Comments on Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group Meetings - August 2026

Department of Market Monitoring

September 3, 2026

Comments

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group Meeting – August 13 & 20, 2026*.[1] These working groups discussed incorporating firm open access transmission tariff (OATT) rights into a simultaneous feasibility test related to Concept 3.

DMM supports Concept 3 as a long-term solution to the congestion revenue allocation. However, as discussed in the working groups, creating a set of rights under a simultaneous feasibility test across multiple balancing areas with different transmission rate structures is not an easy task. Issues raised in the working group include:

- Which firm rights would be eligible?
- How would new releases of firm rights be handled?
- What priorities would different rights have in the allocation?
- Should priorities be different, or nominations differently constrained, for rights in one BAA that have flows on another BAA?

Coming to agreement on all the issues may take significant time. As the conversation begins to address more of these issues, the extent of the details to be resolved in such a design is becoming even more apparent.

For example, the ISO stated in the August 20 working group that under Concept 3, long-term network integration transmission service (NITS) rights would be represented at the source of the designated resource and load as a sink. However, NITS rights holders may have many designated resources with use that may vary over time or across operational situations. This leaves question about how rights would be reflected with respect to each individual designated resource. This would seem to require an assumption about which specific designated resources would be used to serve load, and to approximately what extent each resource would be used over the period of the simultaneous feasibility test. This is just one example of the type of details that need to be resolved before Concept 3 could be seriously considered as an implementable solution.

Because of the extent of details and issues to be resolved with Concept 3, and the time it may take to implement such a solution, DMM continues to recommend the ISO develop an alternative interim congestion revenue allocation approach that is not tied to market clearing/scheduling. Concept 1

[1] *Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group*, California ISO, August 13, 2026: https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Extended-Day-Ahead-Market-(EDAM)-Congestion-Revenue-Allocation-Aug-13-2026.pdf
Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group, California ISO, August 20, 2026: https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Extended-Day-Ahead-Market-(EDAM)-Congestion-Revenue-Allocation-Aug-20-2026.pdf

maintains the design flaw of tying the allocation to market schedules. Therefore, the ISO should consider interim options under the umbrella of Concept 2.

Options under Concept 2 include approaches based on rights to specific flowgates, rights based on generation to load aggregation points, or other options that do not tie the revenue allocation to the market schedules. Importantly, any approach like Concept 2 could be designed to be updated regularly. This should assuage stakeholder concerns that such an approach would become outdated as market flows continue to evolve around the west.