

November 14, 2024

The Honorable Debbie-Anne A. Reese
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20246

**Re: California Independent System Operator Corporation
Docket No. ER25-____-000**

**Tariff Amendment to Implement EDAM Access Charge in the
CAISO Balancing Authority Area**

Dear Secretary Reese:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment to implement the Extended Day-Ahead Market (EDAM) Access Charge framework in the CAISO Balancing Authority Area (BAA).¹ The EDAM tariff provisions previously accepted by the Commission allow balancing areas across the Western United States to participate in a day-ahead market.² They will support optimal day-ahead commitment of a geographically diverse set of resources across an expanded market area, maximizing the use of available transmission capability and providing broad reliability, economic, and environmental benefits to customers across the West.

As explained in the proceedings underlying acceptance of the EDAM tariff, participating in EDAM will not affect the transmission costs of transmission service providers in EDAM balancing areas, but it may affect the allocation of revenues received by transmission service providers based on the market's use

¹ The CAISO submits this filing pursuant to Section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d, and Part 35 of the Commission's regulations, 18 C.F.R. Part 35. Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff, and references herein to specific tariff sections are references to sections of the CAISO tariff unless otherwise specified.

² *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 (2023) (accepting the majority of the provisions of Section 33) ("December 20 Order"); *Cal. Indep. Sys. Operator Corp.*, 187 FERC ¶ 61,154 (2024) (accepting the final provision, Section 33.26, to establish the framework of the EDAM Access Charge) ("June 11 Order").

of their systems.³ To avoid unintended cost shifts between existing customers of EDAM transmission service providers, the Commission accepted the EDAM access charge framework.⁴ The EDAM access charge framework, consistent with Commission policy, justly and reasonably allocates costs among those customers who historically paid and benefited from transmission service and those customers who will pay and benefit as a result of the change to transmission service under EDAM.⁵

In this submission, the CAISO seeks approval of the revisions necessary to implement the EDAM access charge framework within its own balancing authority when the CAISO begins participating in the EDAM. Specifically, the CAISO proposes to add a new Section 26.2 to its tariff to allow the CAISO to (1) include eligible EDAM Recoverable Revenue in the EDAM Access Charges,⁶ (2) enables the Participating Transmission Owners in the CAISO BAA to establish EDAM Recoverable Revenue,⁷ and (3) specify the manner by which EDAM Access Charges assessed to the CAISO BAA will be sub-allocated within the

³ The CAISO uses the term “transmission service provider” and “transmission owner” interchangeably in this filing. The CAISO tariff term EDAM Transmission Service Provider is synonymous the term “transmission owner” as it may be understood and applied in the context of transmission ratemaking procedures administered by the Commission. That defined term, however, does not include the Participating Transmission Owners in the CAISO Balancing Authority Area. See, e.g., Approved Tariff, App. B.33 (setting forth the agreement through which an entity becomes an EDAM Transmission Service Provider). A Participating Transmission Owner in the CAISO Balancing Authority is an entity akin to an EDAM Transmission Service Provider, as both a “transmission owner” in the context of transmission ratemaking procedures administered by the Commission and a “transmission provider” in the context of making its facilities available to support day-ahead transactions optimized through the EDAM.

⁴ See June 11 Order at P 38 (“We agree with CAISO and commenters that the EDAM access charge is a just and reasonable mechanism to avoid unintended cost shifts among ratepayer.”).

⁵ *Id.* (“We thus find that it is reasonable for voluntary EDAM participants to pay an EDAM access charge because they benefit from the use of the unscheduled transmission capacity that EDAM transmission owners make available to EDAM, which facilitates EDAM transfers and, in turn, the market efficiency benefits that those transfers provide.”).

⁶ Compare Approved Section 33.26.1 (providing the framework for the EDAM Access Charge) with Proposed Section 26.2.1 (implementing the framework for the EDAM Access Charge in the CAISO BAA).

⁷ Compare Approved Section 33.26.2 (providing the framework for EDAM Recoverable Revenue) with Proposed Section 26.2.2 (implementing the framework for the EDAM Recoverable Revenue for each Participating Transmission Owner in the CAISO Balancing Authority Area). The CAISO uses the defined term, “Participating Transmission Owner,” in this filing to reduce unnecessary acronyms in this transmittal letter. See Existing Appendix A, “Participating Transmission Owner.” In common reference, a Participating Transmission Owner may also be described as a “Participating TO” or a “PTO.” *Id.*

CAISO BAA.⁸ In addition, the CAISO proposes a minor administrative revision to Section 33.26.⁹

The proposed tariff provisions to implement the EDAM Access Charge in the CAISO BAA are just and reasonable because they support transmission service provider cost recovery, mitigate cost shifts among transmission service provider customers, and allocate the assigned costs at least roughly commensurate with expected benefits. The CAISO requests that the Commission issue an order by February 20, 2025 to allow the CAISO to continue its timely implementation of EDAM and to make the proposed changes effective May 1, 2026, the CAISO's intended go-live date for EDAM, subject to notification.¹⁰

I. Background

A. The EDAM Access Charge Proposal in the August 22 Filing

The CAISO's August 22, 2023 filing in Docket No. ER23-2686 contained a large set of tariff revisions to implement both day-ahead market enhancements and EDAM. These tariff revisions allow participants in the existing Western Energy Imbalance Market (WEIM) to choose voluntarily to join EDAM and settle all balancing area loads and resources in the day-ahead timeframe in addition to all imbalances between day-ahead positions and the real-time market.¹¹

⁸ Compare Approved Section 33.26.3 (providing the framework to assess the EDAM Access Charge to each EDAM BAA) with Proposed Section 26.2.3 (implementing the framework for the EDAM Access Charges assessed to the CAISO BAA to be sub-allocated to the Scheduling Coordinators in the CAISO BAA).

⁹ See Approved Section 33.26 (directing the CAISO to revise Section 26 to implement the EDAM Access Charge in its own balancing authority). Through this submission, the CAISO proposes to delete this language to avoid any confusion that such task is complete.

¹⁰ To allow the May 1, 2026 effective date, the CAISO respectfully requests waiver of the Commission's notice requirement in 18 C.F.R. §35.3. Granting such waiver is consistent with the waiver the Commission granted for other EDAM tariff provisions in the December 20 Order, consistent with the approach in the June 11 Order. The CAISO has included an effective date of 12/31/9998 as part of the tariff records submitted in this filing. The CAISO will notify the Commission of the actual effective date of these tariff records within five business days of implementation in an eTariff submittal using Type of Filing code 150 – Report. The CAISO will ensure alignment of all EDAM-related effective dates under the Commission's directives to provide notice of the actual effective dates within five business days after implementation through an eTariff submittal using Type of Filing code 150 – Report.

¹¹ An overview of the EDAM design provided is provided at pages 2-5 and 12-23 of the transmittal letter for the August 22 Filing. See Transmittal Letter, Docket No. ER23-2686 (August 22, 2023) ("Transmittal letter for the August 22 Filing"). An EDAM Entity is a balancing authority (other than the CAISO) that enters into an EDAM Addendum to EIM Entity Agreement with the CAISO (see existing tariff appendix B.27) to enable the operation of the day-ahead market in addition to the real-time market in the EDAM entity balancing area. See Approved Tariff

Relevant to this filing, the CAISO explained that although participation by balancing areas in EDAM will not affect the costs of transmission service providers in those balancing areas, releasing transmission to the EDAM markets may affect those transmission providers' cost recovery under their existing tariffs because they could forgo some transmission sales established in their going-forward rate cases as a result of joining EDAM. Stakeholders, EDAM transmission service providers and local regulators raised concerns that changes to transmission service provider revenue recovery due to participation in EDAM could result in unexpected downstream cost shifts for ratepayers.¹²

To avoid misallocating or shifting recovery of costs when transmission service providers participate in EDAM, the CAISO proposed the EDAM access charge.¹³ The CAISO designed the EDAM access charge so eligible revenue shortfalls of one EDAM balancing area could be recovered from the other EDAM balancing areas.¹⁴ Under the originally proposed design, the CAISO assesses the CAISO EDAM Access Charge to the CAISO, and it is comprised of the amounts of eligible EDAM Recoverable Revenue for other EDAM Entity Balancing Authority Areas. Likewise, the CAISO assesses the EDAM Entity Access Charge to the EDAM Entities, and it is comprised of the amounts of eligible EDAM Recoverable Revenue inclusive of the EDAM Recoverable Revenue for the CAISO Balancing Authority Area.

The CAISO stated it designed the EDAM access charge to allow transmission service providers to recover three components:

Appendix A, "EDAM Entity." The CAISO is included in the group of entities referred to as the "Balancing Authority Areas in the EDAM Area." An EDAM Transmission Service Provider is an EDAM Entity or other party that (1) owns transmission or has transmission service rights on an EDAM intertie or within an EDAM entity balancing area and provides transmission service, and (2) makes transmission service available for use in the day-ahead market through an EDAM Entity. See Approved Appendix B.33 (setting forth the terms and conditions by which an entity becomes an EDAM Transmission Service Provider). The Participating Transmission Owners in the CAISO are comparable to EDAM Transmission Service Providers but not included in the formal definition of that term.

¹² Transmittal letter for August 22 Filing at 22-23, 180.

¹³ *Id.* at 23, 180-85. Most of the revisions proposed in the August 22 Filing to implement the EDAM access charge were contained in new section 33.26 of the CAISO tariff and the subsections thereto. Additional revisions to implement the EDAM access charge were contained in new tariff sections 33.2.5(F) and 33.11.7, and in the new defined term EDAM Access Charge to be added to appendix A of the tariff. See August 22 Filing at attachments B-1 and B-2.

¹⁴ The CAISO stated that it expected the EDAM access charge amounts to be relatively small at the beginning of EDAM implementation and potentially decline as EDAM transmission owners adjust their rates to reflect recovery of their revenue requirements under a model where they use their transmission assets to support participation in the day-ahead market. The CAISO included projected EDAM access charges in appendix 2 to the EDAM Final Proposal provided in attachment E to the August 22 Filing. Transmittal letter for August 22 Filing at 181.

