

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)** **Docket No. ER26-1294**

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO COMMENTS**

The California Independent System Operator Corporation (CAISO) submits this answer to comments on the CAISO's February 6, 2026 filing in this docket.¹ The February 6 filing proposes tariff revisions needed to support implementation of day-ahead market enhancements (DAME) and the extended day-ahead market (EDAM). The majority of parties submitting comments support these tariff revisions. No party argues the Commission should reject the tariff revisions. Parties supporting the tariff revisions in this proceeding include the

¹ The CAISO files this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. Rule 213(a)(2) prohibits answers to protests absent permission of the Commission. Although no party filed a protest, the CAISO hereby moves for leave to make the answer to the comments received out of an abundance of caution. Good cause exists here because the CAISO's answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. *See, e.g., Equitrans, L.P.*, 134 FERC ¶ 61,250, P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, P 20 (2008).

In this filing, the CAISO refers to the DAME-EDAM tariff for those provisions that the Commission has accepted but are not yet in effect and the CAISO tariff for those tariff provisions in effect today. A consolidated version of the DAME-EDAM tariff the Commission previously accepted is available on the CAISO's website <https://www.caiso.com/documents/all-pending-tariff-language-for-edam-dame.pdf>.

CAISO's Department of Market Monitoring, Pacific Gas and Electric Company, PacifiCorp, Southern California Edison, and The Energy Authority. The Western Power Trading Forum (WPTF) does not oppose the tariff revisions but raises concerns with the underlying EDAM design. Specifically, WPTF questions whether the market design should continue to support existing intertie bidding rules at CAISO interfaces with EDAM balancing authority areas rather than optimize transfers at these interfaces. This element of EDAM design has been addressed by the Commission,² and WPTF's comments exceed the scope of this proceeding. For the reasons set forth in its tariff filing and this answer, the Commission should accept the tariff revisions to support DAME and EDAM implementation, subject to a notice to make them effective on seven days' notice.

I. Background

The CAISO is implementing a major market change with introduction of DAME and EDAM on May 1, 2026. Together, these changes will transform and extend the day-ahead market framework to additional balancing authority areas in the Western Interconnection. Under this design, the CAISO's day-ahead market optimizes all supply and demand within the EDAM area, including settlement of the day-ahead market awards, operation of the real-time market based on the day-ahead market schedules, and settlement of differences between day-ahead market schedules and real-time market results. This structure requires participation in the day-ahead market, through either an

² *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 (2023) (EDAM Acceptance Order).

economic bid or a self-schedule, by all supply and demand within a balancing authority area participating in the EDAM.

The EDAM design relies on available transmission capability to support optimized resource commitment in the day-ahead market and transfers between participating balancing authority areas. The day-ahead market schedules resulting from EDAM are the basis for the operation of the real-time market, and market participants need substantial assurance they can rely on the results, particularly since energy and capacity transfers between balancing areas will be part of a resource sufficiency evaluation and support reliability. An element of this design is to clear resource bids and settle resource schedules at the physical resource location rather than the interface connecting balancing authority areas in the EDAM. Resource-specific dispatches will support transfers between participating balancing authorities based on economic clearing and available transmission. This design advances efficiency and reliability by modeling the congestion impacts and power flow arising from the feasible dispatch of physical resources across a broad geographic area.

When a balancing authority area joins EDAM, its interface(s) with other participating balancing authorities become “internal inerties” in the EDAM area.³ From a market perspective, these interfaces are similar to interfaces within the CAISO balancing authority area between participating transmission owners, *e.g.*,

³ Interfaces with non-EDAM balancing areas, including balancing areas in the Western Energy Imbalance Market are “external inerties.” This distinction matters because transmission capability between balancing areas in EDAM supports the transfer of energy and capacity in the day-ahead market and this requires unique modeling capabilities and specific provision on the availability and resulting revenue.

the interface between Pacific Gas and Electric Company and Southern California Edison at the Midway-Vincent substations. Intertie bids are not submitted at the interface locations between balancing authority areas participating in EDAM. Instead, bids are submitted at physical resource locations, and the market dispatches and settles physical resources at their locations to manage congestion across the EDAM area and support transfers across these interfaces between participating balancing authority areas.

At the same time, the CAISO and EDAM entities will have external interties with non-EDAM balancing authority areas. At the CAISO interface with non-EDAM balancing authority areas, the market will continue to support intertie bidding. At EDAM Entities' interfaces with non-EDAM balancing authority areas, the market will allow intertie bidding for designated network resources.⁴

In this proceeding, the CAISO has proposed transitional measures to continue to support limited intertie bidding at CAISO interfaces that are EDAM internal interties and maintain current modeling practices for intertie transactions at interfaces with non-EDAM balancing authority areas. Under the CAISO's proposed tariff revisions, scheduling coordinators representing non-resource specific system resources supporting resource adequacy or renewable portfolio standard transactions can continue to submit import bids at CAISO interties that are also EDAM internal interties.⁵ The CAISO also proposes to continue

⁴ Under the Commission's *pro forma* open access transmission tariff, a designated network resource is dedicated to serve load for network customers. These resources are afforded firm transmission service for delivery across the network from the source to the balancing authority area where the load is located.

