDAM to remove this type of long-term rate pancaking, the current Straw Proposal would generally allow removal of “sunk” transmission costs in commitment and dispatch in the day-ahead timeframe (when EDAM transfers are facilitated by Bucket 1 & 2 transmission). However, as currently proposed, Bucket 3 transmission would result in a hurdle rate added to the optimized dispatch of resources (akin to the operational rate pancaking that exists in the West today). While PIOs view the removal of hurdle rates for most day-ahead commitment and dispatch decisions (via Bucket 1 and 2 transmission provision) as positive, we would like to understand if any additional efforts have been made (or could still be made) to reduce or eliminate the commitment and dispatch transmission rate pancaking that will occur via Bucket 3 transmission provision. We urge CAISO to design the EDAM such that transmission owners receive reasonable compensation, while also avoiding the negative impacts of rate pancaking.

Additionally, PIOs have concerns that if compensation for transmission rights and congestion cost allocation is not properly designed, EDAM could actually serve to create further barriers to diverse and remote renewable procurement in the West. (PIOs further expand on this in the below section on Congestion Revenue Rights.) The importance of accessing these diverse resources and further, the ability to efficiently move those resources across BAAs, was underscored by the events that occurred in August 2020 rotating outages event.



## Need for transparency in the transmission provision framework

The EDAM Bundle 1 Straw Proposal raises a number of concerns related to accessibility and transparency on how much transmission is made available for each of the “buckets” of transmission envisioned in the proposal. From PIOs’ perspective, these issues are a key EDAM principle that will be critical for enabling efficient market outcomes and eliminating, or at least minimizing, market power concerns that center around the voluntary provision of transmission to EDAM. We also anticipate that accessibility and transparency details will be important to other entities that are dependent on the CAISO market.

Under the current Straw Proposal, when Bucket 1 transmission (required for the RSE) and Bucket 2 transmission (made available by transmission customers) effectively runs out, EDAM will turn to Bucket 3 transmission (made available for a usage fee by transmission providers). When this happens, there may be significant pricing impacts across the EDAM footprint as energy prices adjust to reflect the transmission cost component of Bucket 3 transmission. Additionally, the amount of Bucket 1 and 2 transmission made available in EDAM will impact the Marginal Cost of Energy (“MCE”) in each BAA, which in turn will impact the amount of transfer revenue between BAAs. For these reasons, it is critical for CAISO to provide additional transparency on how much transmission is available under each individual bucket of transmission and to what the required hurdle rate is for Bucket 3 (for each EDAM BAA or transmission provider). Specifically, PIOs recommend that the CAISO consider a mechanism for improving the transparency and accessibility of information made available on how much transmission is allocated in EDAM for use between BAAs. Information clearly identifying the entity providing transmission and the quantity provided for each bucket for each hour of the day should be posted to CAISO’s publicly available portion of Open Access Same Time Information System (“OASIS”) and should be updated at least daily.

Another transparency and accessibility concern relates to the Straw Proposal’s framework for determining internal transmission limits within each EDAM BAA. In its July 29<sup>th</sup> meeting to review the Straw Proposal, CAISO indicated that each EDAM BAA would have discretion in determining how much of its transmission system is optimized through EDAM. CAISO further indicated that within the EIM construct, internal transmission constraints vary for each BAA, but that *generally* all transmission within the BAA is released for EIM use. To reduce potential skepticism of the EDAM proposal, additional details are needed on what limitations EIM BAAs currently place on their own internal transmission and, upon EDAM implementation, CAISO should provide information about how much transmission individual BAAs make available for use by EDAM *within* their own systems. Availability of this type of data may also help address concerns about how the availability of transmission (including that within an EDAM BAA) might affect market prices, market efficiency and market power.

## Transmission Availability under Stressed System Conditions

Finally, PIOs have concerns that the potential for transmission limitations contributing to the August 2020 blackouts could have ripple effects in EDAM. While it may be premature to determine the extent to which transmission availability was a factor in these events, results from pending analyses may reinforce PIOs' concerns regarding transmission limitations in EDAM, as such limitations would have the potential to exacerbate outages in the future. PIOs suggest that the next iteration of the Straw Proposal address transmission availability under stressed system conditions, both for EDAM and for the EIM, and include proposals for the design of appropriate and flexible incentives to ensure outages are prevented while not undermining long-term transmission rights.

