

April 12, 2024

The Honorable Debbie-Anne A. Reese  
Acting Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, D.C. 20246

**Re: California Independent System Operator Corporation  
Docket No. ER24-\_\_\_\_-000**

**Tariff Amendment to Implement EDAM Access Charge and  
Request for Waiver of Notice Requirement**

Dear Secretary Reese:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment to implement the Extended Day-Ahead Market (EDAM) access charge.<sup>1</sup> The EDAM tariff provisions previously accepted by the Commission extend access to the CAISO's day-ahead market to balancing areas across the Western United States. EDAM will support the optimal day-ahead commitment of a geographically diverse set of resources across an expanded market area, maximizing the use of available transmission capability and providing broad reliability, economic, and environmental benefits to customers across the West.

Although participating in EDAM will not affect the transmission costs of transmission service providers in EDAM balancing areas, it may affect the allocation of revenues received by transmission service providers for the use of their systems.<sup>2</sup> To avoid unintended cost shifts from beneficiaries of broader participation in EDAM to existing customers of an EDAM transmission service provider, the CAISO proposes the EDAM access charge to provide EDAM

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<sup>1</sup> The CAISO submits this filing pursuant to Section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d, and Part 35 of the Commission's regulations, 18 C.F.R. Part 35. Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff, and references herein to specific tariff sections are references to sections of the CAISO tariff unless otherwise specified.

<sup>2</sup> The CAISO uses the term "transmission service provider" in this filing for consistency and alignment with the CAISO tariff term EDAM Transmission Service Provider, understanding its use and synonymous relation with the term "transmission owner" as it may be understood and applied in the context of transmission ratemaking procedures administered by the Commission.

transmission service providers an opportunity to recover transmission revenues comparable to their historical cost recovery prior to their participation in EDAM. The EDAM access charge also ensures cost allocation across the wider footprint of EDAM beneficiaries, *i.e.*, from those who historically paid and benefited from transmission service to those who will pay and benefit as a result of the change to transmission service under EDAM, consistent with Commission policy. Without the EDAM access charge provisions in the CAISO tariff, each EDAM transmission service provider could only allocate the costs of forgone revenues from its participation in EDAM to its own rate base, jeopardizing the proper allocation of costs with benefits.

In an order issued on December 20, 2023 (December 20 Order),<sup>3</sup> the Commission accepted in part, subject to condition, and rejected in part the CAISO's August 22, 2023 tariff amendment to implement the Day-Ahead Market Enhancements (DAME) and EDAM initiatives (August 22 Filing).<sup>4</sup> The only component of the August 22 Filing the December 20 Order rejected was a previous version of the EDAM access charge proposed as a severable element of that filing, without prejudice to the submittal of a future filing in which the CAISO provided additional support for its proposal. This filing updates the EDAM access charge provisions and provides additional support for the refined proposal, thereby addressing the issues raised in the December 20 Order and in comments on the original EDAM access charge proposal consistent with the policy previously presented to stakeholders and approved by the CAISO Board of Governors and Western Imbalance Energy Market (WEIM) Governing Body.<sup>5</sup> The CAISO also conducted outreach to Western transmission providers and further engaged with its stakeholders in preparation for this filing. Strong support from transmission providers for the EDAM access charge appears unabated, and the desire for certainty concerning the availability of an EDAM access charge to participating transmission providers continues.

The tariff provisions to implement the EDAM access charge, as updated in this filing, are just and reasonable because they support transmission service provider cost recovery, mitigate cost shifts among their customers, and allocate the assigned costs at least roughly commensurate with expected benefits. The CAISO requests that the Commission accept the EDAM access charge provisions for implementation activities effective 61 days after the date of this filing, *i.e.*, June 12, 2024.<sup>6</sup> The CAISO requests that the Commission accept the

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<sup>3</sup> *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210.

<sup>4</sup> Docket No. ER23-2686-000.

<sup>5</sup> See attachments E and F to August 22 Filing.

<sup>6</sup> New tariff section 33.2.5(K) and tariff appendix A, new definition of EDAM Access Charge. Section 33.2.5, among others, pertains to implementation of a prospective EDAM entity and was accepted by the December 20 Order effective December 21, 2023 to support the

remainder of the EDAM access charge provisions effective May 1, 2026, the CAISO's intended go-live date for EDAM.<sup>7</sup>

## I. Background

### A. The EDAM Access Charge Proposal in the August 22 Filing

The August 22 Filing contained a large set of tariff revisions to implement the DAME and EDAM designs.<sup>8</sup> Working together, the DAME and EDAM designs will support the optimal day-ahead commitment of a geographically diverse set of resources across an expanded market area, maximizing the use of available transmission capability and providing broad reliability, economic, and environmental benefits. Participants in the existing WEIM can choose voluntarily to join EDAM and settle all balancing area loads and resources in the day-ahead timeframe in addition to all imbalances between day-ahead positions and the real-time market.<sup>9</sup>

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associated implementation activities. See December 20 Order at ordering paragraph (A). For the sake of clarity, this transmittal letter distinguishes between existing tariff provisions (*i.e.*, provisions in the current CAISO tariff and provisions accepted in the December 20 Order that have not yet gone into effect) and new tariff provisions (*i.e.*, tariff provisions the CAISO proposes to add in this filing).

<sup>7</sup> To allow the May 1, 2026 effective date, the CAISO respectfully requests waiver of the Commission's notice requirement consistent with the waiver the Commission granted for other EDAM tariff provisions in the December 20 Order. The effective date established by the December 20 Order for the tariff revisions that do not pertain to EDAM implementation is the actual effective date, subject to the CAISO's informing the Commission of that actual effective date within five business days. See December 20 Order at ordering paragraphs (B)-(C); see also *Cal. Indep. Sys. Operator Corp.*, 186 FERC ¶ 61,170, at ordering paragraphs (A)-(B) (2024) (accepting in part, and rejecting in part without prejudice, EDAM tariff changes specific to participation by the CAISO balancing area effective as of the actual effective date). The CAISO will ensure alignment of all EDAM-related effective dates under the Commission's directives to provide notice of the actual effective date within five business days after implementation through an eTariff submittal using Type of Filing code 150 – Report. Further, the CAISO intends to revisit the CAISO balancing area rules for allocation of the EDAM access charge previously rejected without prejudice after the Commission issues an order in this proceeding. *Id.* at PP 26-27 (rejecting without prejudice the CAISO's proposal for calculating EDAM historical revenue recovery because the Commission rejected without prejudice the proposed EDAM access charge provisions in tariff section 33.26 enabling historical revenue recovery).

<sup>8</sup> The CAISO currently plans to implement DAME and EDAM on May 1, 2026, with pre-implementation activities to be completed much sooner. See also *supra* n.8 (explaining the relationship among requested effective dates for tariff changes supporting EDAM).

<sup>9</sup> See the overview of the EDAM design provided at pages 2-5 and 12-23 of the transmittal letter for the August 22 Filing. Key participants in EDAM will include EDAM entities and EDAM transmission service providers. An EDAM entity is a balancing authority (other than the CAISO) that enters into an EDAM Addendum to EIM Entity Agreement with the CAISO (see existing tariff appendix B.27) to enable the operation of the day-ahead market in addition to the real-time market in the EDAM entity balancing area. Tariff appendix A, existing definition of EDAM Entity.

Relevant to this filing, the CAISO explained that although participation by balancing areas in EDAM will not affect the costs of transmission service providers in those balancing areas to construct, own, and maintain transmission facilities, releasing transmission to the EDAM markets may affect those transmission providers' recovery of such costs under their existing tariffs and rate schedules because they could forgo some transmission sales established in their going-forward rate cases as a result of joining EDAM. Stakeholders, EDAM transmission service providers, and local regulators raised concerns that changes to transmission service provider revenue recovery due to participation in EDAM could result in unexpected downstream cost shifts for ratepayers.<sup>10</sup>

To avoid shifting of recovery or misallocation of costs when transmission service providers participate in EDAM, the CAISO proposed the EDAM access charge to ensure that EDAM will provide EDAM transmission service providers an opportunity to recover certain components of expected transmission revenues comparable to their historical cost recovery prior to participation in EDAM.<sup>11</sup> The CAISO proposed assessing the EDAM access charge to recover the eligible revenue shortfalls of one EDAM balancing area to the other EDAM balancing areas.<sup>12</sup>

The CAISO stated that it designed the EDAM access charge to allow transmission service providers to recover three components:

1. Historical transmission revenues from sales of short-term firm and non-firm transmission products under the transmission service provider's

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An EDAM transmission service provider is an EDAM entity or other party that owns transmission or has transmission service rights on an EDAM intertie or within an EDAM entity balancing area, that provides transmission service, and that makes transmission service available for use in the day-ahead market through an EDAM entity. Tariff appendix A, existing definition of EDAM Transmission Service Provider. This transmittal letter sometimes refers to EDAM transmission owners to refer to EDAM transmission service providers (which, as described above, can be EDAM entities).

<sup>10</sup> Transmittal letter for August 22 Filing at 22-23, 180.

<sup>11</sup> *Id.* at 23, 180-85. Most of the revisions proposed in the August 22 Filing to implement the EDAM access charge were contained in new section 33.26 of the CAISO tariff and the subsections thereto. Additional revisions to implement the EDAM access charge were contained in new tariff sections 33.2.5(F) and 33.11.7, and in the new defined term EDAM Access Charge to be added to appendix A of the tariff. See August 22 Filing at attachments B-1 and B-2.

<sup>12</sup> The CAISO stated that the EDAM access charge amounts were expected to be relatively small at the beginning of EDAM implementation and potentially become lower as EDAM transmission owners adjust their rates to reflect recovery of their revenue requirements under a model where they use their transmission assets to support participation in the day-ahead market. The CAISO included projected EDAM access charges in appendix 2 to the EDAM Final Proposal provided in attachment E to the August 22 Filing. Transmittal letter for August 22 Filing at 181.

tariff, and for historical wheeling access charge revenues for CAISO transmission owners;

2. A portion of revenues associated with new approved transmission builds (*i.e.*, network upgrade costs) that increase the transfer capability between EDAM balancing areas based on the proportional ratio of historical short-term sales to the overall historical transmission revenues;<sup>13</sup> and
3. Revenues for use of the transmission system when wheeling through transfer volumes in an EDAM balancing area are greater than total import and export transfer volumes for the balancing area.<sup>14</sup>

The CAISO explained that recovery of these revenues will compensate transmission service providers for their expected, reduced transmission service revenues under EDAM compared with the revenues they earned prior to participation in EDAM. Due to that participation, EDAM transmission owners are expected to sell fewer short-term firm and non-firm transmission services because such services will be displaced by EDAM efficient energy transfers. The CAISO stated it will allocate these costs to gross load across the EDAM area, because load across the EDAM area ultimately and primarily benefits from the optimized transfers that will occur with EDAM participation across the market footprint.<sup>15</sup> The CAISO included the proposed EDAM access charge among the individual elements of the EDAM tariff revisions that were severable from each other and from the remaining EDAM elements.<sup>16</sup>

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<sup>13</sup> The second component also includes “new” transmission capacity made available due to the expiration of EDAM legacy contracts, as explained below. The CAISO and Western transmission owners do not believe these amounts will be significant, but they are included in component two to ensure the EDAM access charge aligns cost allocation with the benefits of more available EDAM transmission capacity. Also, while transmission facility development may not be driven by EDAM alone, once the additional transmission capacity is available through EDAM participation, the increased transfer capability would potentially benefit participants beyond the balancing area in which the transmission service provider is located and the customers to which the costs would be allocated.

<sup>14</sup> Transmittal letter for August 22 Filing at 23, 181-83. Component one and component two relate to transmission services and revenues under existing tariffs, whereas component three looks forward towards the impact of day-ahead schedules and resulting energy transfers between participating balancing areas. This distinction is one reason there should not be overlap, which is further described in relation to the discussion below of component three in Section II.B.3 of this transmittal letter.

<sup>15</sup> *Id.* at 23, 183-84. Allocation to gross load appropriately allocates EDAM transmission costs to those beneficiaries and in proportion to how much they benefit from EDAM and satisfies the principle of allocating costs at least roughly commensurate with estimated benefits.

<sup>16</sup> *Id.* at 26, 181 n.384.

Intervenors submitting comments on the August 22 Filing generally supported the EDAM access charge, with some commenters arguing it is critical to EDAM, and others arguing that parties should monitor the EDAM access charge for potential cost shifts. The CAISO filed an answer to address the comments.<sup>17</sup> In particular, the CAISO committed to engage with its partners and stakeholders to review the application of the EDAM access charge based on the initial EDAM participants and, based on the results of the review, the CAISO committed to consider, develop, and propose any revisions necessary to ensure the EDAM access charge will be equitable when implemented consistent with its design principles.<sup>18</sup> This commitment by the CAISO stands in addition to the ongoing review process described further in Section II.E of this transmittal letter.

## **B. The December 20 Order**

The Commission accepted almost all of the August 22 Filing in the December 20 Order, including accepting the bulk of the EDAM tariff provisions as just and reasonable.<sup>19</sup> However, the Commission rejected the proposed EDAM access charge without prejudice, finding that the CAISO “has not demonstrated that the three components of the EDAM access charge are just and reasonable and not unduly discriminatory or preferential.”<sup>20</sup>

As to the first component of the EDAM access charge, the Commission found that “there is ambiguity as to how this component will function in the first year EDAM is live.”<sup>21</sup> The Commission went on to find “this component of the EDAM access charge was proposed as a permanent, rather than transitional, cost recovery mechanism given that CAISO did not propose an expiration date; however, CAISO’s explanation of why its proposal is just and reasonable is

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<sup>17</sup> Motion for Leave to Answer and Answer of the California Independent System Operator Corporation to Comments and Limited Protests, Docket No. ER23-2686-000, at 139-42 (Oct. 11, 2023) (October 11 CAISO Answer). As discussed herein, the CAISO also intends to analyze the inputs to the EDAM access charge from both EDAM transmission service providers and CAISO transmission owners prior to the outset of EDAM.

<sup>18</sup> *Id.* at 142; see also Motion for Leave to Answer and Answer of PacifiCorp, Docket No. ER23-2686-000, at 3-4 (Oct. 19, 2023).

<sup>19</sup> As discussed further in Section I.D of this transmittal letter, the December 20 Order also recognized that the CAISO would monitor and review the ongoing performance of components of the EDAM design to ensure they remain just and reasonable, and to work with stakeholders to address any issues that might arise in the course of EDAM implementation.

<sup>20</sup> December 20 Order at P 460. The Commission’s description of these three components differs in wording but corresponds to the substance of the three components described above. *Id.* at P 461.

