



California ISO

WESTERN ENERGY MARKETS

# Extended day-ahead market benefits methodology

Guillermo Bautista Alderete

Director, Market Performance and Advanced Analytics

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# A cooperative working group developed the EDAM benefits methodology



# The draft methodology estimates economic benefits based on production cost savings

The benefit is defined as the no-EDAM cost minus the EDAM cost

- The EDAM scenario is the actual market solution
- The no-EDAM scenario is what would have occurred without EDAM, and is called the counterfactual

EDAM benefits consist of three main components:

- Energy production costs savings
- Imbalance reserve savings
- Greenhouse gas market revenues

# The counterfactual scenario requires a tailored software solution

- Uses all the EDAM input data
- Supports a full unit-commitment, least-cost dispatch
- Can be operationalized
- Generates counterfactual results for all market participant areas
- Provides a uniform and consistent methodology
- Runs each participating area in isolation
- Represents a conservative estimate derived from a least-cost dispatch

# Key considerations of the EDAM benefits calculation

- The benefits are based on estimates of production costs and do not use settlement data
- Due to the complexities of hydro resource management, benefits will be estimated using their default energy bids
- No changes to the production-cost methodology are required to incorporate a future congestion-revenue allocation methodology
- For EDAM entities, the Western Energy Imbalance Market benefits will be adjusted and based only on the additional (incremental) benefits they receive

# Logistics of the EDAM benefits estimate

- The ISO, as the market operator, will
  - Run both EDAM and counterfactual scenarios daily
  - Estimate monthly EDAM benefits
  - Provide each participating entity with the key data points and benefit estimates for each month
  - Publish a quarterly benefits report
- Each participating EDAM entity will
  - Validate the ISO's benefit estimates for its own area
  - Develop benefit estimates as needed