### **5. Provide detailed comments including examples on the Transfer and Congestion Revenue Distribution topic:**

PIOs recognize that EDAM congestion revenue and transfer revenue distribution proposals must address the need to provide revenues to support transmission providers' investments while also allowing transmission users to pay for their transmission use and efficiently hedge their risk. PIOs also recognize the motivation for CAISO to propose a transfer charge that allows for price differentials to be compensated between BAAs that facilitate transfers from a generation source BAA to a sink BAA. However, PIOs offer the following comments and concerns regarding transfer and congestion revenue distribution:

- PIOs support a 50/50 split for Bucket 1 and Bucket 2 transfers between EDAM entities, but have concerns with respect to Bucket 3 transfers.
- PIOs believe additional clarity is needed regarding the use of e-Tags in EDAM.
- PIOs raise concerns with the potential for inconsistent distribution of congestion revenue rights under the current framework.

### **PIOs support a 50/50 split for Bucket 1 and Bucket 2 transfers between EDAM entities, but have concerns with respect to Bucket 3 transfers**

PIOs recognize the use of transfer revenue as an innovative first-time revenue product to be implemented in the day-ahead and (potentially) real-time markets. Therefore, any market design elements that define these charges should be as simple and easy to implement as possible. At a high-level, PIOs support a 50/50 split for EDAM Bucket 1 and 2 when transfers are EDAM-to-EDAM entity transactions. This approach helps ensure a balance of incentives and equitable sharing of benefits of EDAM transfer revenues. However, transfer charges for Bucket 3 transfers will create rate pancaking that limit the efficient dispatch of generation resources and, as discussed earlier in the transmission provision section, PIOs urge CAISO to evaluate whether there are alternatives that could eliminate the transmission rate pancaking that will occur when the market utilizes Bucket 3 transmission.

Additionally, it is unclear from the current Straw Proposal if the CAISO will be managing and settling transfer revenue charges in the EDAM, or rather, if each BAA will manage this process. This aspect of the current proposal should be clarified.

### Need for clarity and consistency on the use of e-Tags in EDAM

In the next version of the Straw Proposal, CAISO should provide additional details on how it plans to use e-Tags within EDAM and further, should ensure that there is consistency in how e-Tags are used in EDAM.

The PIOs are not clear whether e-Tags will be used for external resource participants only for settling revenues (congestion rent or transfer fees) or if they will be also used as part of the accounting for energy transfers between BAAs and further, whether e-Tags will be source-specific or not. PIOs also raise concern about inconsistency (i.e., unevenness) of e-Tag use between EDAM versus third-party participating entities. This inconsistency would create varying levels of visibility into the nature of the transactions and could possibly result in higher administrative costs for smaller external participants. PIOs recommend a more uniform approach to e-Tag usage across the EDAM footprint.

### Concerns with the potential for inconsistent distribution of congestion revenue rights

In the Straw Proposal, CAISO has left open the option for each EDAM Entity to determine how to treat internal congestion revenue right distribution through its own OATT. This leaves open the possibility that each EDAM Entity could have a different approach to congestion revenue right distribution, especially since many potential future EDAM Entities are not FERC-jurisdictional. The risks of different transmission and congestion revenue distribution approaches across EDAM BAAs may actually create additional disincentives for LSEs to procure remote renewable resources that must be transferred across multiple BAAs under an EDAM framework. Today, these entities can procure remote resources at a defined PPA price and procure necessary transmission rights to deliver to their load. As we move to EDAM, many transmission rights will be converted into congestion revenue rights (i.e., financial rights). If each EDAM Entity has a potentially different mechanism for distributing congestion revenue rights, it will substantially increase the risk of remote resource procurement and reduce the value of the replacement financial hedge. Stated another way, with differing congestion revenue distributions in EDAM, LSEs seeking remote renewable resources would have less assurances than they do today that they would be able to secure an effective financial hedge for procurement of those resources.

Therefore, PIOs recommend a consistent approach for the distribution of congestion revenue rights across the EDAM footprint, as well as transparent and periodic reporting (e.g., quarterly) of congestion revenue rights. A consistent revenue rights distribution framework may be accomplished through development of a *pro forma* approach that would apply to each EDAM BAA. Ultimately, PIOs encourage

the CAISO to consider various mechanisms for congestion revenue distribution that will support consistency and incentivize more diverse resource procurement.