<sup>21</sup> *Id.* at P 462.

limited to its role as a transitional mechanism.”<sup>22</sup> Consequently, the Commission found that the CAISO did not “adequately explain why such a permanent mechanism is just and reasonable.”<sup>23</sup>

With regard to the second component of the EDAM access charge, the Commission found that, although the CAISO “explained that it may be appropriate to allow for recovery of a portion of the costs of certain network upgrades that benefit EDAM,” the CAISO “has not demonstrated why it is just and reasonable to allocate those costs through the ratio of a transmission owner’s historical revenue shortfalls associated with short-term transmission sales to its annual transmission revenue requirement.”<sup>24</sup>

As to the third component of the EDAM access charge, the Commission found that the CAISO “has not explained why the non-firm transmission rate is the appropriate transmission rate to use.”<sup>25</sup> The Commission also found that the CAISO “has not explained why it is appropriate to use an EDAM Entity’s non-firm transmission service rate and not the transmission rate of the applicable transmission service provider in instances where there are multiple transmission service providers operating within an EDAM Entity’s balancing area.”<sup>26</sup>

The Commission made no findings on the proposed tariff revisions to implement the EDAM access charge other than those discussed above. Also, the Commission noted that several commenters “state that they view the EDAM access charge as an integral component of EDAM,” but declined to make any findings on the issues raised in the comments.<sup>27</sup>

The Commission stated that “while we are rejecting the EDAM access charge, we do so without prejudice to a future filing in which CAISO provides additional support for its proposal.”<sup>28</sup> The Commission directed the CAISO to submit a compliance filing within 60 days to reflect the removal of the EDAM access charge provisions from its tariff.<sup>29</sup> On February 16, 2024, the CAISO submitted a compliance filing that included the removal of those provisions as directed in the December 20 Order.

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<sup>22</sup> *Id.* (citing transmittal letter for August 22 Filing at 180).

<sup>23</sup> December 20 Order at P 462.

<sup>24</sup> *Id.* at P 463.

<sup>25</sup> *Id.* at P 464.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at P 465.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at PP 465, 519.

### **C. Development of the Refined EDAM Access Charge Proposed in this Filing**

Following the issuance of the December 20 Order, the CAISO reached out to confer with potential EDAM transmission owners and the CAISO transmission owners. The CAISO also engaged with stakeholders through its tariff review process to share and describe the underlying proposal and the refined tariff revisions presented in this filing.<sup>30</sup>

The CAISO has determined it is appropriate to resubmit the EDAM access charge tariff provisions originally presented in the August 22 Filing with certain refinements to address issues raised in the December 20 Order and with additional support for the proposed tariff revisions.

### **D. Principles for Establishing Transmission Rates**

Consistent with the FPA, the Commission and the courts have developed several key principles for reviewing transmission rates proposed by public utilities, as described below. The revised EDAM access charge proposed in this filing satisfies these principles for the reasons described in Section II of this transmittal letter.

Just and reasonable rates and revisions thereto. The FPA requires all rates established by a public utility for Commission-jurisdictional transmission service, whether they are stated rates or formula rates, to be just, reasonable, and not unduly discriminatory or preferential.<sup>31</sup> As recognized by the Commission in the December 20 Order, “under FPA section 205, a filing party need only demonstrate that its proposed revisions are just and reasonable, not that its proposal is the most just and reasonable among all possible

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<sup>30</sup> The CAISO held stakeholder calls on March 15, 2024 and April 10, 2024. The CAISO’s March 15 presentation to the stakeholders focused on understanding the proposal and tariff revisions, with questions about the underlying wheeling access charge rate utilized by the CAISO balancing area and the relationship between component one and component three, *i.e.*, whether some overlap between the two components may be possible in subsequent years. The April 10 stakeholder presentation focused on incremental tariff changes in response to comments the CAISO received following the March 15 call. Materials discussed on the March 15 and April 10 calls are available on the CAISO website at <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Extended-day-ahead-market>.

<sup>31</sup> FPA sections 205(a)-(b), 16 U.S.C. §§ 824d(a)-(b). *See also State of Cal. ex rel. Lockyer*, 99 FERC ¶ 61,247, at 62,062 (2002) (stated rates and formula rates are equally subject to requirements of the FPA). “Whether a rate or practice is unduly discriminatory depends on whether it provides different treatment to different classes of entities and turns on whether those classes of entities are similarly situated.” *Calpine Corp. v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,035, at P 318 (2020).



alternatives.”<sup>32</sup> Furthermore, “[t]he courts and th[e] Commission have recognized that there is not a single just and reasonable rate. Instead, [the Commission] evaluates proposals [under FPA section 205] to determine whether they fall into a zone of reasonableness. So long as the end result is just and reasonable, the [proposal] will satisfy the statutory standard.”<sup>33</sup>

A public utility has the right to submit a filing pursuant to section 205 of the FPA and the Commission’s rules and regulations to establish a just and reasonable amendment to, or replacement of, a rate previously approved by the Commission.<sup>34</sup> For example, a public utility can submit such a filing if it believes, due to a change in circumstances, that a previously approved rate may cease to be just and reasonable. The Commission repeatedly recognized in the December 20 Order that the CAISO would monitor and review the ongoing performance of components of the EDAM design to ensure they remain just and reasonable, as well as work with stakeholders to make any course corrections that might be necessary.<sup>35</sup> Other independent system operators and regional

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<sup>32</sup> December 20 Order at P 176 (internal quotation marks omitted) (citing *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,103, at P 59 (2014), *order denying reh'g*, 155 FERC ¶ 61,061 (2016); *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231, at P 222 (2014) *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,265, at P 21 (2009); *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984)).

<sup>33</sup> *Cal. Indep. Sys. Operator Corp.*, 140 FERC ¶ 61,168, at P 17 (2021) (citing *Calpine Corp. v. Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,271, at P 41 (2009)).

<sup>34</sup> FPA sections 205(c)-(d), 16 U.S.C. §§ 824d(c)-(d). *See also generally* 18 C.F.R. Part 35.

<sup>35</sup> December 20 Order at P 316 (“We acknowledge CAISO’s commitment to engage with its stakeholders to evaluate the use of transmission in EDAM as it gets more data and analyzes actual EDAM dispatches, as well as its commitment to provide data to stakeholders as appropriate.”); *id.* at P 317 (“Further, we are satisfied with CAISO’s commitment to monitor the usage of transmission to identify any inappropriate withholding and other forms of market manipulation and expect CAISO to propose Tariff revisions should the need arise.”); *id.* at P 359 (“[W]e note that CAISO affirms it will work with EDAM participants and monitor how transmission is made available and tagged to support EDAM transactions. Importantly, we agree with CAISO that it might better engage with stakeholders on this matter based on operational experience and information after EDAM implementation.”) (internal citation omitted); *id.* at P 393 (“We acknowledge CAISO’s commitment to engage with its stakeholders to evaluate the GHG [greenhouse gas] framework as it gets more data and analyzes actual EDAM dispatches, as well as its commitment to provide data to stakeholders as appropriate.”); *id.* at P 503 (“We acknowledge that CAISO has committed to monitor EDAM deployment, report on DAME and EDAM performance, and continue working with stakeholders to solicit feedback and improve the proposed DAME and EDAM frameworks, noting that CAISO has or will initiate working groups to look closely at GHG coordination, transmission constraint configurable parameters, price formation, and gas resource coordination. We encourage CAISO to engage in these and other required assessments as EDAM is implemented and evolves.”) (internal citations omitted).

transmission organizations have made similar commitments, which the Commission has recognized when accepting their own tariff provisions.<sup>36</sup>

Reasonable opportunity for cost recovery. Consistent with the transmission ratemaking principle discussed above, the FPA “does not prescribe any particular ratemaking methodology to be followed in setting rates so long as rates fall within a zone of reasonableness, *i.e.*, the rates are neither less than compensatory to the seller nor excessive to the consumer.”<sup>37</sup> It is well-established that “regulated utilities are entitled to a reasonable opportunity to recover their prudently incurred costs” under the FPA.<sup>38</sup>

Permissible measures to mitigate cost shifts. The Commission has found transmission rate measures proposed by a utility to mitigate cost shifts that could otherwise affect consumers to be just and reasonable. The Commission “evaluates cost shifts case-by-case,”<sup>39</sup> and has approved measures to mitigate them on both a transitional basis<sup>40</sup> and a permanent basis.<sup>41</sup>

Allocation of costs at least roughly commensurate with benefits. In Order No. 1000, the Commission recognized that one of the principles for regional and interregional cost allocation by public utilities is that the “cost of transmission facilities must be allocated to those within the transmission planning region that

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<sup>36</sup> See, e.g., *ISO New Eng. Inc.*, 131 FERC ¶ 61,147, at P 20 (2010) (“[T]he existing requirements for thorough periodic reviews and reports by ISO-NE and the Internal Market Monitor, as well as a robust stakeholder process, should ensure that stakeholders are provided sufficiently detailed information upon which to further address any issue relating to the threshold price and the penalty provisions.”).

<sup>37</sup> *Mkt.-Based Rates for Wholesale Sales of Elec. Energy, Capacity, & Ancillary Servs.*, Order No. 697-A, 123 FERC ¶ 61,055, at P 407 (2008) (internal citation omitted).

<sup>38</sup> *Cal. Indep. Sys. Operator Corp.*, 182 FERC ¶ 61,067, at P 29 n.39 (citing *FPC v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944)). See also *ISO New Eng. Inc.*, 172 FERC ¶ 61,251, at P 23 (2020) (stating that “[u]nder standard ratemaking principles, it is well-established that . . . regulated companies must have a reasonable opportunity to recover their costs”); *Cent. Me. Power Co.*, 128 FERC ¶ 61,143, at P 36 (2009) (rejecting tariff interpretation that would result in “a transmission owner . . . be[ing] denied the opportunity to recover its legitimate costs”).

<sup>39</sup> *Sw. Power Pool, Inc.*, 177 FERC ¶ 63,021, at P 368 (2018), *aff’d*, 182 FERC ¶ 61,141 (2023).

<sup>40</sup> See, e.g., *Cal. Indep. Sys. Operator Corp.*, 111 FERC ¶ 61,337, at PP 2, 21 (2005) (order on rehearing affirming determination in Commission Opinion No. 478 “that abrupt costs shifts have occurred and will continue to occur throughout the [10-year] transition period [for the CAISO’s transmission access charge]. Accordingly, Opinion No. 478 found the [CA]ISO-proposed cap to be a reasonable interim mechanism to mitigate these cost shifts.”).

<sup>41</sup> See, e.g., *Midwest Indep. Transmission Sys. Operator*, 128 FERC ¶ 61,190, at PP 5, 21 (2009) (finding that permanent methodology for calculating charges for operating and tariff administration costs “will eliminate potential cost shifts to high load factor customers that could occur under the existing methodology”).

benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits.”<sup>42</sup> The Commission explained that cost allocation on this roughly commensurate basis satisfies the cost causation principle inherent in the FPA’s just and reasonable standard, which requires that “all approved rates reflect to some degree the costs actually caused by the customer who must pay them.”<sup>43</sup>

The Commission also explained in Order No. 1000 that the roughly commensurate cost allocation standard can apply with a significant amount of flexibility. This is because, as a federal court has explained, “cost causation ‘does not require exacting precision in a ratemaking agency’s allocation decisions.’”<sup>44</sup> In this regard, the Commission quoted a federal circuit court statement that “[w]e do not suggest that the Commission has to calculate benefits to the last penny, or for that matter to the last million or ten million or perhaps hundred million dollars.”<sup>45</sup> The Commission explained that “requiring a beneficiaries pay cost allocation method or methods is fully consistent with the cost causation principle as recognized by the Commission and the courts.”<sup>46</sup>

## II. Proposed Tariff Revisions

### A. Overview and Purpose of the EDAM Access Charge Tariff Revisions

The tariff revisions proposed in this filing to implement the EDAM access charge are within the zone of reasonableness and will yield a just and reasonable end result.<sup>47</sup> The CAISO provides below an overview of the tariff revisions and then discusses them by section.

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<sup>42</sup> *Transmission Planning & Cost Allocation by Transmission Owning & Operating Pub. Utils.*, Order No. 1000, 136 FERC ¶ 61,051, at P 622 (2011) (Order No. 1000).

<sup>43</sup> *Id.* at P 504 (quoting *K N Energy, Inc. v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992)).

<sup>44</sup> Order No. 1000 at P 504 (quoting *Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361, 1371 (D.C. Cir. 2004)). See also Order No. 1000 at P 545 n.435 (“[W]e have never required a ratemaking agency to allocate costs with exacting precision.”) (quoting *Midwest ISO Transmission Owners v. FERC*, 373 F.3d at 1369).

<sup>45</sup> Order No. 1000 at P 504 (quoting *Ill. Comm. Comm’n v. FERC*, 576 F.3d 470, 476-77 (7th Cir. 2009)). The Commission’s “decisions regarding transmission cost allocation reflect the premise that ‘[a]llocation of costs is not a matter for the slide-rule. It involves judgment on a myriad of facts. It has no claim to an exact science.’” *Preventing Undue Discrimination & Preference in Transmission Serv.*, Order No. 890, 118 FERC ¶ 61,119, at P 559 (2007) (quoting *Colo. Interstate Gas Co. v. FPC*, 324 U.S. 581, 589 (1945)).

<sup>46</sup> Order No. 1000 at P 623.

<sup>47</sup> See *supra* Section I.D of this transmittal letter (at discussion of just and reasonable rates and revisions thereto).

Although participating in the day-ahead market will not affect the underlying costs of a transmission service provider's facilities, it may affect the allocation of revenues received for using its transmission system and thus the transmission owner's opportunity to fully recover its costs in providing transmission service. If transmission service providers release transmission to the CAISO's day-ahead market, they will forgo some transmission sales established in their rate cases before joining EDAM. As explained above,<sup>48</sup> stakeholders, EDAM transmission service providers, and EDAM local regulators have raised concerns that changes to transmission owner revenue recovery due to transmission owner participation in EDAM may result in unexpected downstream cost shifts for ratepayers. This issue may be most acute at the outset of EDAM and when new transmission owners join; however, the dynamic evolution of EDAM will make it a necessity for the foreseeable future.

To avoid unintended cost shifts due to their participation in EDAM, the CAISO proposes to protect EDAM transmission owners against the risk of forgone transmission revenues. The CAISO will assess an EDAM access charge<sup>49</sup> to recover the eligible revenue shortfalls of one EDAM balancing area to the other EDAM balancing areas.<sup>50</sup> The CAISO and prospective EDAM transmission owners expect these access charges will be relatively small at the beginning and potentially become lower as EDAM transmission owners adjust their rates to reflect recovery of their revenue requirements under a model where they use their transmission assets to support participation in the day-ahead market. Without the EDAM access charge, EDAM transmission owners would lack a reasonable opportunity for cost recovery from all classes of beneficiaries.<sup>51</sup>

The CAISO intends for the EDAM access charge to be effective indefinitely. It is "transitional," but not transitory. In other words, the EDAM access charge is only "transitional" in that it mitigates a transmission owner's transition from bilateral transmission sales to EDAM, a two-day market. But the EDAM access charge is not a temporary, short-term measure. The potential for

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<sup>48</sup> See *supra* Section I.A of this transmittal letter.