⁵ Proposed change to CAISO tariff section 30.5.2.4.

modeling and pricing intertie schedules at CAISO balancing area interties as if the resource supporting the schedule is located at an intertie, *i.e.*, scheduling point tie (SP-Tie) modeling rather than shifting to the accepted EDAM framework to model and price the intertie schedule as if it is sourced from an aggregate supply location in a neighboring balancing authority area, *i.e.*, generation aggregation point (GAP-tie) modeling. These measures will ensure the market continues to support delivery of existing arrangements and maintains existing intertie scheduling and modeling conventions as entities join EDAM. These measures recognize that market participants continue to rely on intertie transactions at CAISO interfaces and will need additional time to gain familiarity with the EDAM design and adjust their scheduling and commercial practices, as necessary. Again, no party opposes these transitional measures, including WPTF.

The CAISO will start a stakeholder process this month to discuss intertie scheduling, including the duration of transitional measure it proposes in this proceeding and changes to these rules to ensure a successful implementation of DAME and EDAM in the Western Interconnection – at go-live and for years to come. The CAISO appreciates stakeholder participation in DAME and EDAM implementation activities, including the participation by WPTF and its members. Collectively, this participation will enhance understanding of the market design and support successful implementation of DAME and EDAM.

II. Answer

A. **The CAISO's proposal to allow intertie bidding at EDAM internal interties and maintain SP-Tie modeling on a transitional basis will promote an orderly implementation of new market rules.**

The CAISO is implementing EDAM in an orderly and inclusive manner that ensures prospective EDAM entities, market participants, and all stakeholders understand the EDAM design and can make necessary changes to realize the benefits EDAM can deliver. The Commission has accepted the CAISO's tariff revisions to support this implementation, which include provisions that explain how the CAISO will provide transmission service at EDAM internal interties.⁶ In addition, the Commission accepted DAME-EDAM tariff rules for modeling and pricing intertie schedules at CAISO interfaces with non-EDAM balancing authority areas.⁷ These tariff provisions recognize that EDAM internal interties will no longer serve as intertie scheduling points. The tariff provisions also apply GAP-Tie modeling to intertie schedules at interfaces with non-EDAM areas.⁸ This modeling approach accounts for prices at scheduling points at the boundary of the EDAM area separately from the transfer locations between balancing areas within the EDAM area. The Commission-accepted EDAM design would

⁶ DAME-EDAM tariff at Section 33.18.4, which reads in part: "The CAISO will provide transmission service on the CAISO Controlled Grid and at EDAM Interties in accordance with the CAISO Tariff to support the EDAM Resource Sufficiency Evaluation for the CAISO Balancing Authority Area and to support the EDAM Resource Sufficiency Evaluation for an EDAM Entity Balancing Authority Area. The CAISO will make Available Transfer Capability at EDAM Internal Interties on the CAISO Controlled Grid available as determined in accordance with Section 23 and Appendix L at the start of the Day-Ahead Market to support EDAM Transfers, including the assessment of any applicable charges."

⁷ Appendix C to DAME-EDAM tariff, Part A.8.

⁸ DAME-EDAM tariff at Section 33.27 and Appendix C to DAME-EDAM tariff, Part A.

map those schedules to a generation aggregation point as opposed to modeling the transaction as if it were supported by a physical resource located directly at the intertie.⁹

In its comments, WPTF raises concerns about eliminating intertie bidding at CAISO interties that become EDAM internal interties.¹⁰ WPTF points to the need to undertake several steps in the scheduling process to deliver energy to the CAISO grid, including scheduling power into the EDAM area and then arranging for transmission service through the EDAM Entity's balancing authority area to the CAISO interface. WPTF complains the use of self-schedules for these transactions requires an entity to accept prevailing market prices as opposed to managing congestion risk using economic bids. WPTF states these issues have only surfaced over the last few months.

The current process of intertie bidding for scheduling coordinators at the CAISO's boundary is a multi-step process that includes submitting bids in the CAISO's market processes, securing sufficient transmission external to the CAISO, securing energy to support the intertie schedule, and submitting E-tags to document the flow of energy. The EDAM design accepted by the Commission includes measures that will support parties who wish to continue to participate in the market and schedule transactions without certainty as to the source of the

⁹ August 22, 2023 transmittal letter in ER23-2686 at 178-179.