1. Historical transmission revenues from sales of short-term firm and non-firm transmission products under the transmission service provider's tariff, and for historical wheeling access charge revenues for CAISO transmission owners;
2. A portion of revenues associated with new approved transmission builds (*i.e.*, network upgrade costs) that increase the transfer capability between EDAM balancing areas based on the proportional ratio of historical short-term sales to the overall historical transmission revenues;¹⁵ and
3. Revenues for use of the transmission system when wheeling through transfer volumes in an EDAM balancing area are greater than total import and export transfer volumes for the balancing area.¹⁶

The CAISO explained that recovery of these revenues will compensate transmission service providers for their expected, reduced transmission service revenues under EDAM compared with the revenues they earned prior to participation in EDAM. Due to that participation, EDAM transmission owners are expected to sell fewer short-term firm and non-firm transmission services because such services will be displaced by EDAM efficient energy transfers. In the CAISO, Participating Transmission Owners' Wheeling Access Charge revenues will be displaced by EDAM Transfers at the Scheduling Points that become EDAM Internal Interties, as Wheeling Access Charge revenues are collected only at "Scheduling Points" and will no longer be collected at those Scheduling Points that are re-designated as "EDAM Internal Interties." The CAISO stated it will allocate these costs to gross load across the EDAM area, because load across the EDAM area ultimately and primarily benefits from the optimized transfers that will occur with EDAM participation across the market

¹⁵ The second component also includes "new" transmission capacity made available due to the expiration of legacy Existing Contracts. The CAISO does not expect these amounts to be significant, as explained in the April 12 Transmittal Letter for the revised EDAM Access Charge. See Transmittal Letter, Docket No. ER24-1746 (April 12, 2024) ("Transmittal letter for the April 12 Filing at 16-19). Also, although EDAM alone may not drive transmission facility development, once the additional transmission capacity is available through EDAM participation, the increased transfer capability would potentially benefit participants beyond the balancing area in which the transmission service provider is located and the customers to which the costs would be allocated. *Id.*

¹⁶ Transmittal letter for August 22 Filing at 23, 181-83. Component one and component two relate to transmission services and revenues under existing tariffs, whereas component three looks forward towards the impact of day-ahead schedules and resulting energy transfers between participating balancing areas. This distinction is one reason there should not be overlap. See Transmittal letter for the April 12 Filing at 19-20.

footprint.¹⁷ The CAISO included the proposed EDAM access charge among the individual elements of the EDAM tariff revisions that were severable from each other and from the remaining EDAM elements.¹⁸

Intervenors submitting comments on the August 22 Filing generally supported the EDAM access charge, with some commenters arguing it is critical to EDAM, and others arguing that parties should monitor the EDAM access charge for potential cost shifts. The CAISO filed an answer to address the comments.¹⁹ In particular, the CAISO committed to engage with stakeholders to review the application of the EDAM access charge based on the initial EDAM participants and, based on the results of the review, the CAISO committed to consider, develop, and propose any revisions necessary to ensure the EDAM access charge will be equitable when implemented consistent with its design principles.²⁰ The CAISO renews this commitment and its commitment to undertake the ongoing review process described further in Section II.E of this transmittal letter.

B. The December 20 Order

In the December 20 Order, the Commission accepted the bulk of the EDAM tariff provisions as just and reasonable.²¹ However, the Commission rejected the proposed EDAM access charge without prejudice, finding the CAISO “has not demonstrated that the three components of the EDAM access charge are just and reasonable and not unduly discriminatory or preferential.”²² The Commission stated that “while we are rejecting the EDAM access charge, we do so without prejudice to a future filing in which CAISO provides additional support

¹⁷ *Id.* at 23, 183-84. Allocation to gross load appropriately allocates EDAM transmission costs to those beneficiaries and in proportion to how much they benefit from EDAM and satisfies the principle of allocating costs at least roughly commensurate with estimated benefits.

¹⁸ *Id.* at 26, 181 n.384.

¹⁹ Motion for Leave to Answer and Answer of the California Independent System Operator Corporation to Comments and Limited Protests, Docket No. ER23-2686-000, at 139-42 (Oct. 11, 2023) (October 11 CAISO Answer). As discussed herein, the CAISO also intends to analyze the inputs to the EDAM access charge from both EDAM transmission service providers and CAISO transmission owners prior to the outset of EDAM.

²⁰ *Id.* at 142; see also Motion for Leave to Answer and Answer of PacifiCorp, Docket No. ER23-2686-000, at 3-4 (Oct. 19, 2023).

²¹ As discussed further in Section I.D of this transmittal letter, the December 20 Order also recognized that the CAISO would monitor and review the ongoing performance of components of the EDAM design to ensure they remain just and reasonable, and to work with stakeholders to address any issues that might arise in the course of EDAM implementation.

²² December 20 Order at P 460. The Commission’s description of these three components differs in wording but corresponds to the substance of the three components described above. *Id.* at P 461.

for its proposal.”²³ The Commission directed the CAISO to submit a compliance filing within 60 days to reflect the removal of the EDAM access charge provisions from its tariff.²⁴ On February 16, 2024, the CAISO submitted a compliance filing that included the removal of those provisions as directed in the December 20 Order.

C. June 11 Order EDAM Access Charge Framework Order

Following the issuance of the December 20 Order, the CAISO engaged with stakeholders to refine its proposed tariff rules and refiled its EDAM access charge tariff provisions in the April 12 Filing.²⁵

In its Order issued on June 11, 2024, the Commission accepted the CAISO’s April 12 proposal for a refined EDAM access charge finding it to be just and reasonable and not unduly discriminatory or preferential.²⁶

D. Implementing the EDAM Access Charge in the CAISO BAA

Prior to the December 20 Order, the CAISO proposed a set of tariff revisions to establish participation rules that would enable the CAISO Balancing Authority to participate in EDAM. In its November 13, 2023 submission, the CAISO proposed five severable items to support the CAISO BA’s participation upon EDAM go-live, including calculations for the “EDAM Historical Revenue Recovery” amounts for transmission owners in the CAISO BA.²⁷

The Commission accepted four of the CAISO’s proposals but found the issue of the calculations for EDAM Historical Revenue Recovery was “moot given the Commission’s rejection of CAISO’s proposed EDAM Access Charge Tariff section 33.26 enabling historical revenue recovery in the [December 20 Order].”²⁸ The Commission’s dismissal of the CAISO’s proposal, however, was without prejudice, allowing the CAISO to revisit the issue upon a successful refinement of the framework for the EDAM Access Charge.²⁹

²³ *Id.*

²⁴ *Id.* at PP 465, 519.

²⁵ See June 11 Order, 187 FERC ¶ 61,154 (2024). The June 11 Order accepted the CAISO’s April 12 Filing in Docket No. ER24-1746.

²⁶ June 11 Order at P 37.

²⁷ See Transmittal Letter, Docket No. ER24-379 (Nov. 13, 2023) (describing the elements of the proposals).

²⁸ See *Cal. Indep. Sys. Operator Corp.*, 186 FERC ¶ 61,170, P 26 (2024) (accepting four of the five proposals put forth in the November 13, 2023 proposal) (“March 7 Order”).

²⁹ *Id.*

Following the Commission's acceptance of the refined framework for the EDAM Access Charge in the June 11 Order, the CAISO worked with the stakeholders in the CAISO Balancing Authority Area to revisit its EDAM Historical Revenue Recovery proposal.³⁰ On October 7, 2024, the CAISO held a meeting with stakeholders to discuss implementation of the refined EDAM Access Charge in the CAISO Balancing Authority Area and the specific tariff provisions necessary to implement the refined EDAM Access Charge framework within its own balancing authority. Following the stakeholder call, the CAISO posted a set of revised tariff provisions for stakeholder review and comment on October 10, 2024. The CAISO received stakeholder feedback and incorporated these comments and revisions into a further revised tariff version posted on November 7, 2024. Participating stakeholders expressed general alignment with the CAISO's proposed implementation of the EDAM Access Charge framework within the CAISO Balancing Authority Area.

II. Proposed Tariff Revisions

A. Overview and Purpose of the EDAM Access Charge in the CAISO Balancing Authority Area

The Commission has explained that cost allocation through the EDAM Access Charge satisfies the cost causation principle inherent in the FPA's just and reasonable standard and avoids unintended cost shifts among ratepayers.³¹ For the CAISO Balancing Authority Area, it ensures the Participating Transmission Owners can be compensated for the benefits derived by others from the EDAM market optimization. As additional entities join EDAM, points on the CAISO grid will be transformed from Scheduling Points (at which Wheeling Access Charge revenues were collected) into EDAM Internal Interties (where Wheeling Access Charge revenues will not be collected). If transmission owners join EDAM at the same pace as they have joined the WEIM, then EDAM may see new EDAM participants every year over the course of a decade or longer. The CAISO's proposed implementation of the EDAM Access Charge framework in its own Balancing Authority Area is consistent with the June 11 Order³² and Commission precedent approving measures to mitigate potential cost shifts on both a transitional basis and a permanent basis.³³

³⁰ The stakeholder initiative webpage is available at: <https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/Extended-day-ahead-market-ISO-balancing-authority-area-participation-rules>.

³¹ June 11 Order at P 38.

³² *Id.* at PP 38-42.

