



Memorandum

To: ISO Board of Governors
From: Ryan Seghesio, Vice President, Chief Financial Officer and Treasurer
Date: March 13, 2024
Re: **Decision on funding request for the Day-Ahead Market Enhancements and Extended Day-Ahead Market projects**

This memorandum requires ISO Board of Governors action.

EXECUTIVE SUMMARY

Management seeks approval from the ISO Board of Governors for funding to implement the Day-Ahead Market Enhancements (DAME) and the Extended Day-Ahead Market (EDAM) projects.

BACKGROUND

In 2023, the ISO Board of Governors and the Western Energy Imbalance Market (WEIM) Governing Body jointly approved proposals for the DAME and EDAM policy initiatives. DAME and EDAM collectively mark a significant expansion of the ISO's market framework. The DAME initiative aims to refine the ISO's day-ahead market by enhancing its ability to accommodate net load forecast uncertainty between the day-ahead and real-time markets, address real-time ramping requirements, and mitigate the necessity for manual operator interventions outside of market mechanisms. The EDAM initiative, building upon existing features of the ISO's day-ahead market and the WEIM, broadens participation in the day-ahead market to WEIM entities. Moreover, the EDAM policy is poised to enhance market efficiency by facilitating the integration of renewable resources through day-ahead unit commitment across a wider geographic scope.

In December 2023, the Federal Energy Regulatory Commission (FERC) accepted the DAME and EDAM tariff changes, with one exception, the transmission revenue recovery for market participants.

BUDGET REQUEST

Management requests \$15.2 million to cover the DAME and EDAM project budgets. The amount requested for these projects will cover the entirety of the ISO's DAME and

EDAM project implementation costs and is inclusive of the related vendor contract amounts. This request is for project costs that will be incurred 2024 thru 2025; the funding request will not be used to cover costs incurred prior to 2024. The large size of these projects warrants carving them out separately from the overall 2025 capital project budget, which is set at \$25 million. The cost of the project will be funded entirely from capital reserves on hand. Capital reserves come from cash-funded capital collected as part of the annual revenue requirement. An approval of this request will not result in a negative impact to the revenue requirement and resulting grid management charge rates.

Project	Costs
DAME	\$ 6,880,000
EDAM	\$ 8,320,000
Total	\$ 15,200,000

It is worth noting that these project funding requests do not include EDAM customer onboarding project costs; these costs will be incurred under separate projects and be funded entirely by the EDAM customers.

CONCLUSION

For the reasons provided in this memo, the DAME and EDAM projects are critical to the ISO’s ability to achieve significant market growth and market efficiency. Since 2019, the ISO has invested much time and effort collaborating internally and with stakeholders to explore a new day-ahead product that will address the ramping needs between intervals and uncertainty that can occur between the day-ahead and real-time markets; as well as to develop an approach to extend participation in the day-ahead market to the WEIM entities in a framework similar to the existing WEIM approach for the real-time market, rather than requiring full integration into the California ISO balancing area. With the project funding in place, the ISO can take the progress achieved during these collaborative sessions to the next step.

Management requests the Board approve the capital budget of \$15.2 million for the DAME and EDAM projects.

MOTION

Moved that the ISO Board of Governors approves the capital project budget of \$15.2 million for the ISO day-ahead market enhancements and the extended day ahead market projects, as described in the memorandum dated March 13, 2024.