<sup>49</sup> See tariff appendix A, new definition of EDAM Access Charge. The cited definition reflects incremental changes to the definition of the same term proposed in the August 22 Filing – namely, replacement of the phrase "provides for" with the word "balances" and replacement of the word "recovery" with the phrase "cost allocation." CAISO regional and local access charges (known collectively as transmission access charges or TAC) are unaffected and apply to the CAISO balancing area only. See existing tariff section 26 and tariff appendix F, existing schedule 3.

<sup>50</sup> New tariff sections 33.2.5(K), 33.11.7, 33.26, and 33.26.1.

<sup>51</sup> See *supra* Section I.D of this transmittal letter (at discussion of just and reasonable rates and revisions thereto, and discussion of reasonable opportunity for cost recovery).

lost revenues after a transmission owner joins EDAM is ongoing. Each potential transmission owner will need the EDAM access charge when that transmission owner joins EDAM. If transmission owners join EDAM at the same pace as they have joined the WEIM, then EDAM may see new EDAM participants every year over the course of a decade or longer. The EDAM access charge is not intended as a temporary incentive for transmission owners to join as early as possible. This implementation of the EDAM access charge is consistent with Commission precedent approving measures to mitigate potential cost shifts on both a transitional basis and a permanent basis.<sup>52</sup>

The CAISO nonetheless recognizes the EDAM access charge may require enhancements as parties gain experience and more transmission owners join EDAM. In this way it is no different than any other tariff provision implementing EDAM, or the WEIM before it. Since the beginning of the WEIM, for example, the CAISO has made numerous enhancements every year. There is no reason to expect otherwise for EDAM and the EDAM access charge, especially where new transmission owners can immediately impact the effect of the EDAM access charge on other transmission owners. The CAISO will have to review these impacts every year, and will make adjustments whenever necessary to maintain just and reasonable cost allocations, consistent with the commitments the CAISO made in August 22 Filing to monitor and review the ongoing performance of components of the EDAM design and to consult with stakeholders as needed.<sup>53</sup>

Additionally, the EDAM access charge needs to exist in some form indefinitely because EDAM is the optimal mechanism for allocating EDAM costs to EDAM beneficiaries. Without the EDAM access charge, each EDAM transmission owner would be obligated to recover forgone transmission revenues in its own rate case. And in its own rate case, a new EDAM transmission owner could only re-allocate its costs among its existing customers. Meanwhile, other EDAM transmission owner ratepayers would benefit from the broader footprint made possible by EDAM participation. But without an EDAM cost allocation mechanism, they would free-ride on those benefits while leaving each EDAM transmission owner with costs it cannot recover under from all of the actual beneficiaries. The CAISO is uniquely situated to design and implement an EDAM access charge that allocates costs to all ratepayers (*i.e.*, load) benefiting from a broader EDAM footprint. The tariff provisions proposed in this filing ensure that the costs of the EDAM access charge are allocated in a manner at

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<sup>52</sup> See *supra* Section I.D of this transmittal letter (at discussion of permissible measures to mitigate cost shifts).

<sup>53</sup> See *supra* Section I.D of this transmittal letter (at discussion of just and reasonable rates and revisions thereto).

least roughly commensurate with the benefits of transmission owner EDAM participation.<sup>54</sup>

The EDAM access charge also mitigates the risk that an EDAM entity would not join EDAM because it cannot risk re-allocating the costs of its forgone transmission revenues to its other transmission ratepayers, including external transmission customers. Without the EDAM access charge, this risk is significant and would discourage and reduce participation in EDAM. Consequently, the absence of an EDAM access charge would undermine the benefits of EDAM the Commission recognized as a basis for approving its design:

As demonstrated in CAISO's filing and as discussed in this order, we find that DAME and EDAM have the potential to yield significant benefits to the voluntary WEIM and EDAM participants. CAISO has demonstrated that its proposal presents a just and reasonable regional solution to expand the benefits of day-ahead market participation to existing WEIM participants and new entrants to both WEIM and EDAM. Moreover, we find that EDAM has the potential to optimize the use of existing transmission and resources across a larger footprint in the West, which will provide economic and reliability benefits to participants. Additionally, by leveraging a larger and more diverse set of resources across the Western Interconnection, we expect that DAME and EDAM will help CAISO and other EDAM participants to manage the impacts of increasing variable energy resources and extreme weather events in the region.<sup>55</sup>

The lack of an EDAM access charge could reduce or inequitably allocate these benefits as supported by the record and envisioned by the Commission. For example, the carefully balanced EDAM transmission availability framework was conceived with the input of all stakeholders in recognition that transmission service providers participating in EDAM would need to make their transmission systems available for use in new ways, including making transfer capability available in the day-ahead market. Stakeholders continue to believe the EDAM access charge mechanism and its ability to mitigate cost shifts associated with the transmission availability framework is imperative to EDAM. Acceptance of the proposed EDAM access charge will support a smooth pathway to the expected benefits of a day-ahead market operating in a multi-balancing area footprint that can expand as additional balancing areas participate, while maintaining an appropriate balance of costs and benefits among the transmission service providers that support its operation.

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<sup>54</sup> See *supra* Section I.D of this transmittal letter (at discussion of allocating costs at least roughly commensurate with benefits).

<sup>55</sup> December 20 Order at P 42.

## **B. Components of Transmission Cost Recovery Through EDAM Access Charges**

The CAISO proposes to implement the same three components of transmission cost recovery through EDAM access charges proposed in the August 22 Filing, subject to certain refinements and based on the further explanation of the justness and reasonableness of those three components provided below. The CAISO proposes to use the generic term “EDAM Recoverable Revenue” to refer to the various revenues eligible for collection through the EDAM access charge.<sup>56</sup>

The CAISO has included an illustrative example, contained in attachment C to this filing that helps demonstrate how the EDAM access charge would operate at the outset of EDAM and in its initial years. The example includes hypothetical EDAM entities at the outset, use of the true-up function, and new transmission constructed after the outset of EDAM. The CAISO has used hypothetical figures to illuminate the structure of the charge. These figures are not intended as projections or estimates for the EDAM access charge. Such projections will be developed before the outset of EDAM and reviewed with stakeholders when more accurate projections will be possible.

### **1. First Component**

Pursuant to the first component of transmission cost recovery, EDAM transmission owners may include in the EDAM access charges only those shortfalls expected to result from transitioning from bilateral transmission service to day-ahead market service. These are potential shortfalls associated with expected revenues<sup>57</sup> from sales of hourly non-firm point-to-point, daily non-firm point-to-point, weekly non-firm point-to-point, monthly non-firm point-to-point, hourly firm point-to-point, daily firm point-to-point, weekly firm point-to-point, and monthly firm point-to-point transmission service.<sup>58</sup> These are the transmission services displaced by EDAM transfers.

All costs related to sales with an EDAM transmission owner’s merchant/marketing function are ineligible to be recovered through the EDAM

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<sup>56</sup> New tariff definition, “EDAM Recoverable Revenue,” defined as “Eligible revenues recovered by EDAM Entities through the EDAM Access Charge pursuant to Section 33.26,” appendix A to the CAISO tariff.

<sup>57</sup> The shortfalls between expected revenues and actual revenues from these services reflect services a transmission service provider may not sell after transmission capacity is released for optimization in the day-ahead market, resulting in EDAM transfers.

<sup>58</sup> New tariff section 33.26.2.1 and subsections thereto.

access charge because EDAM participation will impact the total cost and revenue equally, negating any impact to ratepayers.<sup>59</sup> To determine the costs eligible for recovery through the EDAM access charge, EDAM transmission owners will first calculate their recoverable revenue based on their average rate approved by the Commission or applicable regulator for the preceding three years prior to joining EDAM. The costs recoverable through the EDAM access charge consist of the difference between the EDAM recoverable revenue and actual transmission recovered revenue eligible for recovery.<sup>60</sup> EDAM transmission providers will continue to maintain their open access transmission tariffs (OATTs) and sell different transmission products, which reduce and place downward pressure on EDAM recoverable revenues.

In this way, the first component of the EDAM access charge functions like the stated rates long accepted by the Commission: it determines historical costs and revenues and establishes a baseline for providing cost recovery. It also allocates those costs to a set of beneficiaries to the extent they have benefited in the past from the participation of the transmission owner in EDAM. The rate is static until changed by the transmission owner, thereby incentivizing it to keep costs at or below the rate to avoid losses. With the EDAM access charge, both the transmission owner and the CAISO take part in ensuring the established rate allocates costs appropriately,<sup>61</sup> and revising the rate whenever costs, benefits, or allocations change such that the rate is no longer economic from the transmission owner, its ratepayers, or the EDAM ratepayers. Because the effects of the EDAM access charge may change with each new transmission owner joining EDAM, the CAISO and the EDAM transmission owners will need to examine the access charge frequently.

## 2. Second Component

The second component of transmission cost recovery is that EDAM transmission owners may recover in the EDAM access charge a portion of costs that would not appear in the three-year lookback associated with the first component, but whose cost recovery EDAM affects.<sup>62</sup> These include certain new network upgrade costs and revenue shortfalls from sales of non-firm and short-term firm transmission associated with the release of transmission capacity resulting from the expiration of EDAM legacy contracts. This second component is similar to the first component in that it recognizes that some short-term

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<sup>59</sup> New tariff section 33.26.2.1.

<sup>60</sup> New tariff section 33.26.2.1.1. The CAISO will work with EDAM transmission providers to help ensure consistent approaches to these calculations.

<sup>61</sup> As discussed below, the CAISO also proposes to require sufficient documentation for anyone to review the rate established and challenge it if necessary.

<sup>62</sup> New tariff section 33.26.2.2.



transmission revenues that otherwise would be recovered through sales from capacity associated with new network upgrades and expiring legacy contracts may not be available as a result of EDAM participation.

EDAM transmission owners can only include in the EDAM access charge new network upgrade costs approved for cost recovery by the Commission or applicable local regulatory authority that relate to and support EDAM available transmission. Eligible new network upgrade costs are those that increase transfer capability between EDAM entity balancing areas or between the CAISO balancing area and an EDAM entity balancing area, are in service, and are energized after the EDAM entity begins participation in the day-ahead market.<sup>63</sup>

EDAM legacy contracts are contracts that pre-date the EDAM transmission service provider's tariff or not otherwise governed by the terms of the tariff. Although there are few such contracts and they encumber relatively little transmission capacity, when they expire, the transmission they encumbered would be made available to EDAM.<sup>64</sup> As such, they are similar to new transmission in that they represent "new" transmission capacity that would be made available to EDAM, but whose revenues would not be captured in the first component.

An EDAM transmission owner cannot shift all of its eligible new network upgrade costs or expiring legacy transmission contract costs into the EDAM access charge.<sup>65</sup> The EDAM access charge can only include a percentage of the projected revenue<sup>66</sup> from the new network upgrades equal to the EDAM transmission owner's ratio of (a) the non-firm and short-term firm point-to-point historical EDAM recoverable transmission revenues<sup>67</sup> to (b) the EDAM transmission owner's total revenue requirement. The CAISO illustrates new network upgrades in the EDAM access charge in Attachment C.

Capping the allocation of component two costs through the ratio described above is just and reasonable for the reasons described below, which also resolve the concerns expressed about this second component in the December 20 Order.<sup>68</sup> The CAISO will not be the regional transmission planner in the EDAM area, and neither determines nor approves new network upgrades outside of the CAISO balancing authority area. Each EDAM transmission provider remains

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<sup>63</sup> New tariff section 33.26.2.2.2.

<sup>64</sup> New tariff section 33.26.2.2.1.

<sup>65</sup> *Id.*

<sup>66</sup> In other words, the EDAM access charge can only include projected revenues associated with approved new transmission costs.

<sup>67</sup> *I.e.*, those described in the discussion of the first component above.

<sup>68</sup> See December 20 Order at P 463.

responsible for transmission planning of its system, including identification of project needs and allocation of associated costs. The cap applicable under the second component will mitigate the risk of rate shock from any new network upgrades, and will dis-incent transmission owners from attempting to construct new network upgrades so they can fully allocate the project costs to the EDAM access charge.

The ratio serves as a just and reasonable proxy for determining the extent to which any new network upgrades or transmission capacity made available from expired legacy contracts could benefit the larger EDAM footprint, namely, no more than the previous network upgrades that supported bilateral short-term transmission sales. Western transmission owners recognize revenues from short-term transmission sales as the revenues most at risk from joining EDAM. A transmission owner contemplating joining EDAM, but constructing new transmission upgrades or facing the expiration of a legacy contract, may be tempted to wait to join EDAM until it can recover the related short-term transmission sales revenues, enabling it to include those revenues in the first component of the EDAM access charge. But this second component and the use of the prior short-term sales ratio avoid that problem. The transmission owner can take immediate advantage of EDAM because it can recover those revenues without waiting years to establish a baseline for the first component. The EDAM participants also benefit from the new transmission owner *and* the new network upgrades that increase transfer capability as soon as possible.<sup>69</sup> And by using the ratio of prior short-term sales to the total revenue requirement, EDAM ratepayers are protected against an EDAM transmission owner attempting to over-allocate costs to the EDAM access charge.<sup>70</sup>

The tariff also includes a provision requiring the CAISO to include examples of network upgrades that increase transfer capability between EDAM entity balancing areas or between the CAISO balancing area and an EDAM entity balancing area (and are therefore eligible under the second component) in the applicable business practice manual.<sup>71</sup> Generally, network upgrades increase transfer capability if they increase total transfer capability, create new interfaces, increase the simultaneous import limits at existing interfaces, result from an interregional transmission project to increase transfer capability, or are identified through the Western Electricity Coordinating Council (WECC) path

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<sup>69</sup> This is also true for any transmission capacity under a legacy contract made available to EDAM.

<sup>70</sup> A network upgrade that is eligible for consideration within the EDAM access charge will enable and contribute to additional short-term sales for the transmission provider, and these additional and incremental revenues will be accounted for in the true-up describe in Section II.D.

<sup>71</sup> New tariff section 33.26.2.2.2.

rating process to do the same.<sup>72</sup> These tariff provisions will help protect transmission ratepayers from undue costs, while ensuring they contribute to network upgrade costs at least roughly commensurate with the benefits they receive.<sup>73</sup> Absent these tariff provisions, transmission customers of EDAM transmission service providers could free-ride on new network upgrades, unduly shifting costs to other ratepayer classes in violation of the FPA.<sup>74</sup>

The second component only ensures a mechanism to allocate costs to EDAM entities commensurate with their benefits. It does not affect Western transmission owners' rules and processes for planning, approving, and constructing transmission. These rules are contained in each transmission provider's tariff. New transmission costs from this second component could only come after an upgrade and its cost recovery have been approved by the applicable planning entities and regulatory authorities, including the Commission.