¹⁰ WPTF Comments at 3-9.

transaction closer to real-time. Those changes, however, were part of the EDAM Acceptance Order issued in late 2023.¹¹

EDAM also will settle physical resources within the EDAM area that support transfers between participating balancing authority areas. To this end, scheduling coordinators that have sourced their supply from a physical resource can manage exposure to congestion through economic bidding. WPTF acknowledges that intertie bidding either through the submission of an economic bid or a self-schedule at the CAISO boundary will continue at interfaces with non-EDAM Entity areas. Indeed, EDAM Entities will not join the market all at once. For this reason, the CAISO will continue to support intertie bidding at interfaces with non-EDAM balancing authority areas for the foreseeable future, which establishes a natural transition for market participants to make necessary adjustments. The CAISO commits to continue answering questions and offering additional training as necessary to ensure market participants are prepared to do so.

The CAISO's proposed tariff revisions in this proceeding further enhance this natural transition by allowing for intertie bidding to support resource adequacy contracts or renewable portfolio standard contracts at CAISO interfaces that are EDAM internal interties as well as continuing to use SP-Tie modeling at CAISO interfaces with non-EDAM balancing authority areas.¹² These

¹¹ August 22, 2023 transmittal letter in ER23-2686 at 155-160; EDAM Acceptance Order at PP 223-240.

¹² Without these changes, the accepted EDAM framework will take effect upon EDAM go-live, which does not support intertie bidding at EDAM internal interties and deploys GAP-Tie modeling for CAISO interfaces with non-EDAM area.

measures recognize existing commercial arrangements that have relied on CAISO interfaces that will become EDAM internal interties for scheduling purposes. They also maintain the *status quo* for scheduling and pricing at CAISO interfaces with non-EDAM areas. The Commission should accept these tariff revisions because they advance an orderly transition to the EDAM design, even if they sacrifice a more optimal dispatch during the transition.¹³

B. Dispatching and settling physical resources within the EDAM area will enhance market efficiency and reliability.

EDAM creates the opportunity for more efficient and reliable operations across the Western interconnection through optimized unit commitment in the day-ahead timeframe and the ability to share resource capability and load diversity in real-time based economics and transmission constraints. Together, participating balancing authorities in the Western Interconnection can achieve financial savings through economic displacement of high-cost resources and ride through extreme conditions by making sure available capacity in one part of the EDAM area can support load in another part of the EDAM area through transfers at EDAM internal interties. The Western Energy Imbalance Market (WEIM) has shown these mutual benefits since 2014.¹⁴ Clearing physical resource schedules

¹³ The CAISO's proposed tariff revisions need not be an optimal set of terms and conditions but only within a zone of reasonableness. *Calpine Corp. v. California Independent System Operator Corp.*, 128 FERC ¶ 61,271, at P 41 (2009) (citations omitted). See also *New England Power Co.*, 52 FERC ¶ 61,090, at 61,336 (1990), *aff'd*, *Town of Norwood v. FERC*, 962 F.2d 20 (D.C. Cir. 1992) (rate design proposed need not be perfect, it merely needs to be just and reasonable) (citing *Cities of Bethany, et al. v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (utility needs to establish that its proposed rate design is reasonable, not that it is superior to all alternatives)).

¹⁴ WEIM Benefits Report fourth Quarter of 2025: <https://www.westernenergymarkets.com/documents/iso-western-energy-imbalance-market-benefits-report-q4-2025.pdf>

economically across the EDAM in the day-ahead timeframe enhances financial and reliability benefits the market will yield. This is the case because in the day-ahead timeframe the market can better understand resource economics and transmission and resource constraints across a forward twenty-four-hour operating day rather than only a real-time market horizon. This look-ahead provides the ability to leverage economic energy across the operating day and make necessary changes based on resource limits to ensure reliability across the entire operating day.

In its comments, WPTF argues that eliminating intertie bidding at CAISO interfaces that are EDAM internal interties poses threats to reliability and efficiency. WPTF asserts intertie bidding at CAISO interfaces has supported CAISO load and load in external balancing authority areas. WPTF overlooks the improvements the EDAM design makes to modeling and pricing intertie transactions at CAISO interfaces. Today, the market treats these intertie transactions as if a physical resource or load were located at the CAISO interface with another balancing authority area. This modeling convention does not capture congestion impacts or power flows as accurately as the accepted EDAM framework, which can match transfers between participating balancing authority area with physical dispatches of resources within the EDAM area at the same time. In this way, EDAM will enhance reliability and its design still allow market

participants to deliver energy at CAISO interfaces that are EDAM internal interties.

