California ISO | WESTERN ENERGY MARKETS

Briefing: Analysis of congestion revenue allocation in the extended day-ahead market

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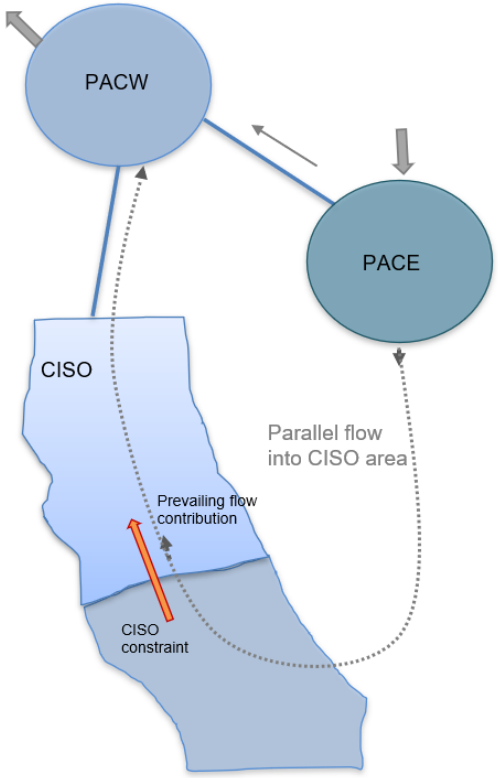
Background

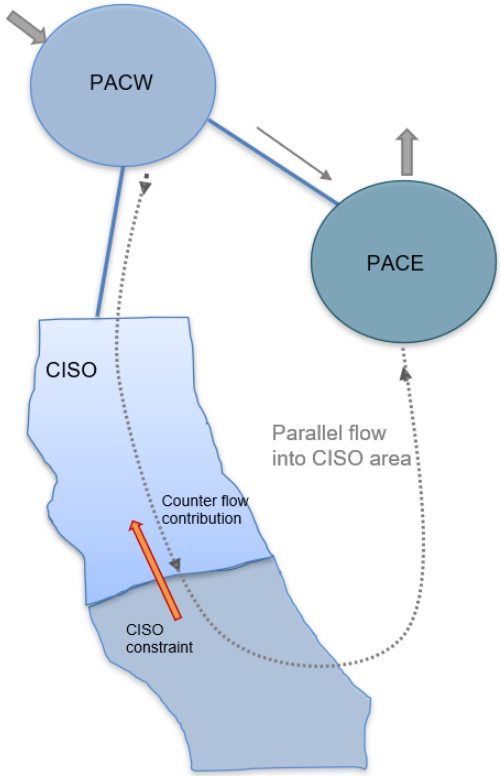
- On May 1, successful launch of the extended day-ahead market (EDAM) expanded the day-ahead market footprint to include PacificCorp East (PACE) and PacificCorp West (PACW).
- EDAM includes a revised methodology to allocate day-ahead congestion revenues among participating balancing areas.
  - A temporary measure allocates congestion revenues associated with flows resulting from self-schedules exercising transmission rights to the balancing areas where market participants incurred the corresponding congestion costs (where transmission rights exercised) rather than to the balancing area where the constraint is located.
- The ISO committed to analyze and report on the congestion revenue allocation under the current methodology.

Transactions in one balancing area can exacerbate or relieve congestion in another area participating in EDAM



Prevailing flows are charged for contributing to congestion

Counter-flows get paid for relieving congestion



Transactions with prevailing flows contribute to congestion rents

Transactions with counter-flows reduce congestion rents

This analysis focuses on congestion from transmission constraints; it does not include congestion from transfers

In May, northbound congestion separated prices between balancing areas in the day-ahead market

Monthly average congestion price in dollar per megawatt-hour

Source of congestion	PACE	PACW	PGAE	SCE
CAISO	**-0.62**	**0.8**	**4.12**	**-3**
Energy	-0.6	0.74	3.92	-2.84
Imbalance Up	-0.01	-0.02	0.08	-0.05
Imbalance Down	-0.01	0.07	0.12	-0.1
PACE	**0.42**	**0**	**-0.06**	**-0.18**
Energy	0.41		0.06	-0.17
Imbalance Up	0		0	0
Imbalance Down	0.01		0	0
PACW	**0**	**0**	**0**	**0**
Energy				
Imbalance Up				
Imbalance Down				