### **3. Third Component**

The third component of transmission cost recovery under the EDAM access charge is that the CAISO will permit EDAM transmission owners to recover revenue shortfalls associated with wheeling through an EDAM balancing area or the CAISO balancing area associated with an EDAM transmission service provider or CAISO participating transmission owner in excess of the total net EDAM transfers of balancing area.<sup>75</sup> This component allocates costs based on benefits distinct and supplemental to the first and second components: transmission used for wheeling completely through a transmission service provider's system. Without EDAM, the flow of energy across the West would not be optimized efficiently. The third component reflects benefits under optimized use of the transmission system to support EDAM transfers, compensating transmission providers for wheels completely through their transmission systems.

In periods where this excess occurs, the EDAM entity, on behalf of the EDAM transmission service provider, will be compensated for the transmission use that supports the excess wheeling at the EDAM transmission service provider's non-firm hourly point-to-point transmission rate or the CAISO participating transmission owner will be compensated for excess wheeling through transmission use at the applicable wheeling access charge transmission

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<sup>72</sup> *Id.*

<sup>73</sup> See *supra* Section I.D of this transmittal letter (at discussion of allocation of costs at least roughly commensurate with estimated benefits).

<sup>74</sup> See *supra* Section I.D of this transmittal letter (at discussion of just and reasonable rates and revisions thereto).

<sup>75</sup> New tariff section 33.26.2.3.

rate.<sup>76</sup> Recovering these eligible revenue shortfalls through the EDAM access charge will mitigate potential rate differences among ratepayers of EDAM transmission service providers due to any loss of expected revenues, maintaining just and reasonable rates for EDAM transmission owners. This component also helps balance the impact of transmission usage patterns among balancing areas in the EDAM area. Some transmission owners may experience relatively more wheeling through transfers than others because they are located in the center of, or between several, other EDAM transmission owners. As such, EDAM flows may cross through their system significantly, but to serve load in other transmission owner's systems.<sup>77</sup> Thus, component three ensures equitable treatment for those balancing areas that may not otherwise be similarly situated, but are equally obligated to make their transmission system available for EDAM transfers according to the CAISO tariff.

Using the non-firm hourly point-to-point transmission rate is appropriate here because it is the conventional rate for analogous transfers today, and thus the most logical proxy for the proposed rate. Using the same rate keeps the costs and benefits of these transfers consistent in EDAM, which is the purpose of the EDAM access charge. Moreover, the firm point-to-point and non-firm point-to-point rates generally are the same in each Western transmission owner tariff.<sup>78</sup> Many Western transmission owners also lack a firm hourly point-to-point product entirely, and only offer a non-firm product, which is a *pro forma* product.<sup>79</sup> For these reasons, using the non-firm hourly point-to-point transmission rate is a logical and equitable approach that meets the just and reasonable standard.<sup>80</sup>

### **C. Rate, Assessment, and Allocation**

Using the aggregate annual costs described above for each EDAM transmission owner, the CAISO will compute a \$/MWh rate specific to each

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<sup>76</sup> *Id.*

<sup>77</sup> For example, the CAISO has reported on quarterly net wheeling through WEIM balancing areas in its Western Energy Imbalance Market Benefits Report, available on the Western EIM website at <https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>.

<sup>78</sup> For example, PacifiCorp, Bonneville Power Administration, and the Los Angeles Department of Water and Power all have the same firm and non-firm rate for hourly point-to-point transmission. See <https://www.bpa.gov/-/media/Aep/rates-tariff/current-transmission-rates/2024-Transmission-Rates/2024-Final-Proposal-Transmission-Rate-Schedules-and-GRSPsFERC-approved.pdf>; [https://www.oasis.oati.com/woa/docs/PPW/PPWdocs/Rate\\_Table\\_20230601.pdf](https://www.oasis.oati.com/woa/docs/PPW/PPWdocs/Rate_Table_20230601.pdf).

<sup>79</sup> For example, Portland General Electric, NV Energy, Idaho Power, and Avista Utilities only offer a non-firm product, and thus do not have a firm rate.

<sup>80</sup> See *supra* Section I.D of this transmittal letter (at discussion of just and reasonable rates and revisions thereto).

EDAM balancing area.<sup>81</sup> To form the numerator of the rate, the CAISO will divide each EDAM transmission owner's revenue shortfall to the EDAM balancing areas associated with the other EDAM transmission owners by (a) the EDAM transmission service provider's gross load divided by (b) the total EDAM area gross load minus gross load of the EDAM transmission service provider. Accounting for the EDAM transmission service provider's gross load in relation to the overall EDAM gross load helps ensure EDAM access charges do not allocate costs beyond potential benefits, because the EDAM transmission owner's impact on the EDAM access charge will be proportional to its own share of gross load in the EDAM area.

The CAISO will assess the EDAM access charge to gross load in each EDAM balancing area.<sup>82</sup> Gross load represents end-use customer demand (adjusted for distribution losses), including demand served by excess behind-the-meter production.<sup>83</sup> Each EDAM access charge will recover the projected recoverable revenue shortfalls for the EDAM balancing areas outside the balancing area for that access charge, such that no EDAM balancing area will be assessed its own projected recoverable revenue shortfalls. Much like the assessment of the CAISO's regional access charge and wheeling access charge to load under the existing tariff,<sup>84</sup> assessing the EDAM access charge across the EDAM footprint based on gross load appropriately allocates EDAM transmission costs to those beneficiaries and in proportion to how much they benefit from EDAM and satisfies the principle of allocating costs at least roughly commensurate with estimated benefits.<sup>85</sup> Gross load serves as a useful, available proxy for EDAM benefits. Moreover, because transmission owners generally use gross load figures to establish their own rates, the data is readily available and understandable.

#### **D. Annual True-up**

Once collected through the EDAM access charges, the CAISO will allocate revenues collected to EDAM entities on behalf of each EDAM

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<sup>81</sup> New tariff section 33.26.1.1.

<sup>82</sup> New tariff section 33.26.3.

<sup>83</sup> In the August 22 Filing, the CAISO revised the existing definition of gross load to include demand directly connected to the distribution system of an EDAM transmission service provider in an EDAM balancing area. See August 22 Filing at attachment B-2. Under both the existing and the revised definition, gross load excludes demand served onsite by the customer's own behind-the-meter production, such as rooftop solar generation that serves the customer's own demand. Gross load also is the billing determinant for the CAISO's transmission access charges.

<sup>84</sup> See existing tariff section 26, *et seq.* and tariff appendix F, existing schedule 3.

<sup>85</sup> See *supra* Section I.D of this transmittal letter (at discussion of allocation of costs at least roughly commensurate with estimated benefits).

transmission owner located in its balancing area, in proportion to each EDAM transmission service provider's share of EDAM projected recoverable revenue shortfalls.<sup>86</sup> For example if EDAM transmission owner A expected to recover \$6 million from the EDAM access charge, and EDAM transmission owner B expected to recover \$4 million, and the CAISO collected \$12 million through the access charge, transmission owner A would receive \$7.2 million and transmission owner B would receive \$4.8 million. The same calculation would apply if the CAISO recovered less than expected through the access charge. In either situation, the CAISO tariff requires that any under-or over-recovery be rolled into the next year's forecasted recoverable revenue from the access charge.<sup>87</sup>

This true-up will help right-size the EDAM access charge year to year based on expected collections and actual collections. Critically, the annual true-up also corrects any inaccurate projections based on actual collections each year. The true-up thus protects ratepayers throughout the EDAM area from over-or under-collection, ensuring just and reasonable rates year to year. The true-up also mitigates any incentive for an EDAM transmission owner to over-project its potential shortfalls because it will know that eventually it will be able to collect the correct amount, and therefore does not need to add any cushion for an inaccurate projection. Likewise, if an EDAM transmission owner does over-project its necessary recovery based on historical data, the true-up provision will correct the projection in the next year.

## **E. Rate Structure Transparency**

To ensure full transparency in the application of the EDAM access charges, the CAISO proposes to require EDAM entities, on behalf of their EDAM transmission service providers, to provide the CAISO with all documentation necessary to determine each component of the EDAM access charge by July 1 of the calendar year preceding each year the EDAM access charge will apply.<sup>88</sup> The CAISO will then publish on the CAISO website all documentation provided, allowing market participants to review the documentation for sufficiency and accuracy. At a minimum, EDAM entities' documentation will include: (a) the final order from the Commission or the local regulatory authority effecting the approved transmission rates, including any informational filings or postings under formula rates; (b) the sums for each recoverable revenue component and true-up; and (c) an authorized affidavit from each EDAM transmission owner attesting to the accuracy of the data provided, and that the EDAM transmission service provider will make reasonable efforts to ensure any recovery through the EDAM

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<sup>86</sup> New tariff section 33.26.3.

<sup>87</sup> New tariff section 33.26.1.2.

<sup>88</sup> New tariff section 33.26.4.

access charge will not result in any double recovery of costs. All data must be sufficiently granular to enable verification of the EDAM access charge rates by the CAISO and market participants.<sup>89</sup>

The CAISO may include other requirements in the EDAM business practice manual to aid consistent approaches within the tariff requirements, and to ensure third parties have sufficient documentation to review and verify the inputs to the EDAM access charges. For example, the proposed additions to the business practice manual are expected to include: (1) publication of the inputs to the EDAM access charges with supporting documentation for stakeholder review; (2) an opportunity for stakeholders to present information requests to the CAISO and/or EDAM transmission owners providing the inputs; and (3) an appropriate timeline that supports an opportunity to contest these inputs after the period for information requests has passed through the CAISO alternative dispute resolution process.<sup>90</sup> In any event, the CAISO will provide an opportunity for market participants to provide feedback on any proposed additions through the regular business practice manual change management process.<sup>91</sup>

The individual EDAM access charges administered by the CAISO based on the three components of the transmission service providers within each balancing area would not be separately filed for acceptance by the Commission. As explained above, the inputs for each of the three components would be derived from the revenues and costs included in each transmission service providers' order by the Commission or the local regulatory authority effecting the approved transmission rates. In other words, these inputs will be based on rates that have already received the requisite regulatory review. This will be verified by the requirement to provide the CAISO with orders affecting the approved transmission rates, which information the CAISO will share with stakeholders. The attestation requirement will ensure the input data provided to the CAISO is accurate, particularly in light of the potential consequences for knowingly providing false information to an independent system operator. The CAISO would establish the EDAM access charge from these inputs as explained in this filing and administer the EDAM access charge across all participating balancing areas according to its tariff.

Settlement of the EDAM access charge by the CAISO would result in additional revenues and costs that would necessarily circle back through the associated transmission service provider's future transmission rate cases, whether filed with the Commission or approved by a local regulatory authority.

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<sup>89</sup> *Id.* The provisions in the section regarding publication of documentation on the CAISO website and the granularity of the data provided are clarifying enhancements to the version of new tariff section 33.26.4 proposed in the August 22 Filing.

<sup>90</sup> See existing tariff section 13 *et seq.*

<sup>91</sup> See existing tariff section 22.11 *et seq.*

This iterative process of (1) transmission rate case, to (2) EDAM access charge, back to (3) transmission rate case, will ensure the requisite checks and balances for the EDAM access charge administered by the CAISO.

In contrast, requiring the individual EDAM access charge determinations to be filed with the Commission would create an additional and unnecessary procedural step in the iterative process, which already includes a check on the inputs and outputs either by the Commission or a local regulatory authority. It could effectively require re-litigation of the accepted rates that are the basis for EDAM access charge inputs as attested by the EDAM transmission service provider. Acceptance of individual EDAM access charge rates as a condition for their administration by the CAISO also may create a perception of infringement by the Commission and the jurisdiction of associated local regulatory authority to administer the transmission rates for its non-jurisdictional utilities that represents the inputs and outputs of the EDAM access charge. It is sufficient for the Commission to accept the proposed tariff revisions as just and reasonable without requiring acceptance of the individual EDAM access charges. The CAISO's documentation requirements also provide stakeholders, market participants, and regulatory authorities with ample opportunity to review or question each component of the access charge for each transmission owner well before they go into the charge.

For each EDAM transmission owner, the CAISO will maintain on its website the current sum of each recoverable revenue component, the total true-up amount, and the total eligible recovery amount.<sup>92</sup> The CAISO also will maintain on its website each EDAM access charge, including the rate, the gross load, and the total eligible recovery amount in that balancing area, similar to how the CAISO maintains data for its participating transmission owners' transmission access charges.<sup>93</sup> Further, the CAISO will (a) engage with prospective EDAM transmission service providers prior to implementation, (b) facilitate annual reviews after submission of the required information and prior to the upcoming year, and (c) develop a comprehensive report on performance of the EDAM access charge based on the first three years of operation. To this end, the CAISO proposes to memorialize in the tariff that it will conduct a holistic review of the EDAM access charge after three years of use.<sup>94</sup> The CAISO will engage with EDAM transmission owners, CAISO transmission owners, and stakeholders to review the effectiveness of the EDAM access charge. The CAISO will publish on the CAISO website a performance report on the EDAM access charge. The performance report will include without limitation: an explanation of the impacts of the EDAM access charge on EDAM transmission service providers' revenue

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<sup>92</sup> In addition to the supporting documentation described above.

<sup>93</sup> New tariff section 33.26.4.

<sup>94</sup> New tariff section 33.26.6.



recovery and rates; the performance of the EDAM access charge in managing cost shifts among customers; and analysis by the CAISO of any other impacts or externalities.<sup>95</sup>

This transparency will help ensure load-serving entities, regulators, and ratepayers can review and verify the accuracy of the inputs and assumptions within the EDAM access charges. Moreover, as discussed above,<sup>96</sup> the true-up provisions proposed in this filing remove any incentive for an EDAM transmission owner to over-project its potential shortfalls.

## F. Exit Provisions

The CAISO proposes to specify in its tariff how an EDAM entity would collect and be assessed EDAM access charges if the EDAM entity elects to terminate its participation in EDAM.<sup>97</sup> The termination period to exit EDAM is a minimum of six months after an EDAM entity notifies the CAISO of its intention to exit.<sup>98</sup> Because the EDAM access charge is calculated to be collected over a calendar year, an EDAM entity's departure before the end of the year could disrupt the collection and assessment for its transmission owners and the transmission owners remaining in EDAM. The new tariff provisions provide additional clarifying information by describing the processes necessary to avoid any issue if an EDAM entity departs EDAM.<sup>99</sup>

Specifically, the CAISO proposes to clarify that if an EDAM entity withdraws from EDAM, it will continue to collect and be assessed EDAM access charges during the six-month interim notice period before withdrawing from EDAM. The EDAM entity will not collect, be assessed, or true-up any costs or revenues through the EDAM access charge after it has exited EDAM, except for true-up costs or revenues to correct from the previous year's projections.<sup>100</sup>

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<sup>95</sup> *Id.*

<sup>96</sup> See *supra* Section II.D of this transmittal letter.

<sup>97</sup> New tariff sections 33.26.5 and 33.26.5.1.

<sup>98</sup> See *pro forma* EDAM Addendum to EIM Entity Agreement, existing tariff appendix B.27, at section 3 (stating that the EDAM Addendum to EIM Entity Agreement "shall remain in full force and effect until terminated pursuant to the same process as is set forth in Section 3.2 of the [EIM Entity] Agreement"); *pro forma* EIM Entity Agreement, existing tariff appendix B.17, at section 3.2.2 (stating that an EIM entity can terminate its EIM Entity Agreement "on giving the CAISO not less than one-hundred and eighty (180) days written notice").