³³ See, e.g., *Sw. Power Pool, Inc.*, 177 FERC ¶ 63,021, at P 368 (2018), *aff'd*, 182 FERC ¶ 61,141 (2023) (explaining the Commission "evaluates cost shifts on a case-by-case basis"); *Cal.*

The tariff provisions proposed in this filing ensure that the costs of the EDAM Access Charge are allocated in a manner at least roughly commensurate with the benefits of EDAM participation throughout the CAISO Balancing Authority Area's participation in EDAM, as explained more fully below. The benefits that others will derive from the transmission systems made available to the EDAM by the CAISO's Participating Transmission Owners will be on-going. Likewise, the benefits to load in the CAISO will continue to accrue as EDAM efficiently optimizes day-ahead transactions with support of EDAM Transmission Service provider's transmission systems. The CAISO respectfully requests the Commission accepted its proposed tariff revisions as a just and reasonable means to provide a structure for EDAM participants, including the CAISO, to be assessed a charge that reflects the benefits derived from their use of the transmission systems in the EDAM footprint supporting EDAM transfers.³⁴

B. Proposed Section 26.2.1: CAISO Balancing Authority Area EDAM Recoverable Revenue and EDAM Access Charges

The CAISO Balancing Authority Area's participation in EDAM will not affect the underlying costs of a transmission service provider's facilities, but it may affect the allocation of revenues received for the use of such facilities. Proposed Section 26.2.1 implements the EDAM Access Charge's framework for the CAISO Balancing Authority Area and is consistent with long-standing cost causation principles.³⁵ As the Commission has explained evaluating compliance with the cost causation principle involves "comparing the costs assessed against a party to the burdens imposed or benefits drawn by that party."³⁶ Under proposed Section 26.2.1, the CAISO will assess an EDAM Access Charge³⁷ to recover the "EDAM Recoverable Revenue" for Balancing Authority Areas in the EDAM Area from the other EDAM balancing areas.³⁸ Absent this mechanism,

Indep. Sys. Operator Corp., 111 FERC ¶ 61,337, at PP 2, 21 (2005) (order on rehearing affirming determination in Commission Opinion No. 478 "that abrupt costs shifts have occurred and will continue to occur throughout the [10-year] transition period [for the CAISO's transmission access charge]. Accordingly, Opinion No. 478 found the [CA]ISO proposed cap to be a reasonable interim mechanism to mitigate these cost shifts."); *Midwest Indep. Transmission Sys. Operator*, 128 FERC ¶ 61,190, at PP 5, 21 (2009) (finding that permanent methodology for calculating charges for operating and tariff administration costs "will eliminate potential cost shifts to high load factor customers that could occur under the existing methodology").

³⁴ See, e.g., June 11 Order at PP 38-42 (accepting the EDAM Access Charge framework).

³⁵ Such rates must "reflect to some degree the costs actually caused by the customer who must pay them." *KN Energy, Inc. v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992).

³⁶ See, e.g., June 11 Order at P 38 (citing court precedent).

³⁷ See Approved Tariff Appendix A, "EDAM Access Charge."

³⁸ Approved Sections 33.2.5(K), 33.11.7, 33.26, and 33.26.1.

Participating Transmission Owners in the CAISO Balancing Authority Area would be denied the reasonable opportunity for cost recovery made available to other EDAM Transmission Service Providers.³⁹ Accepting proposed Section 26.2.1 strengthens the framework for the EDAM access charge and is consistent with the approved cost allocation methodology.⁴⁰

In Proposed Section 26.2.1.1, the CAISO clarifies that the determination of the EDAM Access Charges for the other EDAM Entity Balancing Authority Areas will include a portion of the EDAM Recoverable Revenue for the CAISO Balancing Authority.⁴¹ The EDAM Recoverable Revenues associated with the Participating Transmission Owners in the CAISO BAA, as well as the associated true-up amounts, will be included as part of the EDAM Access Charge \$/MWh specific to each EDAM Entity Balancing Authority Area.⁴² The EDAM Access Charges assessed to entities other than the CAISO are referred to as the “EDAM Entity EDAM Access Charges.” The CAISO will credit revenues from the EDAM Entity Access Charges to the Participating Transmission Owners in the CAISO BAA.⁴³ Like EDAM Transmission Service Providers, the Participating Transmission Owners in the CAISO BAA will also conduct an annual EDAM Access Charge true-up process.⁴⁴ This proposed section is consistent with the Commission’s approved cost allocation methodology because it ensures the EDAM Entity Balancing Authority Areas compensate the transmission owners in the CAISO Balancing Authority Area when benefiting from the use of their systems.

³⁹ See, e.g., Approved Section 33.26.3 (allowing for recovery of the EDAM Transmission Service Provider EDAM Recoverable Revenue from the Balancing Authority Areas in the EDAM Area); see e.g., Proposed Section 26.2.1.1 (allowing for this same treatment for Participating Transmission Owners, entities similarly situated to EDAM Transmission Service Providers); Proposed Section 26.2.1.2 (allowing for EDAM Transmission Service Providers EDAM Recoverable Revenue to be included in the CAISO EDAM Access Charge).

⁴⁰ See June 11 Order at PP 38-42 (explaining that the EDAM access charge framework is consistent with a “beneficiary pays” cost allocation methodology).

⁴¹ Approved Section 33.26.1 instructs the CAISO to derive a \$/MWh charge for each Balancing Authority Area in the EDAM Area. Compare Approved Section 33.26.1 (directing inclusion of amounts for EDAM Transmission Service Providers) with Proposed Section 26.2.1.1 (ensuring inclusion of Participating Transmission Owners, entities comparable to EDAM Transmission Service Providers).

⁴² See Proposed Section 26.2.1.1.

⁴³ See Proposed Section 26.2.2 (“The CAISO will distribute amounts received through the EDAM Entity EDAM Access Charges to each individual Participating Transmission Owner based on its [proportionate share].”).

⁴⁴ Compare Approved Section 33.26.1.1 (directing EDAM Transmission Service Providers to perform the necessary true-up calculations) with Proposed Section 26.2.1.1 (ensuring Participating Transmission Owners, entities comparable to EDAM Transmission Service Providers, also perform the necessary true-up calculations).

In Proposed Section 26.2.1.2, the CAISO clarifies that the determination of the EDAM Access Charges for the CAISO Balancing Authority Area will include a portion of the EDAM Recoverable Revenue for the other EDAM Entity Balancing Authority Areas.⁴⁵ The CAISO will include EDAM Recoverable Revenues associated with the EDAM Transmission Service Providers in the EDAM Entity Balancing Authority Areas, as well as the associated true-up amounts, as part of the EDAM Access Charge \$/MWh specific to the CAISO Balancing Authority Area.⁴⁶ The CAISO refers to EDAM Access Charges assessed to the CAISO as “CAISO EDAM Access Charges,” with such charges proportionally allocated to the Scheduling Coordinators for Gross Load in the CAISO Balancing Authority Area.⁴⁷ This proposed section is consistent with the Commission’s approved cost allocation methodology because it ensures the CAISO Balancing Authority Area compensates the transmission owners in the EDAM Entity Balancing Authority Areas when benefiting from the use of their systems.

C. Proposed Section 26.2.2: Calculating EDAM Recoverable Revenue for the CAISO Balancing Authority Area

As the CAISO explained in its prior submissions, EDAM Recoverable Revenue addresses the potential effect on the allocation of revenues a transmission owner receives after the balancing area begins participation in EDAM. Proposed Section 26.2.2 sets out a three-component rate structure to enable each Participating Transmission Owner in the CAISO Balancing Authority Area to establish its EDAM Recoverable Revenue requirement that, when aggregated, will comprise the EDAM Recoverable Revenue for the CAISO Balancing Authority Area.⁴⁸

⁴⁵ Compare Section 33.26.1 (“To assess the EDAM Access Charge consistent with Section 33.26.3, the CAISO will derive a rate in \$/MWh specific to each EDAM Entity Balancing Authority Area) with Proposed Section 26.2.1.2 (clarifying that the EDAM Access Charge will also be assessed to the CAISO Balancing Authority Area). The CAISO Balancing Authority is not otherwise captured in the definition of an “EDAM Entity.” See Approved Tariff Appendix A, “EDAM Entity.”

⁴⁶ See Proposed Section 26.2.1.2.

⁴⁷ *Id.* (“CAISO EDAM Access Charges will be proportionality allocated to Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area, as further described in Section 26.2.3”). As explained below in the discussion of proposed Section 26.2.3, any imbalance between the assessed CAISO EDAM Access Charge and the amounts collected from Scheduling Coordinators in the CAISO Balancing Authority Area will be reflected as debits or credits in the annual EDAM Access Charge true-up. See *infra* discussion and proposed Section 26.2.3.

⁴⁸ Compare Accepted Section 33.26.2 (establishing a three-component framework for EDAM Recoverable Revenue) with Proposed Section 26.2.2 (implementing the three-component framework through by enabling each Participating Transmission Owner to establish an EDAM Recoverable Revenue requirement within its existing Transmission Revenue Requirement).

The tariff revisions proposed in Section 26.2.2 are within the zone of reasonableness and will yield a just and reasonable end result. It is well-established that “regulated utilities are entitled to a reasonable opportunity to recover their prudently incurred costs” under the FPA.⁴⁹ Proposed Section 26.2.2 provides such a right to the Participating Transmission Owners in the CAISO Balancing Authority Area.⁵⁰ In Order No. 1000, the Commission recognized that one of the principles for regional and interregional cost allocation by public utilities is that the “cost of transmission facilities must be allocated to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits.”⁵¹ In the June 11 Order, the Commission found that the first, second, and third components of the framework EDAM access charge are just and reasonable because they “help to ensure that the EDAM access charge is assessed in a manner that is at least roughly proportionate to the benefit” that each Balancing Authority Area in the EDAM Area receives.”⁵² The three-component structure set forth in proposed Section 26.2.2 tracks the framework’s previously approved, just and reasonable path,⁵³ because it ensures the EDAM Recoverable Revenue for the CAISO Balancing Authority Area is within the zone of reasonableness and roughly commensurate with the estimated benefits derived by the other EDAM Entity Balancing Authority Areas when the transmission systems of the Participating Transmission Owners in the CAISO Balancing Authority Area support EDAM Transfers.⁵⁴

Proposed Section 26.2.2 sets forth a process by which each Participating Transmission Owner may include an “EDAM Recoverable Revenue requirement”

⁴⁹ *Cal. Indep. Sys. Operator Corp.*, 182 FERC ¶ 61,067, at P 29 n.39 (2023) (citing *FPC v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944)). See also *ISO New Eng. Inc.*, 172 FERC ¶ 61,251, at P 23 (2020) (stating that “[u]nder standard ratemaking principles, it is well-established that . . . regulated companies must have a reasonable opportunity to recover their costs”); *Cent. Me. Power Co.*, 128 FERC ¶ 61,143, at P 36 (2009) (rejecting tariff interpretation that would result in “a transmission owner . . . be[ing] denied the opportunity to recover its legitimate costs”).

