

Comments on Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group Meeting - May 11, 2026

Department of Market Monitoring

May 22, 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 – May 11, 2026*.¹ At the working group meeting, the ISO and stakeholders discussed the three current alternative design concepts for the Congestion Revenue Allocation (CRA) originally outlined by the ISO as well as additional alternatives raised by stakeholders.

DMM believes that the best solution, particularly in the longer run, is Concept #3. This approach would create congestion revenue rights (CRRs) for the eligible open access transmission tariff 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 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.

However, the details of any approach under Concept #3 will need to be developed and analyzed in order to assess the impacts and appropriateness of any specific proposal. Transmission ratepayers across the extended day-ahead market (EDAM) balancing authority areas will need to come to an agreement on how the allocation of these rights will work. Specific aspects of any approach upon which agreement will be needed include (1) which rights would be eligible for an allocation, (2) in which rounds of the allocation eligible rights could be sourced, and (3) other terms that the parties may agree on.

The ISO could help stakeholders better understand the potential effects of design choices by providing stakeholders with a common data set that includes, for each likely or potential EDAM transmission provider:

- allocated CRRs,
- NITS MWs, POR and POD,
- long term and short term PTP right MWs, POR and POD,
- Available Transmission Capacity, and
- congestion prices broken out by BAA associated with the POR and POD of these rights

Because we do not know how long it will take to develop a new CRA approach, DMM believes that the ISO should continue working on Concept #2 in parallel with Concept #3 to maintain near term options for replacing the current CRA, even if Concept #2 will not be the final CRA design.

Concept #2, which involves creating flow entitlements between balancing areas, could be a workable path forward in the near term. If designed correctly, these flow entitlements would avoid the poor

¹ *Extended Day-Ahead Market Congestion Revenue Allocation Phase 2 Design Working Group*, California ISO, May 11, 2026: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Extended-Day-Ahead-Market-EDAM-Congestion-Revenue-Allocation-Phase-2-May-11-2026.pdf>

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.