<sup>99</sup> The August 22 Filing did not include tariff revisions corresponding to new tariff sections 33.26.5 and 33.26.5.1.

<sup>100</sup> New tariff section 33.26.5.

If an EDAM entity owed or was owed any true-up amount from the previous calendar year before it provided its notice to terminate participating in EDAM, and the EDAM entity withdraws before the end of the calendar year such that some true-up amount remains outstanding, either: (a) the EDAM entity will pay the CAISO the remaining true-up balance it owed upon the end of the interim period, and the CAISO will distribute that balance through the EDAM access charges over the rest of the calendar year; or (b) the CAISO will continue to collect the remaining true-up amount owed the EDAM entity through the EDAM access charges throughout the rest of the calendar year, and will pay that true-up amount to the EDAM entity thereafter.<sup>101</sup>

These clarifying additions provide a defined cut-off for collection and assessment to any EDAM entity exiting EDAM. Moreover, continuing to collect and assess the true-up amounts from the previous calendar year will ensure any amounts resulting from prior inaccurate projections are corrected and thus that remaining EDAM transmission owners and the departing EDAM entity are kept financially whole.<sup>102</sup>

### **III. Effective Date and Request for Waiver**

The CAISO requests that the Commission accept the EDAM access charge provisions for implementation activities effective 61 days after the date of this filing, *i.e.*, June 12, 2024.<sup>103</sup> The CAISO requests that the Commission accept the remainder of the EDAM access charge provisions<sup>104</sup> effective with May 1, 2026, the CAISO's intended go-live date for EDAM. The CAISO respectfully requests waiver of the Commission's 120-day notice requirement to permit the requested May 1, 2026 effective date.<sup>105</sup> Good cause exists to grant the requested waiver. EDAM participants will need to follow extensive approval processes in each of the jurisdictions where they operate and must understand

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<sup>101</sup> New tariff section 33.26.5.1.

<sup>102</sup> However, true-up of the calendar year in which the departure occurred is not possible because the departing EDAM entity would no longer be in EDAM at the time such a true-up would occur, and thus the CAISO would lack the necessary data to settle the resulting EDAM access charges. Trueing-up the departure year also would result in assessing EDAM access charges to an EDAM entity long after it has left EDAM.

<sup>103</sup> New tariff section 33.2.5(K) and tariff appendix A, new definition of EDAM Access Charge.

<sup>104</sup> New tariff section 33.26 and all subsections thereto, new tariff section 33.11.7, and new tariff appendix A definition of EDAM Recoverable Revenue.

<sup>105</sup> Specifically, pursuant to section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, the CAISO respectfully requests waiver of the notice requirement in section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1), to allow the tariff revisions described above to go into effect more than 120 days after submittal of this filing.

the EDAM structure to project the impacts to their rates to obtain such approvals. Additionally, prospective EDAM participants and transmission owners will need to revise their own tariffs and rate schedules extensively to adopt the new processes, costs, and revenues proposed here. For these reasons, the Commission should issue an order on all proposed tariff revisions 61 days after this filing and grant the requested waiver.<sup>106</sup>

Consistent with the December 20 Order, and recognizing the actual implementation date of some rule changes can depend on variables that cannot be fully predicted in advance and additional time may be needed to implement some market rule changes, the CAISO further requests authorization to inform the Commission of the actual effective date of the proposed May 1, 2026 tariff changes through a subsequent filing within five business days following their implementation.<sup>107</sup>

#### **IV. Severability**

The August 22 Filing proposed the EDAM access charge as severable from other elements of the market design.<sup>108</sup> There were some comments in that proceeding on severability emphasizing the importance of the EDAM access charge to the commenters' consideration of whether to participate in EDAM, combined with some opposition to the premise that it should be severable from other elements of the market design.<sup>109</sup> This filing recognizes the significance of the EDAM access charge to the overall market design and, more specifically, its importance to prospective participants' decision making processes. Potential EDAM entities must consider the interests of their transmission customers, state regulators, and stakeholders. For these reasons, the CAISO iterated frequently with Western transmission owners and stakeholders after the December 20 Order was issued.

EDAM is a novel market design that raises new cost allocation issues. For this reason, the EDAM access charge likewise has a novel design. The Commission's "oft-cited principle" is that cost allocation "is not a matter for

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<sup>106</sup> The only distinction between the request here and the request made in the August 22 Filing and granted by the December 20 Order is the timeframe within which the order has been requested.

<sup>107</sup> The CAISO has included an effective date of 12/31/9998 as part of the tariff records submitted in this filing. The CAISO will notify the Commission of the actual effective date of these tariff records within five business days of implementation in an eTariff submittal using Type of Filing code 150 – Report. This will also allow the CAISO to ensure a consistent effective date across EDAM tariff revisions requested in different dockets.

<sup>108</sup> Transmittal letter for August 22 Filing at 26.

<sup>109</sup> December 20 Order at PP 455-56, 465 (noting Idaho Power and NV Energy comments).

the slide-rule,” nor “an exact science,” but rather “involves judgment on a myriad of facts” to determine that “rates reflect to some degree the costs actually caused by the customer who must pay them.”<sup>110</sup> And the Commission has accepted novel cost allocation mechanisms before, including the CAISO’s recent Subscriber Participating Transmission Owner model.<sup>111</sup>

Recognizing the novel nature of the EDAM access charge, the CAISO proposes in this filing that each of the three EDAM access charge components be severable from each other.<sup>112</sup> The severable nature of the EDAM access charge components should not be understood to suggest the components taken separately or collectively are unjust or unreasonable. Each element individually and all three components taken together were carefully developed with the input of stakeholders to appropriately align costs with benefits and are just and reasonable as explained in this filing. Severability is proposed to provide the Commission additional space to fully consider each component of the EDAM access charge individually and collectively. Further, severability supports certainty regarding the EDAM access charge components accepted by the Commission, enables the CAISO to continue work on implementation of the EDAM access charge, and enables interested participants to initiate their OATT changes associated with the EDAM access charge. Accordingly, the CAISO respectfully requests the Commission accept all of the EDAM access charge tariff changes as just and reasonable.

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<sup>110</sup> *Indicated SPP Transmission Owners v. Sw. Power Pool, Inc.*, 165 FERC ¶ 61,005, at P 33 (2018) (citing *Midwest ISO Transmission Owners v. FERC*, 373 F.3d at 1369; *Ill. Commerce Comm’n v. FERC*, 576 F.3d at 477; *Sithe/Indep. Power Partners, L.P. v. FERC*, 285 F.3d 1, 5 (D.C. Cir. 2002); *K N Energy, Inc. v. FERC*, 968 F.2d at 1300; *Midwest Indep. Transmission Sys. Operator, Inc.*, 118 FERC ¶ 61,213, at P 84 n.24 (2007); *Colo. Interstate Gas Co. v. FPC*, 324 U.S. at 589.

<sup>111</sup> *Cal. Indep. Sys. Operator Corp.*, 186 FERC ¶ 61,177 (2024); see also *id.* at P 2 of concurrence issued by Commissioner Clements (“I encourage the Commission and stakeholders to explore whether and how hybrid cost allocation approaches may prove to be a useful tool to develop needed transmission”).

<sup>112</sup> See *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108 (D.C. Cir. 2017). The CAISO conducted outreach to interested entities and believes that its proposal regarding severability of each EDAM access charge component is either supported or not opposed by those contacted.

## V. Communications

Under Rule 203(b)(3),<sup>113</sup> the CAISO respectfully requests that all correspondence and other communications about this filing be served upon:

John C. Anders  
William H. Weaver  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
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## VI. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, the service list for the underlying proceeding (ER23-2686), and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

## VII. Contents of this Filing

Besides this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets to implement this tariff amendment
Attachment B	Redlined CAISO tariff sheets to implement this tariff amendment
Attachment C	EDAM Access Charge Example

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<sup>113</sup> 18 C.F.R. § 385.203(b)(3).

The Honorable Debbie-Anne A. Reese

April 12, 2024

Page 30

### **VIII. Conclusion**

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept this tariff amendment effective as of the dates specified herein.

Respectfully submitted,

**/s/ William H. Weaver**

Roger E. Collanton

General Counsel

John C. Anders

Deputy General Counsel

William H. Weaver

Assistant General Counsel

California Independent System

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250 Outcropping Way

Folsom, CA 95630

Counsel for the California Independent

System Operator Corporation

**Attachment A – Clean Tariff Language**

**EDAM Access Charge**

**California Independent System Operator Corporation**

**April 12, 2024**

### 33.2.5 Implementation Activities.

The CAISO and the prospective EDAM Entity will complete the following implementation activities:

- (A) **Execution of Necessary Agreements.** The prospective EDAM Entity has complied with Section 33.2.1, executed any necessary agreements for operating as an EDAM Entity, and helped the CAISO secure necessary agreements with third party prospective EDAM Market Participants.
- (B) **Operations Training.** Prior to the start of parallel operations as set forth in Section 33.2.3, all operations staff (including contractors or vendors) identified by the prospective EDAM Entity who will have responsibility for EDAM operations, market transactions and settlements, will have completed identified CAISO training modules.
- (C) **Forecasting Capability.** The CAISO and, to the extent the prospective EDAM Entity will use its own forecasts or is otherwise required to provide forecasting information to the CAISO, the prospective EDAM Entity has demonstrated its respective forecasting capability through –
  - (i) the definition of day-ahead demand forecast boundaries based on the conforming and non-conforming load characteristics, as applicable;
  - (ii) the documentation of EDAM Entity's choice of day-ahead demand forecast provider and how the demand forecast will be completed;
  - (iii) the accuracy of the CAISO forecast of demand based on historical actual load data for the defined demand forecast boundaries;
  - (iv) the identification of weather stations locations used in forecasting, as applicable;
  - (v) the identification of the source of day-ahead Variable Energy Resource forecasts;
  - (vi) the accuracy of the day-ahead forecast of Variable Energy Resources;
  - (vii) the identification of all Hybrid Resources; and



- (viii) the provision of CAISO historical data on day-ahead demand and renewable forecast information to fill the needed historical data period to produce the Imbalance Reserve requirements at the net load level.
- (D) **Resource Sufficiency Evaluation.** The prospective EDAM Entity Scheduling Coordinator demonstrates its ability to pass the Resource Sufficiency Evaluation for the prospective EDAM Entity's Balancing Authority Area.
- (E) **Transmission Availability.** The prospective EDAM Entity confirms initial registration of the transmission rights of the EDAM Transmission Service Providers in its Balancing Authority Area available for EDAM Transfers or that otherwise may be scheduled in the Day-Ahead Market.
- (F) **Operating Procedures.** Prior to the start of parallel operations pursuant to Section 33.2.3, the CAISO and the prospective EDAM Entity have defined, completed, and tested operating procedures for the prospective EDAM Entity and its Scheduling Coordinator's participation in the Energy Imbalance Market.
- (G) **System Readiness and Integration.**
  - (i) **System and Functional Testing.** The prospective EDAM Entity and the CAISO have tested the functional and system elements in accordance with functional and system testing documentation posted on the CAISO Website.
  - (ii) **Prospective EDAM Entity Identification.** The CAISO has established and the prospective EDAM Entity has tested all necessary SCIDs and Resource IDs established for the prospective EDAM Entity's Balancing Authority Area.
  - (iii) **Certificates and Access.** The prospective EDAM Entity has issued all necessary certificates to its employees, contractors and vendors that require system access to perform EDAM-related job functions.
- (H) **Market Simulation and Structured Scenarios simulation.** The prospective EDAM Entity operations staff identified by the prospective EDAM Entity who will

have responsibility for EDAM operations, transactions and settlements, have executed and passed all structured scenarios provided by CAISO with all significant issues resolved.

- (I) **Settlements.** The CAISO and the prospective EDAM Entity have demonstrated that –
  - (i) CAISO settlement statements and invoices match the operational data published to stakeholders or fed into settlement system and the resulting calculations correspond to the formulas defined in CAISO's tariff and Business Practice Manuals.
  - (ii) CAISO settlement statements and invoices allocates charges and credits to its customers accurately reflecting system and market data during parallel operations.
- (J) **Parallel Operations Plan.** The period of parallel operations specified in Section 33.2.3 runs consistently and in accordance with the prospective EDAM Entity specific parallel operations plan.
- (K) **Historical Revenue Recovery.** As specified in the Business Practice Manual for the Extended Day-Ahead Market, but no later than three (3) months before the EDAM Access Charge would begin to be assessed, the EDAM Entity, and the CAISO for the CAISO Balancing Authority Area for the initial EDAM implementation, will exchange the information and documentation necessary to account for the EDAM Recoverable Revenue pursuant to Section 33.26 associated with the EDAM Transmission Service Providers in its Balancing Authority Area,

\* \* \* \* \*

### **33.11.7 Historical Revenue Recovery.**

The CAISO will allocate to each EDAM Entity an EDAM Access Charge for recovery of EDAM Recoverable Revenue according to Section 33.26. The CAISO will charge Market Participants for transmission service on the CAISO Controlled Grid according to Section 26.

\* \* \* \* \*

### **33.26 Historical Revenue Recovery And Charges**

Access Charges for Day-Ahead Market transactions serving Load within the CAISO Balancing Authority Area that use the CAISO Controlled Grid are governed by Section 26. Transmission service charges for Day-Ahead Market transactions serving Load within an EDAM Entity Balancing Authority Area are governed by the applicable EDAM Transmission Service Provider tariff. Transmission service charges for Day-Ahead Market transactions supported by EDAM Transfers are addressed in this Section 33.26. The CAISO will adopt provisions in Section 26 to implement the EDAM Access Charge that are consistent with the provisions in this Section 33.26. Transmission service charges for Real-Time Market transactions are governed by Section 11, Section 26, or Section 29.26, as applicable.

#### **33.26.1 EDAM Access Charges**

The CAISO will determine an EDAM Access Charge for each Balancing Authority Area in the EDAM Area based on the aggregate inputs of each EDAM Transmission Service Provider in that Balancing Authority Area. The CAISO will assess the EDAM Access Charges, allocate revenues collected, and true-up actual revenue recovery through calculation of the next year's EDAM Access Charges. EDAM Entities will provide forecasts for their EDAM Transmission Service Providers of the aggregate EDAM Recoverable Revenue from the three components described below, to be true-up based on EDAM Recoverable Revenue each year.

##### **33.26.1.1 EDAM Recoverable Revenue Allocated to Gross Load**

To assess the EDAM Access Charge consistent with Section 33.26.3, the CAISO will derive a rate in \$/MWh specific to each EDAM Entity Balancing Authority Area. The CAISO will calculate the rate by:

- (1) allocating each EDAM Transmission Service Provider's EDAM Recoverable Revenue to the EDAM Balancing Authority Areas associated with the other EDAM Transmission Service Providers, on behalf of such other EDAM Transmission Service Providers, in proportion to
  - (a) the EDAM Transmission Service Provider's Gross Load divided by
  - (b) the total EDAM Area Gross Load minus Gross Load of the EDAM Transmission Service Provider;
- (2) calculating the total EDAM Recoverable Revenue allocation; and
- (3) dividing the total EDAM Recoverable Revenue by the EDAM Transmission Service Provider's Gross Load.