⁵⁰ See Proposed Section 26.2.2 (“The CAISO will determine the EDAM Recoverable Revenue for the CAISO Balancing Authority Area based on the aggregate EDAM Recoverable Revenue requirements of each Participating Transmission Owner in the CAISO Balancing Authority Area, with such aggregate amount included as part of the calculation of the EDAM Entity EDAM Access Charges consistent with Sections 26.2.1.1 and 33.26.1.”).

⁵¹ *Transmission Planning & Cost Allocation by Transmission Owning & Operating Pub. Utils.*, Order No. 1000, 136 FERC ¶ 61,051, at P 622 (2011) (Order No. 1000).

⁵² June 11 Order at P 41.

⁵³ See, e.g., *id.* at P 38 (finding the framework to be just and reasonable).

⁵⁴ See *id.* at PP 39-41 (evaluating each of the three-component parts and determining that each individual component is just and reasonable and not unduly discriminatory or preferential in the context of the EDAM transmission framework).

within its existing Transmission Revenue Requirement.⁵⁵ The EDAM Recoverable Revenue requirement will be included as part of the Participating Transmission Owner's High Voltage Transmission Revenue Requirement,⁵⁶ unless the Participating Transmission Owner demonstrates that a portion of its EDAM Recoverable Revenue requirement is associated with local facilities recoverable through its Low Voltage Transmission Revenue Requirement.⁵⁷ Both the High Voltage Transmission Revenue Requirement (also referred to as the Regional Transmission Revenue Requirement) and the Low Voltage Transmission Revenue Requirement (also referred to as the Local Transmission Revenue Requirement) are components of the Participating Transmission Owner's FERC-approved formula rate. By following the processes and procedures in the CAISO's business practice manuals, the CAISO and each Participating Transmission Owner will collaborate to review the data for each of the three component parts, with the Participating Transmission Owner completing the inputs through its individual formula rate processes and in accordance with its individual formula rate protocol and review process. In other words, these inputs will be based on rate formulas and components that have already received the requisite regulatory review.⁵⁸ The Participating Transmission Owner will provide the finalized inputs for each of the three components of its EDAM Recoverable Revenue requirement to the CAISO, with the CAISO aggregating these amounts to form the EDAM Recoverable Revenue Requirement for the CAISO BAA. This collaborative process is intended to

⁵⁵ A Participating Transmission Owner's "Transmission Revenue Requirement" means "the total annual authorized revenue requirements associated with (1) transmission facilities and Entitlements turned over to the Operational Control of the CAISO by a Participating TO or (2) transmission facilities that are not yet in operation, but have been approved under Section 24 and assigned to an Approved Project Sponsor." See Appendix A, "Transmission Revenue Requirement." The Transmission Revenue Requirement of a Participating Transmission Owner includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be received. *Id.*

⁵⁶ Inclusion within the Transmission Revenue Requirement ensures that the costs are allocated to the appropriate beneficiary but prevents any Participating Transmission Owner from recovering more than the sum of its total approved cost of service. In most cases, it will be appropriate to include such amounts in the High Voltage Transmission Revenue Requirement. See Existing Appendix A, "High Voltage Transmission Revenue Requirement" and "Regional Transmission Revenue Requirement."

⁵⁷ See Proposed Section 26.2.2. In some cases it may be appropriate to include such amounts in the Low Voltage Transmission Revenue Requirement. See Existing Appendix A, "Low Voltage Transmission Revenue Requirement" and "Local Transmission Revenue Requirement".

⁵⁸ For avoidance of doubt, the EDAM Recoverable Revenue requirements for the Participating Transmission Owners will also be made available as part of the supporting documentation that will be maintained on the EDAM Access Charge documentation on the CAISO Website. See, e.g., Section 33.26.4 ("The CAISO will maintain on its Website each EDAM Access Charge, including the rate, the Gross Load, and the total eligible recovery amount in that Balancing Authority Area.").

provide sufficient review, assessment, and transparency for the component inputs for EDAM Recoverable Revenue for the CAISO BAA.

1. First Component of EDAM Recoverable Revenue in the CAISO BAA

Component 1 of the of the CAISO's implementation of EDAM Recoverable Revenue in its Balancing Authority Area both avoids cost shifts and reflects the benefits that accrue to the EDAM participants when the transmission facilities of its Participating Transmission Owners support EDAM Transfers as an incremental service over the status quo.⁵⁹ Thus, this historical based component is consistent with the Commission's cost-causation precedent in a manner that is just and reasonable and not unduly discriminatory or preferential.⁶⁰

Component 1 functions like the stated rates long accepted by the Commission: it determines historical costs and revenues and establishes a baseline for providing cost recovery. Under the approved framework, EDAM transmission owners may include in component 1 only those shortfalls expected to result from transitioning from bilateral transmission service to day-ahead market service.⁶¹ For EDAM transmission owners, their component 1 revenues include potential shortfalls associated with expected revenues from sales of hourly non-firm point-to-point, daily non-firm point-to-point, weekly non-firm point-to-point, monthly non-firm point-to-point, hourly firm point-to-point, daily firm point-to-point, weekly firm point-to-point, and monthly firm point-to-point transmission service.⁶² However, transportation service in the CAISO is different; these specific types of transmission services do not exist in the CAISO.

To implement this framework in its own BAA, the CAISO worked with its stakeholders to establish a component 1 framework that extends the opportunity offered to EDAM transmission owners to its Participating Transmission Owners. As explained in the April 12 filing, for EDAM transmission owners, component 1 is intended to capture an approximation of the transmission services displaced by EDAM transfers.⁶³ In the CAISO BAA, this displacement occurs when a "Scheduling Point"⁶⁴ at the CAISO boundaries evolves into an "EDAM Internal

⁵⁹ See June 11 Order at P 39 (finding that Component 1 of the framework was a just, reasonable, and not unduly discriminatory method to avoid cost shifts and reflect benefits).

⁶⁰ *Id.* (finding that the component 1 design satisfied the Commission's Section 205 standard).

⁶¹ *Id.*

⁶² Approved Section 33.26.2.1 and subsections thereto.

⁶³ See Transmittal letter to April 12 Filing at 15-16.

⁶⁴ Scheduling Points are those locations at which Scheduling Coordinators may submit Intertie Bids in the CAISO Markets. See Existing Tariff Appendix A, "Scheduling Point."

Intertie.”⁶⁵ Historically, each Participating Transmission Owner has collected Wheeling Access Charge revenues for the transactions that occur at Scheduling Points. When such Scheduling Points become EDAM Internal Interties, the Wheeling Access Charge revenue will no longer accrue.⁶⁶ Proposed Section 26.2.2.1 enables each Participating Transmission Owner to include within component 1 of its EDAM Recoverable Revenue requirement “the appropriate portion of the historical Wheeling Access Charge revenue foregone only for each Scheduling Point that corresponds with an EDAM Internal Intertie.”⁶⁷ Each Participating Transmission Owner can include these fixed amounts as component 1 of its EDAM Recoverable Revenue requirement, with such component subject to true up consistent with the EDAM Access Charge framework.⁶⁸

The aggregate component 1 amounts for each Participating Transmission Owner will constitute the component 1 EDAM Recoverable Revenue for the CAISO Balancing Authority Area.⁶⁹ Consistent with the approved framework for EDAM Recoverable Revenue, the CAISO proposes a component 1 limit at the balancing authority level.⁷⁰ For an EDAM transmission owner, component 1 is limited to the product of its projected component 1 EDAM Recoverable Revenue in relation to its export ratio.⁷¹ This limit recognizes that an EDAM transmission owner will continue to transact in transmission products after transitioning to EDAM, and by including the “projected Component 1 EDAM Recoverable

⁶⁵ EDAM Internal Interties are those points of interconnection between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area. See Approved Tariff Appendix A, “EDAM Internal Intertie.”

⁶⁶ See, e.g., Existing Section 26.1.4 (providing that Wheeling transactions are charged the applicable Wheeling Access Charge for the total monthly transactions at each Scheduling Point).

⁶⁷ See Proposed Section 26.2.2.1. The CAISO, in collaboration with the individual transmission owners, will review the historical data and prepare a historical annual average of Wheeling Access Charge revenues for the three years leading up to its EDAM participation for the applicable Scheduling Points. The CAISO will specify such implementation details in its business practice manuals. See, e.g., Proposed Section 26.2.2 (directing the Participating Transmission Owner to follow the processes and procedures set forth in the CAISO’s business practice manuals to coordinate the EDAM Recoverable Revenue requirement as part of the existing processes for coordination of the Transmission Revenue Requirement).

⁶⁸ See Approved Section 33.26.1.2 (providing that “The CAISO will include the true-up amount, positive or negative, as an adjustment to the following year’s EDAM Access Charge.”).

⁶⁹ See Proposed Section 26.2.2 (“The CAISO will determine the EDAM Recoverable Revenue for the CAISO Balancing Authority Area based on the aggregate EDAM Recoverable Revenue requirements of each Participating Transmission Owner in the CAISO Balancing Authority Area, with such aggregate amount included as part of the calculation of the EDAM Entity EDAM Access Charges consistent with Sections 26.2.1.1 and 33.26.1.”).

⁷⁰ See Proposed Section 26.2.2.1.2.

⁷¹ See Approved Section 33.26.2.1.2.

Revenue” in the equation the framework accommodates the continued sale of existing products under an EDAM transmission owner’s Open Access Transmission Tariff.⁷² In contrast, Participating Transmission Owners in the CAISO BAA will no longer recover Wheeling Access Charge revenues at the points that become EDAM Internal Interties. Likewise, Participating Transmission Owners do not operate under an Open Access Transmission Tariff that provides options for sales of additional transmission products. Accordingly, to implement the framework’s limit on component 1 revenue within the CAISO BAA, the CAISO proposes that the limit equation use the “Wheeling Access Charge revenue at the Scheduling Points associated with the CAISO Controlled Grid” as the equivalent of the limit equation established for the EDAM transmission owners. The CAISO’s proposed limit on component 1 of the EDAM Recoverable Revenue for the CAISO BAA reflects the unique situation of the Participating Transmission Owners. Scheduling Points associated with the CAISO Controlled Grid do not include EDAM Internal Interties and include only those transmission lines and associated facilities of the Participating Transmission Owner placed under the CAISO’s Operational Control.⁷³ The CAISO intends this to be equivalent to the component 1 limit in the EDAM Recoverable Revenue framework, has scoped it to avoid cost shifts, and has tailored the mechanism to reflect the benefits that accrue to EDAM participants when the transmission facilities of the CAISO’s Participating Transmission Owners support EDAM Transfers.⁷⁴ The export ratio for the CAISO BAA’s component 1 limit is the same as the export ratio of the framework.⁷⁵

The CAISO respectfully requests the Commission accept its implementation of component 1 as a just and reasonable and not unduly discriminatory or preferential solution in the context of the EDAM access charge framework.

