

# Comments on Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group Meeting - April 17, 2026

Department of Market Monitoring

May 1, 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 – April 17, 2026*.<sup>1</sup> At the working group meeting, the ISO presented three alternative design concepts for the Congestion Revenue Allocation (CRA) for stakeholders to consider:

- **Concept #1** would allocate congestion revenues, including from parallel flows, to all balanced schedules with eligible firm open access transmission tariff (OATT) transmission rights that clear the market, whether economically bid or self-scheduled.
- **Concept #2** would establish flow entitlements for congestion revenue rights (CRRs) and eligible OATT transmission rights to allocate congestion revenue across balancing areas based on historical data.
- **Concept #3** would establish congestion revenue entitlements for eligible OATT transmission rights and CRRs through a common simultaneous feasibility test.

DMM does not believe Concept #1 is a viable path forward. As DMM stated in previous comments:

*...the replacement allocation should not be tied to the actual schedules in the market—including schedules resulting from cleared economic offers. A congestion revenue allocation that depends on cleared schedules creates incentives for market participants to submit offers that are not consistent with their true marginal costs. This can undermine the purpose of the market and potentially lead to market dysfunction.*<sup>2</sup>

Concept #2 to create flow entitlements between balancing areas could be a workable path forward particularly for the near term. If designed correctly, these flow entitlements would avoid the poor incentives created by the current CRA and design concept #1. DMM believes it is reasonable to assign these entitlements based on historic data to recognize the existing norms for parallel flows across balancing areas while not tying the allocation to market scheduling.

DMM believes that the best solution, particularly in the longer run, is Concept #3 which would create CRRs for the eligible OATT rights in a common simultaneous feasibility test used for allocating CRRs within the CAISO balancing area. CRRs were designed to allocate congestion revenue without creating

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<sup>1</sup> *Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group*, California ISO, April 17, 2026: [https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Extended-Day-Ahead-Market-\(EDAM\)-Congestion-Revenue-Allocation-Apr-17-2026.pdf](https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Extended-Day-Ahead-Market-(EDAM)-Congestion-Revenue-Allocation-Apr-17-2026.pdf)

<sup>2</sup> *Comments on Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group Meeting - February 23, 2026*, Department of Market Monitoring, March 9, 2026: <https://www.caiso.com/documents/dmm-comments-on-edam-congestion-revenue-allocation-phase-2-design-feb-23-2026-working-group-mar-09-2026.pdf>

significant incentives to distort bidding behavior in the energy market. Allocating CRRs would also be more flexible over time allowing the allocation of rent to change as generation, load, and transmission conditions change.

Allocating CRRs in this manner should not be conflated with the current CRR auction design in the CAISO balancing area. While the design would need to ensure transmission ratepayers in the extended day-ahead market (EDAM) areas are protected from undue losses that occur under the current CRR auction design, a CRR based approach would be the best option from the concepts presented by the ISO for allocating congestion rent among the transmission ratepayers within the EDAM.