#### **33.26.1.2      Truing Up to Actual EDAM Recoverable Revenue**

At the conclusion of each calendar year, each EDAM Transmission Service Provider with EDAM Recoverable Revenue will provide the CAISO calculations of actual forgone and collected revenue for each EDAM Access Charge component, and the supporting documentation required by Section 33.26.4. The EDAM Transmission Service Provider's EDAM Recoverable Revenue true-up amount for the following year will be the difference between (a) the actual sales of qualifying products in components 1 and 2, and (b) the EDAM Transmission Service Provider's projected sales for that year, as documented by the EDAM Transmission Service Provider consistent with Section 33.26.4. The CAISO will include the true-up amount, positive or negative, as an adjustment to the following year's EDAM Access Charge. The CAISO also will include a true-up amount, positive or negative, to balance the difference between the CAISO's projected EDAM Access Charge collections and actual collections for each EDAM Transmission Service Provider.

#### **33.26.2 Calculation of EDAM Recoverable Revenue**

EDAM Recoverable Revenue will consist of the sum of the following three components.

##### **33.26.2.1      Component 1: Short-Term Firm and Non-Firm Point-to-Point Transmission and Wheeling Access Charge Revenues**

Eligible component 1 costs are revenue shortfalls associated with the costs of forgoing certain historical transmission sales to third parties, excluding costs related to sales to the

EDAM Entity marketing function associated with EDAM Transmission Service Providers. Only forgone revenues associated with the following transmission products are eligible for historical revenue recovery: hourly non-firm point-to-point, daily non-firm point-to-point, weekly non-firm point-to-point, monthly non-firm point-to-point, hourly firm point-to-point, daily firm point-to-point, weekly firm point-to-point, and monthly firm point-to-point transmission service.

#### **33.26.2.1.1      Calculating Component 1**

Each EDAM Transmission Service Provider will calculate the annual average of its revenues from the qualifying products described in Section 33.26.2.1 for the three years leading up to its EDAM participation. That three-year average will be fixed for purposes of calculating the EDAM Access Charge for the EDAM Entity's EDAM participation. For component 1 of EDAM Recoverable Revenue, the EDAM Transmission Service Provider will include only that portion of revenues from the three-year average the EDAM Transmission Service Provider reasonably expects to forgo as a result of participating in the EDAM. In the annual true-up, the EDAM Transmission Service Provider will use its actual shortfall in lieu of the forecasted shortfall. The actual shortfall will be the difference between the EDAM Transmission Service Provider's actual sales of qualifying products for the applicable calendar year compared to the fixed three-year pre-EDAM average.

#### **33.26.2.1.2      EDAM Recoverable Revenue Limits**

Component 1 EDAM Recoverable Revenue for each EDAM Entity will not exceed the product of (a) its projected Component 1 EDAM Recoverable Revenue and (b) the percentage resulting from dividing exports from its EDAM Balancing Authority Area to the EDAM Area by total exports from the EDAM Balancing Authority Area.

#### **33.26.2.2      Component 2: New Transmission Capacity**

Eligible component 2 costs include (a) costs resulting from reduced revenues from sales

of non-firm and short-term firm transmission associated with the release of transmission capacity resulting from the expiration of EDAM Legacy Contracts, and (b) the cost associated with forgone transmission sales on certain new network upgrades.

**33.26.2.2.1 Component 2 Revenue Associated With New Transmission Capacity From Expired Legacy Contracts**

An EDAM Transmission Service Provider may include in its component 2 EDAM Recoverable Revenue those revenue shortfalls from sales of non-firm and short-term firm transmission associated with the release of transmission capacity resulting from the expiration of EDAM Legacy Contracts that were not included as EDAM Recoverable Revenue in component 1. The EDAM Transmission Service Provider may not recover as EDAM Recoverable Revenue more than the product of the most recent annual revenue of the expired EDAM Legacy Contract multiplied by the ratio of (a) the non-firm and short-term firm point-to-point historical EDAM recoverable transmission revenues from the pre-EDAM three-year average in component 1 to (b) the EDAM Entity's annual average revenue requirement over the same three years.

**33.26.2.2.2 Component 2 Revenue Associated With New Network Upgrades**

An EDAM Transmission Service Provider may include in its component 2 EDAM Recoverable Revenue forgone revenue from eligible new network upgrades. Eligible new network upgrades are those that: (a) are in service; (b) are already included in the EDAM Transmission Service Provider's transmission rates or have otherwise been approved for rate recovery by the Local Regulatory Authority or FERC, as applicable; (c) increase transfer capability between EDAM Entity Balancing Authority Areas or between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area; and (d) are energized after the applicable EDAM Transmission Service Provider begins participation in the Day-Ahead Market. For each new qualifying network upgrade, the EDAM Transmission Service Provider will calculate an estimate of forgone revenue

applicable to that network upgrade. Because new network upgrades will not have a three-year historical baseline, the EDAM Transmission Service Provider will calculate a proxy baseline. To do so, the EDAM Transmission Service Provider will calculate the ratio of (a) the non-firm and short-term firm point-to-point historical transmission revenues from the pre-EDAM three-year average in component 1 to (b) the EDAM Entity's annual average revenue requirement over the same three years. The EDAM Transmission Service Provider's proxy baseline for the new network upgrade will be the product of this ratio and the transmission revenue requirement for the new network upgrade. The EDAM Transmission Service Provider will then include as its component 2 EDAM Recoverable Revenue those revenues it expects to forgo from the new network upgrade as a result of participating in the EDAM, not to exceed the proxy baseline. After the first year the new network upgrade is included in the EDAM Access Charge, the EDAM Transmission Service Provider will true-up actual forgone revenues to projected forgone revenues in the following year's component 2 EDAM Recoverable Revenue based on the proxy baseline. The CAISO will include examples of network upgrades that increase transfer capability for purposes of this Section and examples that do not do so in the Business Practice Manual for the Extended Day-Ahead Market. For purposes of this section, network upgrades will be deemed to increase transfer capability where they:

- (a) increase total transfer capability;
- (b) create new interfaces;
- (c) increase the simultaneous import limits at existing interfaces;
- (d) result from an Interregional Transmission Project to increase transfer capability; or
- (e) were identified through the WECC path rating process as increasing total transfer capability or creating new transmission interfaces;

between EDAM Entity Balancing Authority Areas or between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area.

**33.26.2.3 Component 3: Recovery of Transmission Costs Associated With EDAM Wheeling Through Volumes Net of Imports/Exports**

Eligible component 3 costs are projected revenue shortfalls associated with wheeling-through an EDAM Entity Balancing Authority Area or the CAISO Balancing Authority Area. An EDAM Transmission Service Provider's EDAM Recoverable Revenue will include those revenues associated with its total volume of wheeling-through transactions in excess of the total net transfers (imports and exports) of the applicable EDAM Entity Balancing Authority Area or CAISO Balancing Authority Area, as measured on a monthly basis. In periods where this excess occurs, the CAISO will calculate the EDAM Recoverable Revenue by multiplying that volume of wheeling-through transactions in excess of the total net transfers by the applicable EDAM Transmission Service Provider's non-firm hourly point-to-point transmission rate. For Participating TOs, the CAISO will use the applicable Wheeling Access Charge rate.

**33.26.3 Assessing Access Charges and Allocating Revenues in the EDAM**

To recover each EDAM Transmission Service Provider's EDAM Recoverable Revenue, the CAISO will assess an EDAM Access Charge to Gross Load in each EDAM Balancing Authority Area. Each EDAM Access Charge will recover the projected EDAM Recoverable Revenue for the EDAM Balancing Authority Areas outside the Balancing Authority Area for that EDAM Access Charge, such that no EDAM Balancing Authority Area will be assessed its own projected EDAM Recoverable Revenue. The CAISO will assess EDAM Access Charges based on the EDAM Balancing Authority Areas' Gross Loads.

The CAISO will allocate revenues collected from the EDAM Access Charges to EDAM Entities on behalf of each EDAM Transmission Service Provider, in proportion to each EDAM Entity's proportionate share of total projected EDAM Recoverable Revenue. Any difference between projected EDAM Recoverable Revenue and actual EDAM Recoverable Revenue will be included as debits or credits in the annual true-up, as provided in Section 33.26.1.2.

**33.26.4 Documentation**



EDAM Transmission Service Providers will provide the CAISO all supporting documentation necessary to determine the local EDAM Access Charges in each Balancing Authority Area by July 1 of the year prior to each year in which the EDAM Access Charge will apply. The CAISO will publish all supporting documentation on the CAISO Website. At a minimum EDAM Entities must provide: (a) the final order from FERC or the Local Regulatory Authority effecting their approved transmission rates and any informational filings or postings under relevant formula rates; (b) the sums for each EDAM Recoverable Revenue component and true-up; and (c) an authorized affidavit from each EDAM Transmission Service Provider attesting to the accuracy of the data provided and that the EDAM Transmission Service Provider will make reasonable efforts to avoid any double recovery of costs through the EDAM Access Charge. All data provided must be sufficiently granular to enable verification of the EDAM Access Charge rates by the CAISO and Market Participants. For each EDAM Transmission Service Provider, the CAISO will maintain on its Website the current sum of each recoverable revenue component, the total true-up amount, and the total eligible recovery amount. The CAISO will maintain on its Website each EDAM Access Charge, including the rate, the Gross Load, and the total eligible recovery amount in that Balancing Authority Area.

### **33.26.5 Exit from EDAM**

If an EDAM Entity withdraws from the EDAM pursuant to Section 3 of its EDAM Addendum to EIM Entity Agreement, it will continue to collect and be assessed EDAM Access Charges only during the six (6) month interim notice period before withdrawing from the EDAM. A withdrawn EDAM Entity will not collect, be assessed, or true-up any costs or revenues through the EDAM Access Charge after this interim notice period, except for the previous calendar year's true-up under Section 33.26.5.1.

#### **33.26.5.1 Treatment of True-up Amounts**

If an EDAM Entity owed or was owed any true-up amount from the previous calendar year pursuant to Section 33.26.1.2 before it gave its written notice of termination to the CAISO in accordance with Section 3 of its EDAM Addendum to EIM Entity Agreement, and it withdraws from the EDAM before the end of the calendar year such that any true-

up amount remains outstanding, either:

- (a) the EDAM Entity will pay the CAISO the remaining true-up balance it owed upon the end of the interim period described in Section 33.26.5, and the CAISO will distribute that balance through the EDAM Access Charges over the rest of the calendar year; or
- (b) the CAISO will continue to collect the remaining true-up amount owed the EDAM Entity through the EDAM Access Charges throughout the rest of the calendar year, and will pay that true-up amount to the EDAM Entity thereafter.

This Section 33.26.5.1 excludes all charges or payments outside of the previous calendar year true-up under Section 33.26.1.2.

**33.26.6 Three-Year Review**

No later than three (3) years after the original effective date of this Section 33.26, the CAISO will publish on the CAISO Website a performance report on the EDAM Access Charge. The performance report will include without limitation: an explanation of the impacts of the EDAM Access Charge on EDAM Transmission Service Providers' revenue recovery and rates; the performance of the EDAM Access Charge in managing cost shifts among customers; and analysis by the CAISO of any other impacts or externalities.

\* \* \* \* \*

**- EDAM Access Charge**

The Access Charge that balances historical transmission revenue cost allocation through the Extended Day-Ahead Market pursuant to Section 33.26.

**- EDAM Recoverable Revenue**

Eligible revenues recovered by EDAM Entities through the EDAM Access Charge pursuant to Section 33.26.

**Attachment B – Marked Tariff Language**

**EDAM Access Charge**

**California Independent System Operator Corporation**

**April 12, 2024**

### 33.2.5 Implementation Activities.

The CAISO and the prospective EDAM Entity will complete the following implementation activities:

- (A) **Execution of Necessary Agreements.** The prospective EDAM Entity has complied with Section 33.2.1, executed any necessary agreements for operating as an EDAM Entity, and helped the CAISO secure necessary agreements with third party prospective EDAM Market Participants.
- (B) **Operations Training.** Prior to the start of parallel operations as set forth in Section 33.2.3, all operations staff (including contractors or vendors) identified by the prospective EDAM Entity who will have responsibility for EDAM operations, market transactions and settlements, will have completed identified CAISO training modules.
- (C) **Forecasting Capability.** The CAISO and, to the extent the prospective EDAM Entity will use its own forecasts or is otherwise required to provide forecasting information to the CAISO, the prospective EDAM Entity has demonstrated its respective forecasting capability through –
  - (i) the definition of day-ahead demand forecast boundaries based on the conforming and non-conforming load characteristics, as applicable;
  - (ii) the documentation of EDAM Entity's choice of day-ahead demand forecast provider and how the demand forecast will be completed;
  - (iii) the accuracy of the CAISO forecast of demand based on historical actual load data for the defined demand forecast boundaries;
  - (iv) the identification of weather stations locations used in forecasting, as applicable;
  - (v) the identification of the source of day-ahead Variable Energy Resource forecasts;
  - (vi) the accuracy of the day-ahead forecast of Variable Energy Resources;
  - (vii) the identification of all Hybrid Resources; and

- (viii) the provision of CAISO historical data on day-ahead demand and renewable forecast information to fill the needed historical data period to produce the Imbalance Reserve requirements at the net load level.
- (D) **Resource Sufficiency Evaluation.** The prospective EDAM Entity Scheduling Coordinator demonstrates its ability to pass the Resource Sufficiency Evaluation for the prospective EDAM Entity's Balancing Authority Area.
- (E) **Transmission Availability.** The prospective EDAM Entity confirms initial registration of the transmission rights of the EDAM Transmission Service Providers in its Balancing Authority Area available for EDAM Transfers or that otherwise may be scheduled in the Day-Ahead Market.
- (F) **Operating Procedures.** Prior to the start of parallel operations pursuant to Section 33.2.3, the CAISO and the prospective EDAM Entity have defined, completed, and tested operating procedures for the prospective EDAM Entity and its Scheduling Coordinator's participation in the Energy Imbalance Market.
- (G) **System Readiness and Integration.**
  - (i) **System and Functional Testing.** The prospective EDAM Entity and the CAISO have tested the functional and system elements in accordance with functional and system testing documentation posted on the CAISO Website.
  - (ii) **Prospective EDAM Entity Identification.** The CAISO has established and the prospective EDAM Entity has tested all necessary SCIDs and Resource IDs established for the prospective EDAM Entity's Balancing Authority Area.
  - (iii) **Certificates and Access.** The prospective EDAM Entity has issued all necessary certificates to its employees, contractors and vendors that require system access to perform EDAM-related job functions.
- (H) **Market Simulation and Structured Scenarios simulation.** The prospective EDAM Entity operations staff identified by the prospective EDAM Entity who will

have responsibility for EDAM operations, transactions and settlements, have executed and passed all structured scenarios provided by CAISO with all significant issues resolved.