2. Second Component of EDAM Recoverable Revenue in the CAISO BAA

Like component 1, component 2 of the CAISO’s implementation of EDAM Recoverable Revenue in its Balancing Authority Area avoids cost shifts and

⁷² See, e.g., Approved Section 33.26.2.1.2 and Transmittal letter to the April 12 Filing at Attachment C.

⁷³ See Existing Appendix A, “CAISO Controlled Grid”.

⁷⁴ See Approved Section 33.26.2.1.2.

⁷⁵ Compare Approved Section 33.26.2.1.2 (“(b) the percentage resulting from dividing exports from its EDAM Balancing Authority Area to the EDAM Area by total exports from the EDAM Balancing Authority Area”) with Proposed Section 26.2.2.1.2 (“(b) the percentage resulting from dividing exports from the CAISO Balancing Authority Area to the EDAM Area by the total exports from the CAISO Balancing Authority Area.”).

reflects the benefits that accrue to the EDAM participants when the transmission facilities of its Participating Transmission Owners support EDAM Transfers as an incremental service over the status quo.⁷⁶ In this manner, this historical based component is consistent with the Commission's cost-causation precedent and is just and reasonable and not unduly discriminatory or preferential.⁷⁷

In the June 11 Order, the Commission acknowledged the necessary and important scope of component 2, explaining that without component 2:

there would be no mechanism to account for foregone revenue from sales of short-term firm and non-firm point-to-point transmission service using new network upgrades that increase transfer capability among EDAM BAAs or transmission capacity made available from expired legacy contracts, even though such new capacity may be made available for use in EDAM and thus provide benefits to EDAM participants.⁷⁸

The second component of the EDAM Recoverable Revenue framework enables EDAM transmission owners to recover a portion of historical costs that would not appear in component 1, but whose cost recovery EDAM affects.⁷⁹ An EDAM transmission owner's component 2 includes amounts associated with new facility upgrades and rights arising due to expiration of legacy contracts.⁸⁰

To implement this framework in its own BAA, the CAISO worked with its stakeholders to establish a component 2 framework that extends the opportunity offered to EDAM transmission owners to its Participating Transmission Owners. Proposed Section 26.2.2.2 allows each Participating Transmission Owner to include within component 2 of its EDAM Recoverable Revenue requirement "the appropriate portion of costs resulting from reduced revenues associated with the release of transmission from Existing Contracts or forgone transmission sales on certain new Upgrades."⁸¹ Each Participating Transmission Owner will include

⁷⁶ See June 11 Order at P 39 (finding that Component 1 of the framework was a just, reasonable, and not unduly discriminatory method to avoid cost shifts and reflect benefits).

⁷⁷ *Id.* (finding that the component 1 design satisfied the Commission's Section 205 standard).

⁷⁸ *Id.* P 39.

⁷⁹ Approved Section 33.26.2.2.

⁸⁰ Approved Section 33.26.2.2.2. Legacy contracts are contracts that pre-date the EDAM transmission service provider's tariff or not otherwise governed by the terms of the tariff. Although there are few such contracts and they encumber relatively little transmission capacity, when they expire, the transmission they encumbered would be made available to EDAM

⁸¹ See Proposed Section 26.2.2.2. The CAISO, in collaboration with the individual transmission owners, will review the historical data and work in collaboration with the Participating Transmission Owners following the coordination and implementation details in its business practice manuals. See,

these amounts as component 2 of its EDAM Recoverable Revenue requirement, with such component subject to true up consistent with the EDAM Access Charge framework.⁸²

Consistent with the approved EDAM Recoverable Revenue framework design, the CAISO's proposed component 2 does not allow a shifting of all of a Participating Transmission Owner's eligible new Upgrade costs or expiring Existing Contracts.⁸³ The framework design only allows inclusion of a percentage of the projected revenue⁸⁴ from the qualifying Upgrade equivalent to the ratio of (a) historical Wheeling Access Charge revenue for the CAISO Balancing Authority Area⁸⁵ to (b) the total Transmission Revenue Requirements for the CAISO Balancing Authority Area.⁸⁶ Likewise, the framework design only allows inclusion of a portion of the benefits associated with expiring Existing Contracts.⁸⁷ Using the ratio of historical Wheeling Access Charge revenue to Transmission Revenue Requirements for the CAISO Balancing Authority Area to compute the limit of component 2 is consistent with the approved framework design and serves as a just and reasonable proxy for determining the extent to which any new Upgrades or transmission capacity made available from a Participating Transmission Owner's upgrades could benefit the larger EDAM footprint. The ratio of prior short-term sales (*i.e.*, Wheeling Access Charge revenues) to the total revenue requirement protects the EDAM Entities from the possibility of an over-allocation of costs.

Limiting the allocation of component 2 costs through this ratio is just and reasonable and consistent with implementation of the approved EDAM access charge framework. The CAISO will not be the regional transmission planner in the EDAM area; it neither determines nor approves new upgrades outside of the

e.g., Proposed Section 26.2.2 (directing the Participating Transmission Owner to follow the processes and procedures set forth in the CAISO's business practice manuals to coordinate the EDAM Recoverable Revenue requirement as part of the existing processes for coordination of the Transmission Revenue Requirement).

⁸² See Approved Section 33.26.1.2 (providing that "The CAISO will include the true-up amount, positive or negative, as an adjustment to the following year's EDAM Access Charge.").

⁸³ *Id.*

⁸⁴ In other words, the EDAM access charge can only include projected revenues associated with approved new transmission costs.

⁸⁵ *I.e.*, those described in the discussion of the first component above.

⁸⁶ See Proposed Section 26.2.2.2.2.

⁸⁷ See Approved Section 33.26.2.2.1; Transmittal letter to the April 12 Filing at 16-19.

CAISO balancing authority area.⁸⁸ The CAISO will not plan its system to serve the needs of the EDAM and, thus, including a disproportionate share of the upgrade costs in component 2 would be unjustified. Where EDAM benefits from the capability made available by Participating Transmission Owners as a result of expiring Existing Contracts or new Upgrades, then it is just, reasonable, and consistent with cost-causation principles to include such amounts in component 2 of the EDAM Recoverable Revenue requirements for the CAISO's Participating Transmission Owners.⁸⁹ Absent component 2, transmission customers within other EDAM Entity Balancing Authority Areas could freely utilize and benefit from the expiring Existing Contracts and new Upgrades of the CAISO's Participating Transmission Owners, resulting in an undue shifting of costs that would be inconsistent with the FPA. The CAISO's proposed implementation of component 2 will strengthen protection of the other EDAM Entity Balancing Authority Areas by ensuring they contribute only those costs that are at least roughly commensurate with the benefits they receive.

The CAISO respectfully requests the Commission accept its implementation of component 2 as a just and reasonable and not unduly discriminatory or preferential solution in the context of the EDAM access charge framework.

3. Third Component of EDAM Recoverable Revenue in the CAISO BAA

Unlike the first and second components, which utilize historical methodologies to determine the benefits accruing to the other EDAM Balancing Authority Areas, the third component of EDAM Recoverable Revenue captures benefits that are "distinct from and supplemental to those reflected in the first and second components."⁹⁰ Specifically, the third component's design captures the increase in the volume of transactions wheeling through the CAISO Balancing Authority Area after it begins participation in EDAM. It is just and reasonable to account for such revenues within the EDAM Recoverable Revenue of each Participating Transmission Owner because it will ensure the other EDAM Balancing Authority Areas "pay a charge [that] reflects their use of the transmission system in the EDAM footprint to support EDAM transfers."⁹¹ Proposed Section 26.2.2.3 satisfies the cost causation principle inherent in the

⁸⁸ See Transmittal letter to April 12 Filing at 17-18 (explaining that each EDAM Entity will continue to plan its own transmission system and the CAISO will continue to plan the transmission system for the CAISO BAA).

⁸⁹ Component 2 inclusion is only permissible upon meeting the established thresholds set forth in the framework, see Approved Section 33.26.2.2. The CAISO has reflected these thresholds in its proposed Section 26.2.2.2.

⁹⁰ June 11 Order at P 40.

⁹¹ *Id.*

FPA's just and reasonable standard and avoids unintended cost shifts among ratepayers.

In the June 11 Order, the Commission recognized how component 3 completes the EDAM Recoverable Revenue structure framed by components 1 and 2, explaining that:

While the first and second components encompass forgone sales of short-term and non-firm transmission service and, as such, historical transfers between BAAs (including wheeling through transactions), the third component will capture the increase in wheeling through transfers that is expected to occur with EDAM implementation.⁹²

This third component ensures transmission owners are compensated for the flows of energy across the West when the efficient optimizations resulting from EDAM begin. Providing a means for a transmission owner to recover the portion of costs reflecting benefits under optimized use of the transmission system to support EDAM transfers was a key component of the EDAM access charge framework.⁹³

To implement this framework in its own BAA, the CAISO worked with its stakeholders to establish a component 3 framework that extends the opportunity offered to EDAM transmission owners to its Participating Transmission Owners. Proposed Section 26.2.2.3 allows each Participating Transmission Owner to include amounts within component 3 of its EDAM Recoverable Revenue requirement “in periods where the total volume of EDAM wheeling-through transactions exceeds the total net transfers (imports and exports) of the CAISO Balancing Authority Area.”⁹⁴ In periods where this excess occurs, the Participating Transmission Owner, will be compensated for the transmission use that supports the excess wheeling at the applicable Wheeling Access Charge rate, which is equivalent to the EDAM transmission service provider’s non-firm hourly point-to-point transmission rate.⁹⁵ This component allocates costs based on benefits distinct from and supplemental to the first and second components: transmission facilities supporting excess EDAM wheeling transactions through the CAISO Balancing Authority Area.