In its comments, WPTF states that CAISO's proposed approach to transfers at EDAM internal interties seems to prohibit a market participant seeking to import energy to the CAISO from submitting an intertie bid at a CAISO intertie that has become an EDAM internal intertie without wheeling through an EDAM balancing authority area system.¹⁵ Contrary to WPTF's suggestion, import transactions into the CAISO must be backed by physical supply and external transmission. This is true today and will remain true under the EDAM design. Virtual bidding at the CAISO interties was eliminated in 2011 to address concerns of manipulation.¹⁶ The market also does not support implicit virtual bidding, which is the practice of submitting bids in the day-ahead market solely to buy back the day-ahead schedule in the real-time market. The CAISO has implemented mechanisms to discourage this manipulative behavior.¹⁷

To import energy into the CAISO, a scheduling coordinator needs to source supply either from a balancing authority area adjacent to the CAISO or from another balancing authority connected by transmission. In either case, the scheduling coordinator for the transaction needs to secure transmission from the adjacent balancing authority to wheel the supply out of that balancing authority area or wheel through the adjacent balancing authority area. The CAISO does not require a scheduling coordinator to submit an E-tag reflecting external

¹⁵ WPTF Comments at 6.

¹⁶ *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,087 (2013).

¹⁷ CAISO tariff section 11.32.

transmission when submitting the intertie bid because parties may procure transmission in support of their transactions after the day-ahead timeframe. Nevertheless, all intertie bids submitted in the day-ahead - if cleared - must be deliverable, which means there will be a transmission path that includes wheels through other balancing authority areas to support that import.

The EDAM follows the same logic. Under the EDAM design, a scheduling coordinator needs to secure supply to support a transfer into the CAISO either from a balancing authority area adjacent to the CAISO or from another balancing authority connected by transmission. In either case, the scheduling coordinator for the transactions needs to secure transmission from the adjacent balancing authority to wheel the supply out of the adjacent balancing authority area or through the adjacent balancing authority area. What changes in EDAM is that the market can model and price transfers between EDAM balancing authority areas and WEIM balancing authority areas.

From a market efficiency and power flow perspective, these transfers are superior to import or export schedules at CAISO interfaces because they result from the optimization, dispatch, and settlement of physical resources at the same time the transfers occur. What WPTF seeks to perpetuate is to allow intertie bids at CAISO internal interties within the market footprint without identifying the physical source of those transactions. Today, absent identifying the physical resource or load supporting the import or export, the market does not have the visibility into which resources or load supports an import or export schedule, which can result in a less accurate assessment of congestion impacts and power

flows. Under EDAM, not modeling the power flow and potential congestion impacts of supply wheeling through an EDAM balancing authority leads to less accurate price formation in the day-ahead market and larger imbalance settlements when the more accurate power flow and E-tags are available in the real-time market. For all these reasons, the Commission should reject WPTF's arguments, which exceed the scope of the tariff revisions in this proceeding.

C. The CAISO will engage with stakeholders to discuss intertie modeling and scheduling under EDAM and support a successful implementation.

In its tariff filing, the CAISO committed to facilitate a stakeholder discussion to address the need for and the duration of the transitional scheduling practices as well as the implications of GAP-Tie modeling at CAISO interfaces with non-EDAM balancing authority areas. The CAISO will hold public meetings starting this month and facilitate robust discussion with stakeholders on these topics that will include an explanation of the EDAM design objectives as well as the objectives of market participants that seek to maintain the benefits associated with current intertie bidding rules.

In its comments, WPTF asks the Commission to caution the CAISO that it will only accept the proposed transitional measure in this filing to avoid greater harm given the limited facts and circumstances in this proceeding. WPTF also asks the Commission to urge CAISO to move forward promptly with its efforts to implement a long-term solution to the treatment of schedules at EDAM internal interties.

The Commission need not urge the CAISO to move forward promptly with efforts to implement a long-term solution for the treatment of schedules at EDAM internal interties. The CAISO has already scheduled a stakeholder meeting on March 18, 2026 to start these discussions.¹⁸ The Commission should allow those stakeholder discussions to advance without directing their outcome and should encourage WPTF and its members to participate in that stakeholder process so that their perspectives can be considered holistically. The CAISO will continue to support prospective EDAM entities, market participants, and all stakeholders as DAME and EDAM implementation moves forward, including finding approaches to ensure the market design will support efficient and reliable operations and meet the interests of its constituents.

III. Conclusion

The CAISO appreciates the work and efforts of the Commission, perspective EDAM entities, market participants, and all stakeholders to ensure a successful implantation of DAME and EDAM. The tariff revisions submitted in this proceeding support implementation in a way that recognizes market participant concerns as well as the tapestry of commercial practice in the West. For the reasons explained in its February 6, 2026 tariff filing and this answer, the CAISO respectfully requests that the Commission issue an order accepting the tariff revisions in this filing by April 8, 2026, and authorize the CAISO to make them

¹⁸ See CAISO calendar: <https://www.caiso.com/meetings-events/calendar>

effective upon seven days' notice.

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Dated: March 9, 2026

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 9th day of March 2026.

/s/ Ariana Rebancos

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