(I) **Settlements.** The CAISO and the prospective EDAM Entity have demonstrated that –

- (i) CAISO settlement statements and invoices match the operational data published to stakeholders or fed into settlement system and the resulting calculations correspond to the formulas defined in CAISO's tariff and Business Practice Manuals.
- (ii) CAISO settlement statements and invoices allocates charges and credits to its customers accurately reflecting system and market data during parallel operations.

(J) **Parallel Operations Plan.** The period of parallel operations specified in Section 33.2.3 runs consistently and in accordance with the prospective EDAM Entity specific parallel operations plan.

(K) **Historical Revenue Recovery.** As specified in the Business Practice Manual for the Extended Day-Ahead Market, but no later than three (3) months before the EDAM Access Charge would begin to be assessed, the EDAM Entity, and the CAISO for the CAISO Balancing Authority Area for the initial EDAM implementation, will exchange the information and documentation necessary to account for the EDAM Recoverable Revenue pursuant to Section 33.26 associated with the EDAM Transmission Service Providers in its Balancing Authority Area.

\* \* \* \* \*

### **33.11.7 ~~[Not Used]~~ Historical Revenue Recovery.**

The CAISO will allocate to each EDAM Entity an EDAM Access Charge for recovery of EDAM Recoverable Revenue according to Section 33.26. The CAISO will charge Market Participants for transmission service on the CAISO Controlled Grid according to Section 26.

\* \* \* \* \*

### **33.26 Historical Revenue Recovery And Charges**

Access Charges for Day-Ahead Market transactions serving Load within the CAISO Balancing Authority Area that use the CAISO Controlled Grid are governed by Section 26. Transmission service charges for Day-Ahead Market transactions serving Load within an EDAM Entity Balancing Authority Area are governed by the applicable EDAM Transmission Service Provider tariff. Transmission service charges for Day-Ahead Market transactions supported by EDAM Transfers are addressed in this Section 33.26. The CAISO will adopt provisions in Section 26 to implement the EDAM Access Charge that are consistent with the provisions in this Section 33.26. Transmission service charges for Real-Time Market transactions are governed by Section 11, Section 26, or Section 29.26, as applicable.

#### **33.26.1 EDAM Access Charges**

The CAISO will determine an EDAM Access Charge for each Balancing Authority Area in the EDAM Area based on the aggregate inputs of each EDAM Transmission Service Provider in that Balancing Authority Area. The CAISO will assess the EDAM Access Charges, allocate revenues collected, and true-up actual revenue recovery through calculation of the next year's EDAM Access Charges. EDAM Entities will provide forecasts for their EDAM Transmission Service Providers of the aggregate EDAM Recoverable Revenue from the three components described below, to be true-up based on EDAM Recoverable Revenue each year.

##### **33.26.1.1 EDAM Recoverable Revenue Allocated to Gross Load**

To assess the EDAM Access Charge consistent with Section 33.26.3, the CAISO will derive a rate in \$/MWh specific to each EDAM Entity Balancing Authority Area. The



CAISO will calculate the rate by:

(1) allocating each EDAM Transmission Service Provider's EDAM Recoverable Revenue to the EDAM Balancing Authority Areas associated with the other EDAM Transmission Service Providers, on behalf of such other EDAM Transmission Service Providers, in proportion to

(a) the EDAM Transmission Service Provider's Gross Load divided by

(b) the total EDAM Area Gross Load minus Gross Load of the EDAM Transmission Service Provider;

(2) calculating the total EDAM Recoverable Revenue allocation; and

(3) dividing the total EDAM Recoverable Revenue by the EDAM Transmission Service Provider's Gross Load.

### **33.26.1.2 Truing Up to Actual EDAM Recoverable Revenue**

At the conclusion of each calendar year, each EDAM Transmission Service Provider with EDAM Recoverable Revenue will provide the CAISO calculations of actual forgone and collected revenue for each EDAM Access Charge component, and the supporting documentation required by Section 33.26.4. The EDAM Transmission Service Provider's EDAM Recoverable Revenue true-up amount for the following year will be the difference between (a) the actual sales of qualifying products in components 1 and 2, and (b) the EDAM Transmission Service Provider's projected sales for that year, as documented by the EDAM Transmission Service Provider consistent with Section 33.26.4. The CAISO will include the true-up amount, positive or negative, as an adjustment to the following year's EDAM Access Charge. The CAISO also will include a true-up amount, positive or negative, to balance the difference between the CAISO's projected EDAM Access Charge collections and actual collections for each EDAM Transmission Service Provider.

### **33.26.2 Calculation of EDAM Recoverable Revenue**

EDAM Recoverable Revenue will consist of the sum of the following three components.

#### **33.26.2.1 Component 1: Short-Term Firm and Non-Firm Point-to-Point Transmission and Wheeling Access Charge Revenues**

Eligible component 1 costs are revenue shortfalls associated with the costs of forgoing

certain historical transmission sales to third parties, excluding costs related to sales to the EDAM Entity marketing function associated with EDAM Transmission Service Providers. Only forgone revenues associated with the following transmission products are eligible for historical revenue recovery: hourly non-firm point-to-point, daily non-firm point-to-point, weekly non-firm point-to-point, monthly non-firm point-to-point, hourly firm point-to-point, daily firm point-to-point, weekly firm point-to-point, and monthly firm point-to-point transmission service.

#### **33.26.2.1.1      Calculating Component 1**

Each EDAM Transmission Service Provider will calculate the annual average of its revenues from the qualifying products described in Section 33.26.2.1 for the three years leading up to its EDAM participation. That three-year average will be fixed for purposes of calculating the EDAM Access Charge for the EDAM Entity's EDAM participation. For component 1 of EDAM Recoverable Revenue, the EDAM Transmission Service Provider will include only that portion of revenues from the three-year average the EDAM Transmission Service Provider reasonably expects to forgo as a result of participating in the EDAM. In the annual true-up, the EDAM Transmission Service Provider will use its actual shortfall in lieu of the forecasted shortfall. The actual shortfall will be the difference between the EDAM Transmission Service Provider's actual sales of qualifying products for the applicable calendar year compared to the fixed three-year pre-EDAM average.

#### **33.26.2.1.2      EDAM Recoverable Revenue Limits**

Component 1 EDAM Recoverable Revenue for each EDAM Entity will not exceed the product of (a) its projected Component 1 EDAM Recoverable Revenue and (b) the percentage resulting from dividing exports from its EDAM Balancing Authority Area to the EDAM Area by total exports from the EDAM Balancing Authority Area.

### **33.26.2.2 Component 2: New Transmission Capacity**

Eligible component 2 costs include (a) costs resulting from reduced revenues from sales of non-firm and short-term firm transmission associated with the release of transmission capacity resulting from the expiration of EDAM Legacy Contracts, and (b) the cost associated with forgone transmission sales on certain new network upgrades.

#### **33.26.2.2.1 Component 2 Revenue Associated With New Transmission Capacity From Expired Legacy Contracts**

An EDAM Transmission Service Provider may include in its component 2 EDAM Recoverable Revenue those revenue shortfalls from sales of non-firm and short-term firm transmission associated with the release of transmission capacity resulting from the expiration of EDAM Legacy Contracts that were not included as EDAM Recoverable Revenue in component 1. The EDAM Transmission Service Provider may not recover as EDAM Recoverable Revenue more than the product of the most recent annual revenue of the expired EDAM Legacy Contract multiplied by the ratio of (a) the non-firm and short-term firm point-to-point historical EDAM recoverable transmission revenues from the pre-EDAM three-year average in component 1 to (b) the EDAM Entity's annual average revenue requirement over the same three years.

#### **33.26.2.2.2 Component 2 Revenue Associated With New Network Upgrades**

An EDAM Transmission Service Provider may include in its component 2 EDAM Recoverable Revenue forgone revenue from eligible new network upgrades. Eligible new network upgrades are those that: (a) are in service; (b) are already included in the EDAM Transmission Service Provider's transmission rates or have otherwise been approved for rate recovery by the Local Regulatory Authority or FERC, as applicable; (c) increase transfer capability between EDAM Entity Balancing Authority Areas or between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area; and (d) are energized after the applicable EDAM Transmission Service Provider begins participation in the Day-

Ahead Market. For each new qualifying network upgrade, the EDAM Transmission Service Provider will calculate an estimate of forgone revenue applicable to that network upgrade. Because new network upgrades will not have a three-year historical baseline, the EDAM Transmission Service Provider will calculate a proxy baseline. To do so, the EDAM Transmission Service Provider will calculate the ratio of (a) the non-firm and short-term firm point-to-point historical transmission revenues from the pre-EDAM three-year average in component 1 to (b) the EDAM Entity's annual average revenue requirement over the same three years. The EDAM Transmission Service Provider's proxy baseline for the new network upgrade will be the product of this ratio and the transmission revenue requirement for the new network upgrade. The EDAM Transmission Service Provider will then include as its component 2 EDAM Recoverable Revenue those revenues it expects to forgo from the new network upgrade as a result of participating in the EDAM, not to exceed the proxy baseline. After the first year the new network upgrade is included in the EDAM Access Charge, the EDAM Transmission Service Provider will true-up actual forgone revenues to projected forgone revenues in the following year's component 2 EDAM Recoverable Revenue based on the proxy baseline. The CAISO will include examples of network upgrades that increase transfer capability for purposes of this Section and examples that do not do so in the Business Practice Manual for the Extended Day-Ahead Market. For purposes of this section, network upgrades will be deemed to increase transfer capability where they:

- (a) increase total transfer capability;
- (b) create new interfaces;
- (c) increase the simultaneous import limits at existing interfaces;
- (d) result from an Interregional Transmission Project to increase transfer capability; or

(e) were identified through the WECC path rating process as increasing total transfer capability or creating new transmission interfaces; between EDAM Entity Balancing Authority Areas or between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area.

### **33.26.2.3 Component 3: Recovery of Transmission Costs Associated With EDAM Wheeling Through Volumes Net of Imports/Exports**

Eligible component 3 costs are projected revenue shortfalls associated with wheeling-through an EDAM Entity Balancing Authority Area or the CAISO Balancing Authority Area. An EDAM Transmission Service Provider's EDAM Recoverable Revenue will include those revenues associated with its total volume of wheeling-through transactions in excess of the total net transfers (imports and exports) of the applicable EDAM Entity Balancing Authority Area or CAISO Balancing Authority Area, as measured on a monthly basis. In periods where this excess occurs, the CAISO will calculate the EDAM Recoverable Revenue by multiplying that volume of wheeling-through transactions in excess of the total net transfers by the applicable EDAM Transmission Service Provider's non-firm hourly point-to-point transmission rate. For Participating TOs, the CAISO will use the applicable Wheeling Access Charge rate.

### **33.26.3 Assessing Access Charges and Allocating Revenues in the EDAM**

To recover each EDAM Transmission Service Provider's EDAM Recoverable Revenue, the CAISO will assess an EDAM Access Charge to Gross Load in each EDAM Balancing Authority Area. Each EDAM Access Charge will recover the projected EDAM Recoverable Revenue for the EDAM Balancing Authority Areas outside the Balancing Authority Area for that EDAM Access Charge, such that no EDAM Balancing Authority Area will be assessed its own projected EDAM Recoverable Revenue. The CAISO will assess EDAM Access Charges based on the EDAM Balancing Authority Areas' Gross Loads.

The CAISO will allocate revenues collected from the EDAM Access Charges to EDAM Entities on behalf of each EDAM Transmission Service Provider, in proportion to each EDAM Entity's proportionate share of total projected EDAM Recoverable Revenue. Any difference between projected EDAM Recoverable Revenue and actual EDAM Recoverable Revenue will be included

as debits or credits in the annual true-up, as provided in Section 33.26.1.2.

#### **33.26.4 Documentation**

EDAM Transmission Service Providers will provide the CAISO all supporting documentation necessary to determine the local EDAM Access Charges in each Balancing Authority Area by July 1 of the year prior to each year in which the EDAM Access Charge will apply. The CAISO will publish all supporting documentation on the CAISO Website. At a minimum EDAM Entities must provide: (a) the final order from FERC or the Local Regulatory Authority effecting their approved transmission rates and any informational filings or postings under relevant formula rates; (b) the sums for each EDAM Recoverable Revenue component and true-up; and (c) an authorized affidavit from each EDAM Transmission Service Provider attesting to the accuracy of the data provided and that the EDAM Transmission Service Provider will make reasonable efforts to avoid any double recovery of costs through the EDAM Access Charge. All data provided must be sufficiently granular to enable verification of the EDAM Access Charge rates by the CAISO and Market Participants. For each EDAM Transmission Service Provider, the CAISO will maintain on its Website the current sum of each recoverable revenue component, the total true-up amount, and the total eligible recovery amount. The CAISO will maintain on its Website each EDAM Access Charge, including the rate, the Gross Load, and the total eligible recovery amount in that Balancing Authority Area.

#### **33.26.5 Exit from EDAM**

If an EDAM Entity withdraws from the EDAM pursuant to Section 3 of its EDAM Addendum to EIM Entity Agreement, it will continue to collect and be assessed EDAM Access Charges only during the six (6) month interim notice period before withdrawing from the EDAM. A withdrawn EDAM Entity will not collect, be assessed, or true-up any costs or revenues through the EDAM Access Charge after this interim notice period, except for the previous calendar year's true-up under Section 33.26.5.1.

##### **33.26.5.1 Treatment of True-up Amounts**

If an EDAM Entity owed or was owed any true-up amount from the previous calendar year pursuant to Section 33.26.1.2 before it gave its written notice of termination to the

CAISO in accordance with Section 3 of its EDAM Addendum to EIM Entity Agreement, and it withdraws from the EDAM before the end of the calendar year such that any true-up amount remains outstanding, either:

(a) the EDAM Entity will pay the CAISO the remaining true-up balance it owed upon the end of the interim period described in Section 33.26.5, and the CAISO will distribute that balance through the EDAM Access Charges over the rest of the calendar year; or

(b) the CAISO will continue to collect the remaining true-up amount owed the EDAM Entity through the EDAM Access Charges throughout the rest of the calendar year, and will pay that true-up amount to the EDAM Entity thereafter.

This Section 33.26.5.1 excludes all charges or payments outside of the previous calendar year true-up under Section 33.26.1.2.

### **33.26.6 Three-Year Review**

No later than three (3) years after the original effective date of this Section 33.26, the CAISO will publish on the CAISO Website a performance report on the EDAM Access Charge. The performance report will include without limitation: an explanation of the impacts of the EDAM Access Charge on EDAM Transmission Service Providers' revenue recovery and rates; the performance of the EDAM Access Charge in managing cost shifts among customers; and analysis by the CAISO of any other impacts or externalities.