⁹² *Id.*

⁹³ *Id.*; see also Transmittal letter to the April 12 Filing at 19-20.

⁹⁴ Proposed Section 26.2.2.3.

⁹⁵ Compare Approved Section 33.26.2.3 (providing for EDAM transmission service provider’s non-firm hourly point-to-point transmission rate) with Proposed Section 26.2.2.3 (providing for the applicable Wheeling Access Charge).

As explained in the April 12 filing, component 3 also helps balance the impact of transmission usage patterns among balancing areas in the EDAM area.⁹⁶ Some Participating Transmission Owners may experience relatively more wheeling through transfers across their systems than other transmission providers because they are located in the center of, or between several, other EDAM Entities. As such, EDAM flows may cross through their system significantly, but to serve load in other transmission owner's systems.⁹⁷ Component three ensures equitable treatment for the CAISO's Participating Transmission Owners that are equally obligated to make their transmission system available to support EDAM transfers according to the CAISO tariff.

The CAISO respectfully requests the Commission accept its proposed implementation of component 3 as a just and reasonable and not unduly discriminatory or preferential solution in the context of the EDAM access charge framework.

D. Allocating EDAM Access Charges Assessed to the CAISO Balancing Authority Area

In the April 12 filing the CAISO explained how, in its role as market operator, it will utilize the EDAM Recoverable Revenue amounts of the applicable entities to compute a \$/MWh rate specific to each EDAM balancing area.⁹⁸ Under this structure, the CAISO's EDAM Access Charge is comprised of an apportionment of the EDAM Recoverable Revenue amounts for the other EDAM Entity Balancing Authority Areas.⁹⁹ The CAISO determines the portion of such EDAM Recoverable Revenue included in the CAISO EDAM Access Charge by using the framework's Gross Load allocator.¹⁰⁰

As a Balancing Authority Area in the EDAM Area, the CAISO BAA may be assessed an EDAM Access Charge under the design's framework in an amount that is roughly commensurate to the benefits derived by the CAISO Balancing Authority Area from the transmission systems of others that are made available

⁹⁶ See Transmittal letter to the April 12 Filing at 19-20.

⁹⁷ For example, the CAISO has reported on quarterly net wheeling through WEIM balancing areas in its Western Energy Imbalance Market Benefits Report, available on the Western EIM website at <https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>.

⁹⁸ Approved Section 33.26.1.1.

⁹⁹ See Approved Section 33.26.3 and Proposed Section 26.2.1.2.

¹⁰⁰ See Approved Section 33.26.3 and Proposed Section 26.2.1.2.

through the EDAM.¹⁰¹ Any EDAM Access Charges assessed to the CAISO will be further sub-allocated to Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area.¹⁰² Each Scheduling Coordinator's proportional allocation of CAISO EDAM Access Charges will be based on its share of represented Gross Load in relation to the total Gross Load represented in the CAISO Balancing Authority Area.¹⁰³ The CAISO will credit back EDAM Access Charge revenue received from Scheduling Coordinators in the CAISO Balancing Authority Area to the EDAM Entity Balancing Authority Areas consistent with the EDAM Access Charge framework.¹⁰⁴ Any difference between EDAM Access Charges assessed to the CAISO Balancing Authority Area and the revenues received from Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area will be reflected as debits or credits in the annual true-up of EDAM Access Charges.¹⁰⁵

Sub-allocating the CAISO EDAM Access Charges to Scheduling Coordinators based on their share of represented Gross Load is consistent with the EDAM framework. As explained in the CAISO's April 12 filing, each EDAM access charge will recover the projected recoverable revenue shortfalls for the EDAM balancing areas outside the balancing area for that access charge and not assessed its own EDAM Recoverable Revenue amounts.¹⁰⁶ Under this structure, the CAISO Balancing Authority Area will be assessed an EDAM Access Charge for the EDAM Recoverable Revenue of other transmission providers outside the CAISO Balancing Authority Area. In this way, the CAISO EDAM Access Charge is similar in nature to the CAISO's regional access charge and wheeling access charge that are assessed to load under the existing tariff.¹⁰⁷ Sub-allocating the CAISO EDAM Access Charges to Scheduling Coordinators for Gross Load in the CAISO Balancing Authority Area appropriately allocates EDAM transmission costs to those beneficiaries in proportion to how much they benefit from EDAM. Thus, it satisfies the principle of allocating costs at least roughly commensurate with estimated benefits. Moreover, because the CAISO

¹⁰¹ See e.g., Approved Sections 33.26.1 and 33.26.3 (providing the manner in which the CAISO Balancing Authority Area is assessed the EDAM Access Charge comprised of EDAM Recoverable Revenue for the EDAM Entity Balancing Authority Areas).

¹⁰² See Proposed Section 26.2.3.

¹⁰³ *Id.*

¹⁰⁴ See Approved Section 33.26.3 and Proposed Sections 26.2.1.2 and 26.2.3.

¹⁰⁵ See Approved Sections 33.26.1.2 and 33.26.3; see also Proposed Section 26.2.3.

¹⁰⁶ See Transmittal letter to the April 12 Filing at 12-14.

¹⁰⁷ See Existing Section 26, *et seq.* and Appendix F, existing schedule 3.

generally use Gross Load figures the data is readily available and understandable.¹⁰⁸

E. Rate Structure Transparency

As explained in the April 12 tariff amendment filing, all documentation for the EDAM Access Charge calculations must be provided to the CAISO on an annual July 1 cycle.¹⁰⁹ The CAISO will then publish on the CAISO website all documentation provided, allowing market participants to review the documentation for sufficiency and accuracy. In addition, Participating Transmission Owners in the CAISO BAA will incorporate such information as part of their individual formula rate update or revenue requirement processes. At a minimum, Participating Transmission Owners will provide documentation to support the sums for its EDAM Recoverable Revenue requirement and true-up.¹¹⁰ All data must be sufficiently granular to enable verification of the EDAM access charge rates by the CAISO and market participants.¹¹¹ The CAISO may include other requirements in the EDAM business practice manual to aid consistent approaches within the tariff requirements, and to ensure third parties have sufficient documentation to review and verify the inputs to the EDAM access charges.

The CAISO nonetheless recognizes its implementation of the EDAM Access Charge in its own Balancing Authority Area may require enhancements over time. Accordingly, the CAISO intends to review the impacts of the EDAM Access Charge and the EDAM Recoverable Revenue for the CAISO Balancing Authority Area, every year. Where adjustments are necessary to maintain just and reasonable cost allocations, the CAISO will pursue such adjustments consistent with the commitments the CAISO made in August 22 Filing to monitor and review the ongoing performance of components of the EDAM design and to consult with stakeholders as needed.¹¹²

¹⁰⁸ See, e.g., Existing Section 11.11.3 (providing obligations for reporting Gross Load to the CAISO).

¹⁰⁹ Approved Section 33.26.4.

¹¹⁰ The CAISO intends to include the required authorized attestation form in the course of its updates to the business practice manuals. See, e.g., Approved Section 33.26.4 (requiring transmission owners provide an authorized attestation supporting the amounts included in EDAM Recoverable Revenue, in addition to other documentation requirements).

¹¹¹ *Id.*

¹¹² See, e.g., Approved Section 33.26.6; Transmittal letter to the April 12 filing at 24-25 (explaining the holistic review of the EDAM access charge that will be taken as part of ongoing monitoring).

Further, the CAISO plans to develop a comprehensive report on performance of the EDAM Access Charge based on the first three years of operation. The CAISO will engage with its Participating Transmission Owners, EDAM transmission owners, and stakeholders to review the effectiveness of the EDAM framework and the implementation in the CAISO Balancing Authority Area, as necessary. The CAISO will publish any report on the CAISO's website and include, without limitation, an explanation of the impacts of the EDAM Access Charge on Participating Transmission Owner's EDAM Recoverable Revenue requirements; the performance of the EDAM Access Charge in managing cost shifts among customers; and analysis by the CAISO of any other impacts or externalities.¹¹³

III. Effective Date and Request for Waiver

The CAISO requests the Commission issue an Order by February 20, 2025 accepting the tariff provisions to implement the EDAM Access Charge framework in the CAISO Balancing Authority Area effective May 1, 2026, the CAISO's intended go-live date for EDAM. The CAISO respectfully requests waiver of the Commission's 120-day notice requirement to permit the requested May 1, 2026 effective date.¹¹⁴ Good cause exists to grant the requested waiver, because it allows the CAISO to achieve substantial efficiencies in its implementation activities. For these reasons, the Commission should grant the requested waiver.¹¹⁵

Recognizing the actual implementation date of some rule changes can depend on variables that are not fully predictable in advance and additional time may be needed to implement some market rule changes, the CAISO further requests authorization to inform the Commission of the actual effective date of the proposed May 1, 2026 tariff changes through a subsequent filing within five business days following their implementation.¹¹⁶

¹¹³ *Id.*

¹¹⁴ Specifically, pursuant to section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, the CAISO respectfully requests waiver of the notice requirement in section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1), to allow the tariff revisions described above to go into effect more than 120 days after submittal of this filing.

¹¹⁵ The only distinction between the request here and the request made in the August 22 Filing and granted by the December 20 Order is the timeframe within which the order has been requested.

¹¹⁶ The CAISO has included an effective date of 12/31/9998 as part of the tariff records submitted in this filing. The CAISO will notify the Commission of the actual effective date of these tariff records within five business days of implementation in an eTariff submittal using Type of Filing code 150 – Report. This will also allow the CAISO to ensure a consistent effective date across EDAM tariff revisions requested in different dockets.