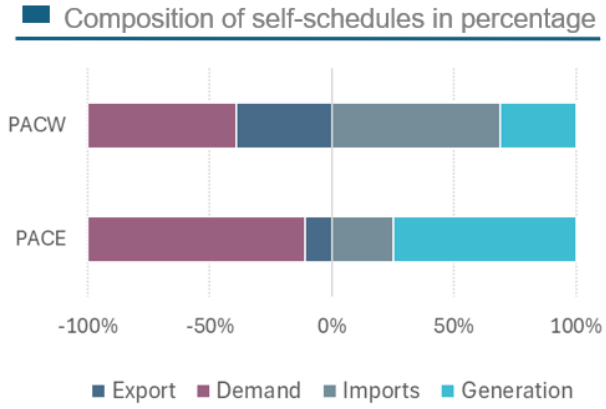
Most congested constraints were in the ISO area, while congestion located in PACE was minimal and there was no congestion in PACW.

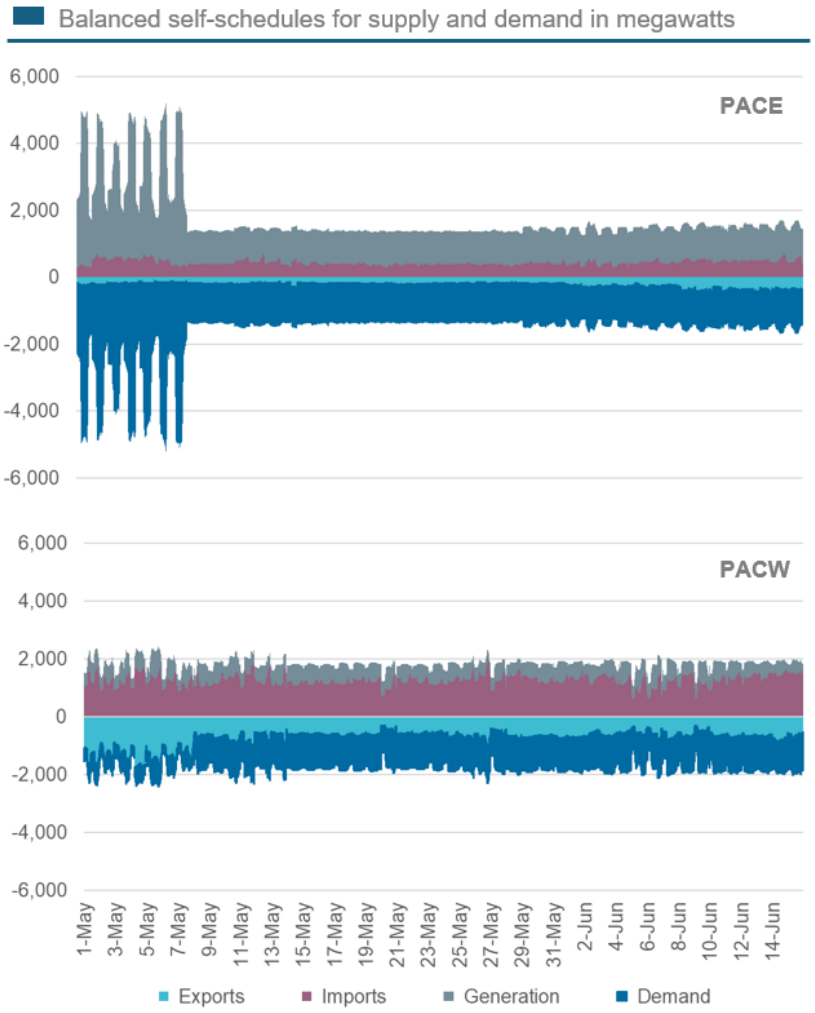
Most of the congestion was driven by clearing energy, while congestion attributable to clearing imbalance reserves was negligible.

Regional congestion exhibited strong geographic alignment, with PACE tracking Southern California congestion and PACW tracking Northern California congestion. Congestion was largely concentrated in solar hours.