\* \* \* \* \*

**- EDAM Access Charge**

The Access Charge that balances historical transmission revenue cost allocation through the Extended Day-Ahead Market pursuant to Section 33.26.

**- EDAM Recoverable Revenue**

Eligible revenues recovered by EDAM Entities through the EDAM Access Charge pursuant to Section 33.26.



**Attachment C – EDAM Access Charge Example**

**EDAM Access Charge**

**California Independent System Operator Corporation**

**April 12, 2024**

**EDAM Access Charge Illustrative Example**

The following example illustrates each mechanism of the EDAM access charge, including an example of a new transmission service provider joining EDAM. The example is intended only to illustrate how the EDAM access charge would work year to year. It is not intended to estimate projected values for actual prospective EDAM entities. The CAISO used arbitrary values for each figure.

The EDAM access charge is comprised of three components: (1) certain historical transmission revenues, (2) new network upgrade costs that increase EDAM transfer capability, and (3) revenues from wheeling-through transfers exceeding the transmission service provider’s imports and exports.

The example begins with four (4) different EDAM balancing authority areas (BAA). The example assumes each EDAM entity begins participation at the outset of the EDAM in 2026. Table 1 illustrates their historical 3-year average of EDAM recoverable revenue.

**Table 1: Historical 3-year Average of EDAM Recoverable Revenue**

EDAM Entity transmission provider	Historical 3-year average of short-term transmission sales (for 2026) <sup>1</sup>
BAA 1	\$14,242,500
BAA 2	\$3,600,000
BAA 3	\$4,750,000
BAA 4	\$30,700,000

In EDAM, transmission providers will continue operating their Open Access Transmission Tariffs (OATT) and selling short-term transmission products<sup>2</sup>. Thus, a portion of the historical 3-year average of short-term transmission sales under Table 1 is revenue at risk. Each entity will forecast the amount of expected revenue for the particular year, as illustrated in Table 2.

**Table 2: Projected Eligible Recoverable Revenue for Component 1 for 2026**

EDAM Entity transmission provider	Historical 3-year average of short term transmission sales	Component 1: Projected EDAM recoverable revenue
BAA 1	\$14,242,500	\$7,121,250
BAA 2	\$3,600,000	\$1,116,000
BAA 3	\$4,750,000	\$1,187,500
BAA 4	\$30,700,000	\$1,615,000

The CAISO’s example assumes some EDAM entities may build new network upgrades increasing EDAM transfer capacity. Some of these costs would be eligible for recovery in component 2. To determine eligible costs for component 2, each EDAM entity would compute its ratio of (a) the non-firm and short-

<sup>1</sup> In this example, assuming an EDAM launch of 2026, the 3-year historical average of short term transmission sales is derived based on the average of sales for years 2023, 2024, and 2025.

<sup>2</sup> The CAISO BAA-equivalents to short-term sales are exports and wheeling-through transactions that would be charged the wheeling access rate. For purposes of simplicity, this example does not distinguish between the CAISO BAA and its participating transmission owners under the CAISO tariff and an EDAM balancing area with transmission service providers operating under an OATT.

term firm point-to-point historical EDAM recoverable transmission revenues to (b) the EDAM transmission owner’s total revenue requirement. The ratio serves as a proxy for determining the extent to which any new network upgrades benefit the larger EDAM footprint. Thus, the EDAM entity only recovers new network upgrade costs up to a percentage based on the ratio.

**Table 3: Ratio of Short-term Sales to Total Transmission Revenue Requirement**

EDAM Entity Transmission Provider	Historical 3-year average of short term transmission sales	Historical 3-year average of annual transmission revenue requirement	Component 2 ratio
BAA 1	\$14,242,500	\$158,250,000	9.0%
BAA 2	\$3,600,000	\$125,000,000	2.88%
BAA 3	\$4,750,000	\$218,500,000	2.17%
BAA 4	\$30,700,000	\$585,350,000	2.49%

Assume that starting with year 2027, BAA 3 has a new network upgrade eligible for recovery through component 2 of the EDAM access charge. Assume the total approved amount for recovery for the upgrade is \$11,000,000. BAA 3 would multiply this cost by its component 2 ratio to derive the upper limit of the new eligible network upgrades EDAM recoverable costs.

**Table 4: Computation of Component 2 for BAA 3**

EDAM Entity transmission provider	New eligible network upgrade cost (part of annual revenue requirement) (a)	Ratio (%) of short-term revenues for new network upgrades (b)	Component 2: New eligible network upgrades EDAM recoverable costs limit (c) = (a) * (b)	Component 2: Estimate of EDAM recoverable amount for new eligible network upgrades for 2027 (d)
BAA 3	\$11,000,000	2.17%	\$238,700	\$59,000

Component 3 of the EDAM access charge accounts for benefits to EDAM from transmission used for wheeling-throughs in an EDAM BAA greater than its imports and exports. In this example, the excess wheeling-through transfer is calculated for the relevant trade year (2026) and added as a recoverable cost for the following trade year (2027) for the BAA with the transmission facilitating the wheeling-throughs. As illustrated in Table 5, assume BAA 1 has 10,000 MWh in wheeling-through transfers above its total import and export transfers, and a non-firm hourly point-to-point transmission rate of \$5/MWh.

**Table 5: Computation of Component 3**

EDAM Entity transmission provider	Net incremental wheeling- through transfer volumes (2026)	Non-firm hourly point-to-point rate	Compensation at the hourly non-firm OATT rate <sup>3</sup> (recovered in 2027)
BAA 1	10,000 MWh	\$5/MWh	\$50,000
BAA 2	0		0
BAA 3	0		0
BAA 4	0		0

**EDAM Access Charge Assessment and Distribution**

Using the sum of the components for each EDAM entity, the CAISO will compute a \$/MWh rate specific to each EDAM BAA. To form the numerator of the rate, the CAISO will divide each EDAM entity's aggregate revenue to the EDAM BAAs associated with the other EDAM transmission entities by (a) the EDAM entity's gross load divided by (b) the total EDAM area gross load minus the gross load of the EDAM entity. The BAA-specific EDAM access charge rate is then applied to the current year actual gross load.

As a starting point, Table 6 illustrates the EDAM recoverable revenue that is recoverable through EDAM for 2026 where the only recoverable revenues were associated with component 1 (and reflected in Table 2). Table 6 also identifies each BAA's annual gross load.

**Table 6: 2026 EDAM Recoverable Revenue and Gross Load**

EDAM Entity transmission provider	EDAM recoverable revenue	Gross load (MWh)
BAA 1	\$7,121,250	35,800,000
BAA 2	\$1,116,000	15,850,000
BAA 3	\$1,187,500	70,750,000
BAA 4	\$1,615,000	109,000,000

The EDAM recoverable revenue is distributed across the BAAs on a load ratio share basis as shown in Table 7 to derive a BAA-specific EDAM access charge rate.<sup>4</sup> A BAA is not allocated its own revenue through the EDAM access charge.

<sup>3</sup> For simplicity purposes, all twelve months of the year with excess wheeling-throughs have been summed to reflect the total annual cost rather than showing all twelve months individually as component 3 provides.

<sup>4</sup> Each BAA's EDAM recoverable revenue is allocated based on the gross load ratio share to the other BAAs, excluding itself. In the example, BAA 1's EDAM recoverable revenue of \$7,121,250 million is allocated to BAAs 2, 3, and 4 in proportion to their respective load ratio share (excluding the gross load of BAA 1).

**Table 7: BAA-specific Allocation of EDAM Access Charge**

EDAM Entity transmission provider	BAA 1 – gross load	BAA 2 – gross load	BAA 3 – gross load	BAA 4 – gross load	EDAM access rate total gross load
BAA 1	-	15,850,000	70,750,000	109,000,000	195,600,000
BAA 2	35,800,000	-	70,750,000	109,000,000	215,550,000
BAA 3	35,800,000	15,850,000	-	109,000,000	160,650,000
BAA 4	35,800,000	15,850,000	70,750,000	-	122,400,000

EDAM Entity transmission provider	BAA 1 – EDAM recoverable revenue allocation	BAA 2 – EDAM recoverable revenue allocation	BAA 3 – EDAM recoverable revenue allocation	BAA 4 EDAM recoverable revenue allocation	EDAM recoverable revenue
BAA 1	-	\$577,054	\$2,575,810	\$3,968,386	\$7,121,250
BAA 2	\$185,353	-	\$366,305	\$564,342	\$1,116,000
BAA 3	\$264,628	\$117,161	-	\$805,711	\$1,187,500
BAA 4	\$472,361	\$209,132	\$933,507	-	\$1,615,000
BAA total allocation	\$922,342	\$903,347	\$3,875,622	\$5,338,439	\$11,039,750

These allocations are then further converted to an EDAM access charge rate for each BAA as shown in Table 8. The CAISO divides the total cost allocation for the BAA by its annual gross load.

**Table 8: Derivation of EDAM Access Charge Rate**

EDAM Entity transmission provider	Total cost allocation to the BAA	Annual gross load (MWh)	EDAM access charge rate assessed to the BAA
BAA 1	\$922,342	35,800,000	\$0.026 per MWh
BAA 2	\$903,347	15,850,000	\$0.057 per MWh
BAA 3	\$3,875,622	70,750,000	\$0.055 per MWh
BAA 4	\$5,338,439	109,000,000	\$0.049 per MWh

The BAA-specific EDAM access charge rate is then applied to each BAA's actual gross load and settled on a monthly basis. Table 9 illustrates the assessment of the EDAM access charge by BAA for 2026.

**Table 9: Collection of EDAM Access Charge through 2026**

EDAM Entity transmission provider	Actual annual gross load (MWh)	EDAM access charge rate <sup>5</sup>	EDAM access charge assessed
BAA 1	36,740,463	\$0.026 per MWh	\$950,000
BAA 2	15,489,158	\$0.057 per MWh	\$886,000
BAA 3	71,997,353	\$0.055 per MWh	\$3,960,000
BAA 4	106,056,667	\$0.049 per MWh	\$5,210,000

Table 10 illustrates the distribution of BAA-specific EDAM access charge revenue in pro-ration of the BAA total allocation of EDAM recoverable revenue to the BAA-specific allocation of EDAM recoverable revenue as derived in Table 7.

**Table 10: Distribution of EDAM Access Charge Collected Revenues (2026)**

EDAM Entity transmission provider	BAA 1 – specific allocation	BAA 2 – specific allocation	BAA 3 – specific allocation	BAA 4 – specific allocation	BAA EDAM access charge revenue
BAA 1	-	\$565,942	\$2,630,637	\$3,875,095	\$7,071,674
BAA 2	\$190,820	-	\$373,934	\$550,828	\$1,115,582
BAA 3	\$271,622	\$114,511	-	\$784,077	\$1,170,210
BAA 4	\$487,558	\$205,546	\$955,430	-	\$1,648,534

**Annual True-Up of EDAM Recoverable Revenue**

The EDAM access charge includes an annual true-up to help right-size the EDAM access charge year to year based on expected collections and actual collections. Critically, the annual true-up also corrects any inaccurate projections based on actual collections each year.

Table 11 identifies the different sources of short-term revenues for 2026. For purposes of the example, assume the EDAM recoverable revenue estimated by the BAAs in Table 2 consists of the actual EDAM access charge amounts recovered by the CAISO and distributed to the BAA in 2026. Because there were no component 2 and 3 revenues considered for the year 2026, the true up example in Table 9 reflects true-up only to component 1.

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<sup>5</sup> To avoid differences due to granularity the rate has been rounded up.

**Table 11: True-up of Component 1 Based on 2026 Actuals**

EDAM Entity transmission provider	Historical 3-year average of short term sales (e)	Revenues recovered through EDAM access charge (f)	Net incremental wheel through transfers (g)	Adjusted EDAM access charge revenue (h) = (f – g)	EDAM Entity’s actual OATT sales of short-term products (i)	True-up amount for 2027 EDAM access charge (j) = (f +i) – (e)
BAA 1	\$14,242,500	\$7,071,674	-	\$7,071,674	\$7,170,826	\$0
BAA 2	\$3,600,000	\$1,115,582	-	\$1,115,582	\$1,484,418	(\$1,000,000)
BAA 3	\$4,750,000	\$1,170,210	-	\$1,170,210	\$4,079,790	\$500,000
BAA 4	\$30,700,000	\$1,648,534	-	\$1,648,534	\$29,051,466	\$0

In Table 11, BAA 1 and BAA 4 recovered between the EDAM access charge revenues and their actual OATT sales of short-term products the exact amounts to cover their historical 3-year averages of short-term sales. As such, no true-up is necessary. However, BAA 2 under-recovered \$1,000,000, and BAA 3 over-recovered \$500,000. These amounts for BAA 2 and BAA 3 will be carried forward into the 2027 EDAM access charge.

Table 12 illustrates how the true-up and components 2 and 3 will comprise the EDAM access charge for 2027.

**Table 12: 2027 EDAM Access Charge Inputs.**

EDAM Entity transmission provider	Historical 3-year average of short-term sales	New network upgrades	Net incremental wheeling-through transfers	True-up from 2026	Costs to be Recovered through OATT and EDAM
BAA 1	\$14,242,500	\$0	\$50,000	-	\$14,292,500
BAA 2	\$3,600,000	\$0	\$0	\$1,000,000	\$4,600,000
BAA 3	\$4,750,000	\$238,700	\$0	(\$500,000)	\$4,488,700
BAA 4	\$30,700,000	\$0	\$0	-	\$30,700,000

As shown in Table 12, going into 2027, the CAISO will calculate the total recoverable EDAM revenues across the components to which each EDAM entity (*i.e.*, BAA) ultimately will be true-up. BAA 1 continues to carry its historical 3-year average plus the component 3 revenues captured in Table 5. BAA 2, because it did not have any component 2 or 3 amounts, carries over its component 1 revenues into 2027 adjusted by the 2026 true-up under-recovery. BAA 3 carries component 1 and component 2 illustrated in Table 4 into 2027, adjusted by the over-recovery in the 2026 true up. BAA 4 continues to carry over component 1 into 2027 as there are no additional components applicable for the year.

Finally, having established the total recoverable amounts for 2027, the CAISO will need to calculate the total 2027 projected EDAM access charge recoverable amount for each BAA as the sum of each component EDAM recoverable amount, which is the difference shown in Table 13 between the

components of EDAM recoverable revenue and what the BAA expects to collect through eligible OATT sales in 2027.

**Table 13: 2027 EDAM Access Charge Recovery Calculation**

EDAM Entity transmission provider	Estimate of historical EDAM recovery for 2027	Estimate of new network upgrades EDAM recoverable revenue for 2027	Net incremental wheeling-through transfers	2026 True-up (over or under recovery)	Estimated EDAM recoverable revenue (for 2027)
BAA 1	\$7,125,000	-	\$50,000	-	\$7,175,000
BAA 2	\$1,100,000	-	-	\$1,000,000	\$2,100,000
BAA 3	\$1,100,000	\$59,000	-	(\$500,000)	\$659,000
BAA 4	\$1,600,000	-	-	-	\$1,600,000