IV. Severability

Recognizing the novel nature of the EDAM Access Charge, the CAISO proposes in this filing that each of the three EDAM access charge components be severable from each other.¹¹⁷ The severable nature of the EDAM access charge components does not suggest the components taken separately or collectively are unjust or unreasonable. As the Commission found in the June 11 Order, each element individually and all three components taken together appropriately align costs with benefits and are just and reasonable as explained in the June 11 Order. The justness and reasonableness of each component does not depend on the justness and reasonableness of the other components.

V. Communications

Under Rule 203(b)(3),¹¹⁸ the CAISO respectfully requests that all correspondence and other communications about this filing be served upon:

Heather Curlee
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 963-0654
Fax: (916) 608-7222
hcurlee@caiso.com

VI. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

¹¹⁷ See *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108 (D.C. Cir. 2017).

¹¹⁸ 18 C.F.R. § 385.203(b)(3).

VII. Contents of this Filing

Besides this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets to implement this tariff amendment
Attachment B	Redlined CAISO tariff sheets to implement this tariff amendment

VIII. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept this tariff amendment effective as of the dates specified herein.

Respectfully submitted,

/s/ Heather Curlee

Roger E. Collanton

General Counsel

John C. Anders

Deputy General Counsel

Heather Curlee

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Counsel for the California Independent
System Operator Corporation

Attachment A – Clean Tariff

Tariff Amendment – EDAM Access Charge in the CAISO BAA

California Independent System Operator Corporation

November 14, 2024

Section 26

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26.2 CAISO Balancing Authority Area EDAM Recoverable Revenue and EDAM Access Charges

EDAM Recoverable Revenue for the CAISO Balancing Authority Area will be calculated as provided in Section 26.2.2 and allocated proportionally to EDAM Entity Balancing Authority Areas through the EDAM Entity EDAM Access Charge consistent with Section 33.26. EDAM Entity EDAM Access Charges assessed in accordance with Section 33.26 will include a proportional share of the EDAM Recoverable Revenue for the CAISO Balancing Authority Area, as provided in Section 26.2.1.1. CAISO EDAM Access Charges assessed in accordance with Section 33.26 will include the CAISO Balancing Authority Area's proportional share of EDAM Recoverable Revenue for EDAM Entity Balancing Authority Areas, as provided in Section 26.2.1.2.

26.2.1 CAISO Participation as a Balancing Authority Area in the EDAM Area

26.2.1.1 When deriving the EDAM Access Charge \$/MWh rates for each EDAM Entity Balancing Authority Area in the manner provided for in Section 33.26.1.1, the CAISO will also include a proportional share of the EDAM Recoverable Revenue for the CAISO Balancing Authority Area, including true-up consistent with Section 33.26.1.2, when assessing EDAM Entity EDAM Access Charges in accordance with Section 33.26.3. Calculation of EDAM Recoverable Revenue for the CAISO Balancing Authority Area is further described in Section 26.2.2.

26.2.1.2 When deriving the EDAM Access Charge \$/MWh rates for the CAISO Balancing Authority Area in the manner provided for in Section 33.26.1.1, the CAISO will include the CAISO Balancing Authority Area's proportional share of EDAM Recoverable Revenue for each EDAM Entity Balancing Authority Area, including any associated true-ups as provided in Section 33.26.1.2, but will not include the EDAM Recoverable Revenue for the CAISO Balancing Authority Area when assessing the CAISO EDAM Access Charges in accordance with Section 33.26.3. CAISO EDAM

Access Charges will be proportionality allocated to Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area, as further described in Section 26.2.3.

26.2.2 Calculation of EDAM Recoverable Revenue for the CAISO Balancing Authority Area

The CAISO will determine the EDAM Recoverable Revenue for the CAISO Balancing Authority Area based on the aggregate EDAM Recoverable Revenue requirements of each Participating Transmission Owner in the CAISO Balancing Authority Area, with such aggregate amount included as part of the calculation of the EDAM Entity EDAM Access Charges consistent with Sections 26.2.1.1 and 33.26.1. Following the process and procedures in the Business Practice Manual, each Participating Transmission Owner recovering EDAM Recoverable Revenue must include its associated EDAM Recoverable Revenue requirement within its High Voltage Transmission Revenue Requirement, unless the Participating Transmission Owner demonstrates that a portion of its EDAM Recoverable Revenue requirement is associated with local facilities recoverable through its Low Voltage Transmission Revenue Requirement. The CAISO will distribute amounts received through the EDAM Entity EDAM Access Charges to each individual Participating Transmission Owner based on its individual portion of the EDAM Recoverable Revenue requirement in relation to the EDAM Recoverable Revenue requirements for all Participating Transmission Owners in the CAISO Balancing Authority Area, with each Participating Transmission Owner performing a true-up of its EDAM Recoverable Revenue requirement in the course of calculating the next year's EDAM Access Charges, consistent with Section 33.26.1.2.

26.2.2.1 Participating Transmission Owner EDAM Recoverable Revenue Requirement Component 1

Each Participating Transmission Owner may include the appropriate portion of the historical Wheeling Access Charge revenue foregone only for each Scheduling Point that corresponds with an EDAM Internal Intertie as component 1 of its EDAM Recoverable

Revenue requirement in the manner further detailed in Section 33.26.2.1.1 and sub-sections set forth below.

26.2.2.1.1 Each Participating Transmission Owner will calculate component 1 of its EDAM Recoverable Revenue requirement in the manner set forth in Section 33.26.2.1.1 based on the historical annual average of Wheeling Access Charge revenues for the three years leading up to its EDAM participation. Component 1 will include such Wheeling Access Charge revenues the Participating Transmission Owner reasonably expects to forgo at each Scheduling Point that corresponds with an EDAM Internal Intertie. Each Participating Transmission Owner's component 1 will be fixed for purposes of calculating the EDAM Recoverable Revenue for the CAISO Balancing Authority Area's participation, as provided in Section 33.26.2.1.1.

26.2.2.1.2 Consistent with Section 33.26.2.1.2, component 1 EDAM Recoverable Revenue for the CAISO Balancing Authority Area will be limited to not exceed the product of (a) the Wheeling Access Charge revenue at the Scheduling Points associated with the CAISO-Controlled Grid and (b) the percentage resulting from dividing exports from the CAISO Balancing Authority Area to the EDAM Area by the total exports from the CAISO Balancing Authority Area. If the component 1 EDAM Recoverable Revenue for the CAISO Balancing Authority Area would otherwise exceed this limit, then each Participating Transmission Owner will reduce its individual component 1 EDAM Recoverable Revenue to allow the CAISO Balancing Authority Area to meet the limit. Any such reduction in component 1 EDAM Recoverable Revenue will be calculated in proportion to the share of an individual Participating Transmission Owner's EDAM Recoverable Revenue requirement in relation to the EDAM Recoverable Revenue requirements for all Participating Transmission Owners in the CAISO Balancing Authority Area, following the processes and procedures in the Business Practice Manual.

26.2.2.2 Participating Transmission Owner EDAM Recoverable Revenue

Requirement Component 2

Each Participating Transmission Owner may include the appropriate portion of costs resulting from reduced revenues associated with the release of transmission from Existing Contracts or forgone transmission sales on certain new Upgrades as component 2 of its EDAM Recoverable Revenue requirement in the manner further detailed in Section 33.26.2.2.1 and sub-sections set forth below.

26.2.2.2.1 A Participating Transmission Owner with Existing Contracts will calculate its component 2 EDAM Recoverable Revenue requirement to include those revenue shortfalls associated with the release of transmission capacity resulting from expiring Existing Contracts that were not included in component 1, subject to the limitations set forth in Section 33.26.2.2.1. For each Existing Contract that is expiring, the Participating Transmission Owner will calculate the amounts to be included in component 2 of its EDAM Recoverable Revenue requirement in accordance with Section 33.26.2.2.1.

26.2.2.2.2 A Participating Transmission Owner with new Upgrades will calculate its component 2 EDAM Recoverable Revenue requirement to include those revenue shortfalls associated with the facilities that (a) are energized after the CAISO Balancing Authority Area begins participation in EDAM; (b) increase transfer capability between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area, in the manner described in Section 33.26.2.2.2; and (c) otherwise meet the requirements of Section 33.26.2.2.2. For each new Upgrade, the Participating Transmission Owner will calculate the amounts to be included in component 2 of its EDAM Recoverable Revenue requirement in accordance with Section 33.26.2.2.2. A Participating Transmission Owner will utilize, as a proxy historical baseline for new Upgrades when establishing component 2 for the first year, the ratio of (a) historical Wheeling Access Charge revenue for the CAISO Balancing Authority Area to (b) total Transmission

Revenue Requirements for the CAISO Balancing Authority Area. After the first year the new Upgrade is included in the EDAM Access Charge, the Participating Transmission Owner will true-up actual forgone revenues to projected forgone revenues in the following year's calculations of component 2 EDAM Recoverable Revenue requirement based on the proxy baseline, consistent with Section 33.26.2.2.2.

26.2.2.3 Participating Transmission Owner EDAM Recoverable Revenue

Requirement Component 3

As provided in Section 33.26.2.3, in periods where the total volume of EDAM wheeling-through transactions exceeds the total net transfers (imports and exports) of the CAISO Balancing Authority Area, the CAISO will calculate the component 3 EDAM Recoverable Revenue for each Participating Transmission Owner by multiplying (a) its share of the excess volume, based on its individual Transmission Revenue Requirement in relation to the total Transmission Revenue Requirements for the CAISO Balancing Authority Area, by (b) the applicable Wheeling Access Charge rate. Each Participating Transmission Owner may include component 3 revenues as part of its EDAM Recoverable Revenue requirement, consistent with Section 33.26.2.3.

26.2.3 CAISO EDAM Access Charges

Any EDAM Entity Access Charges assessed to the CAISO Balancing Authority Area in accordance with Sections 26.2.1.2 and 33.26.3 will be sub-allocated to Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area through the CAISO EDAM Access Charge. Each Scheduling Coordinator's proportional allocation of CAISO EDAM Access Charges will be based on its share of represented Gross Load in relation to the total Gross Load represented in the CAISO Balancing Authority Area during the assessment period. CAISO EDAM Access Charge revenue will be credited to EDAM Entity Balancing Authority Areas in the manner set forth in Section 33.26.3. Any difference between the amount of CAISO EDAM Access Charges and revenues will be reflected as debits or credits in the annual true-up, as provided in Section 33.26.1.2.