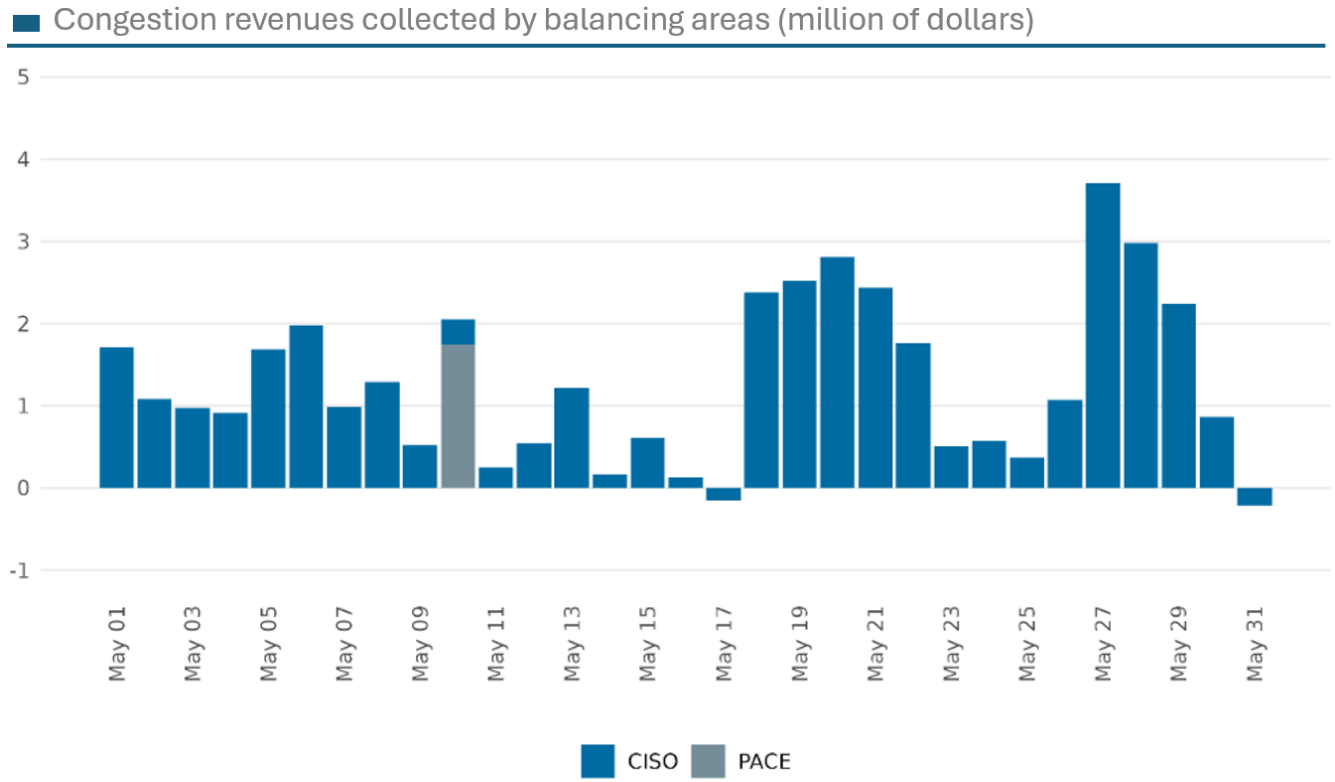
After the first days of transition, volumes of self-schedules from PAC areas have been steady

In PACE, 75 percent of self-schedules were associated with generation, rather than imports. In PACW, 31 percent were associated with generation.





Over 95 percent of congestion revenues in May resulted from transmission constraints in the CAISO area



Total EDAM congestion revenues in May were $39.9 million, of which $38.2 million (96 percent) was associated with congestion in the CAISO balancing area and $1.7 million (4 percent) with congestion in PACE. There were no congested constraints in PACW in May.

In May, congestion revenue allocation to the PacifiCorp balancing areas was consistent with projections

Congestion revenue allocation to PAC was $1.34 million in May.

About $36.9 million stayed in the CAISO balancing area.

Congestion Revenues in millions of dollars

Allocation to PAC	Total in CAISO area
1.34	38.2