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Section 33

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33.26 Historical Revenue Recovery And Charges

Access Charges for Day-Ahead Market transactions serving Load within the CAISO Balancing Authority Area that use the CAISO Controlled Grid are governed by Section 26. Transmission service charges for Day-Ahead Market transactions serving Load within an EDAM Entity Balancing Authority Area are governed by the applicable EDAM Transmission Service Provider tariff. Transmission service charges for Day-Ahead Market transactions supported by EDAM Transfers are addressed in this Section 33.26. Transmission service charges for Real-Time Market transactions are governed by Section 11, Section 26, or Section 29.26, as applicable.

Attachment B – Marked Tariff

Tariff Amendment – EDAM Access Charge in the CAISO BAA

California Independent System Operator Corporation

November 14, 2024

Section 26

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26.2 ~~[Not Used]~~ CAISO Balancing Authority Area EDAM Recoverable Revenue and EDAM Access Charges

EDAM Recoverable Revenue for the CAISO Balancing Authority Area will be calculated as provided in Section 26.2.2 and allocated proportionally to EDAM Entity Balancing Authority Areas through the EDAM Entity EDAM Access Charge consistent with Section 33.26. EDAM Entity EDAM Access Charges assessed in accordance with Section 33.26 will include a proportional share of the EDAM Recoverable Revenue for the CAISO Balancing Authority Area, as provided in Section 26.2.1.1. CAISO EDAM Access Charges assessed in accordance with Section 33.26 will include the CAISO Balancing Authority Area's proportional share of EDAM Recoverable Revenue for EDAM Entity Balancing Authority Areas, as provided in Section 26.2.1.2.

26.2.1 CAISO Participation as a Balancing Authority Area in the EDAM Area

26.2.1.1 When deriving the EDAM Access Charge \$/MWh rates for each EDAM Entity Balancing Authority Area in the manner provided for in Section 33.26.1.1, the CAISO will also include a proportional share of the EDAM Recoverable Revenue for the CAISO Balancing Authority Area, including true-up consistent with Section 33.26.1.2, when assessing EDAM Entity EDAM Access Charges in accordance with Section 33.26.3. Calculation of EDAM Recoverable Revenue for the CAISO Balancing Authority Area is further described in Section 26.2.2.

26.2.1.2 When deriving the EDAM Access Charge \$/MWh rates for the CAISO Balancing Authority Area in the manner provided for in Section 33.26.1.1, the CAISO will include the CAISO Balancing Authority Area's proportional share of EDAM Recoverable Revenue for each EDAM Entity Balancing Authority Area, including any associated true-ups as provided in Section 33.26.1.2, but will not include the EDAM Recoverable Revenue for the CAISO Balancing Authority Area when assessing the

CAISO EDAM Access Charges in accordance with Section 33.26.3. CAISO EDAM Access Charges will be proportionality allocated to Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area, as further described in Section 26.2.3.

26.2.2 Calculation of EDAM Recoverable Revenue for the CAISO Balancing Authority Area

The CAISO will determine the EDAM Recoverable Revenue for the CAISO Balancing Authority Area based on the aggregate EDAM Recoverable Revenue requirements of each Participating Transmission Owner in the CAISO Balancing Authority Area, with such aggregate amount included as part of the calculation of the EDAM Entity EDAM Access Charges consistent with Sections 26.2.1.1 and 33.26.1. Following the process and procedures in the Business Practice Manual, each Participating Transmission Owner recovering EDAM Recoverable Revenue must include its associated EDAM Recoverable Revenue requirement within its High Voltage Transmission Revenue Requirement, unless the Participating Transmission Owner demonstrates that a portion of its EDAM Recoverable Revenue requirement is associated with local facilities recoverable through its Low Voltage Transmission Revenue Requirement. The CAISO will distribute amounts received through the EDAM Entity EDAM Access Charges to each individual Participating Transmission Owner based on its individual portion of the EDAM Recoverable Revenue requirement in relation to the EDAM Recoverable Revenue requirements for all Participating Transmission Owners in the CAISO Balancing Authority Area, with each Participating Transmission Owner performing a true-up of its EDAM Recoverable Revenue requirement in the course of calculating the next year's EDAM Access Charges, consistent with Section 33.26.1.2.

26.2.2.1 Participating Transmission Owner EDAM Recoverable Revenue Requirement Component 1

Each Participating Transmission Owner may include the appropriate portion of the historical Wheeling Access Charge revenue foregone only for each Scheduling Point that corresponds with an EDAM Internal Intertie as component 1 of its EDAM Recoverable

Revenue requirement in the manner further detailed in Section 33.26.2.1.1 and sub-sections set forth below.

26.2.2.1.1 Each Participating Transmission Owner will calculate component 1 of its EDAM Recoverable Revenue requirement in the manner set forth in Section 33.26.2.1.1 based on the historical annual average of Wheeling Access Charge revenues for the three years leading up to its EDAM participation. Component 1 will include such Wheeling Access Charge revenues the Participating Transmission Owner reasonably expects to forgo at each Scheduling Point that corresponds with an EDAM Internal Intertie. Each Participating Transmission Owner's component 1 will be fixed for purposes of calculating the EDAM Recoverable Revenue for the CAISO Balancing Authority Area's participation, as provided in Section 33.26.2.1.1.

26.2.2.1.2 Consistent with Section 33.26.2.1.2, component 1 EDAM Recoverable Revenue for the CAISO Balancing Authority Area will be limited to not exceed the product of (a) the Wheeling Access Charge revenue at the Scheduling Points associated with the CAISO-Controlled Grid and (b) the percentage resulting from dividing exports from the CAISO Balancing Authority Area to the EDAM Area by the total exports from the CAISO Balancing Authority Area. If the component 1 EDAM Recoverable Revenue for the CAISO Balancing Authority Area would otherwise exceed this limit, then each Participating Transmission Owner will reduce its individual component 1 EDAM Recoverable Revenue to allow the CAISO Balancing Authority Area to meet the limit. Any such reduction in component 1 EDAM Recoverable Revenue will be calculated in proportion to the share of an individual Participating Transmission Owner's EDAM Recoverable Revenue requirement in relation to the EDAM Recoverable Revenue requirements for all Participating Transmission Owners in the CAISO Balancing Authority Area, following the processes and procedures in the Business Practice Manual.

26.2.2.2 Participating Transmission Owner EDAM Recoverable Revenue

Requirement Component 2

Each Participating Transmission Owner may include the appropriate portion of costs resulting from reduced revenues associated with the release of transmission from Existing Contracts or forgone transmission sales on certain new Upgrades as component 2 of its EDAM Recoverable Revenue requirement in the manner further detailed in Section 33.26.2.2.1 and sub-sections set forth below.

26.2.2.2.1 A Participating Transmission Owner with Existing Contracts will
calculate its component 2 EDAM Recoverable Revenue requirement to include those revenue shortfalls associated with the release of transmission capacity resulting from expiring Existing Contracts that were not included in component 1, subject to the limitations set forth in Section 33.26.2.2.1. For each Existing Contract that is expiring, the Participating Transmission Owner will calculate the amounts to be included in component 2 of its EDAM Recoverable Revenue requirement in accordance with Section 33.26.2.2.1.

26.2.2.2.2 A Participating Transmission Owner with new Upgrades will calculate
its component 2 EDAM Recoverable Revenue requirement to include those revenue shortfalls associated with the facilities that (a) are energized after the CAISO Balancing Authority Area begins participation in EDAM; (b) increase transfer capability between the CAISO Balancing Authority Area and an EDAM Entity Balancing Authority Area, in the manner described in Section 33.26.2.2.2; and (c) otherwise meet the requirements of Section 33.26.2.2.2. For each new Upgrade, the Participating Transmission Owner will calculate the amounts to be included in component 2 of its EDAM Recoverable Revenue requirement in accordance with Section 33.26.2.2.2. A Participating Transmission Owner will utilize, as a proxy historical baseline for new Upgrades when establishing component 2 for the first year, the ratio of (a) historical Wheeling Access Charge revenue for the CAISO Balancing Authority Area to (b) total Transmission

Revenue Requirements for the CAISO Balancing Authority Area. After the first year the new Upgrade is included in the EDAM Access Charge, the Participating Transmission Owner will true-up actual forgone revenues to projected forgone revenues in the following year's calculations of component 2 EDAM Recoverable Revenue requirement based on the proxy baseline, consistent with Section 33.26.2.2.2.

26.2.2.3 Participating Transmission Owner EDAM Recoverable Revenue

Requirement Component 3

As provided in Section 33.26.2.3, in periods where the total volume of EDAM wheeling-through transactions exceeds the total net transfers (imports and exports) of the CAISO Balancing Authority Area, the CAISO will calculate the component 3 EDAM Recoverable Revenue for each Participating Transmission Owner by multiplying (a) its share of the excess volume, based on its individual Transmission Revenue Requirement in relation to the total Transmission Revenue Requirements for the CAISO Balancing Authority Area, by (b) the applicable Wheeling Access Charge rate. Each Participating Transmission Owner may include component 3 revenues as part of its EDAM Recoverable Revenue requirement, consistent with Section 33.26.2.3.

26.2.3 CAISO EDAM Access Charges

Any EDAM Entity Access Charges assessed to the CAISO Balancing Authority Area in accordance with Sections 26.2.1.2 and 33.26.3 will be sub-allocated to Scheduling Coordinators representing Gross Load in the CAISO Balancing Authority Area through the CAISO EDAM Access Charge. Each Scheduling Coordinator's proportional allocation of CAISO EDAM Access Charges will be based on its share of represented Gross Load in relation to the total Gross Load represented in the CAISO Balancing Authority Area during the assessment period. CAISO EDAM Access Charge revenue will be credited to EDAM Entity Balancing Authority Areas in the manner set forth in Section 33.26.3. Any difference between the amount of CAISO EDAM Access Charges and revenues will be reflected as debits or credits in the annual true-up, as provided in Section 33.26.1.2.

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Section 33

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33.26 Historical Revenue Recovery And Charges

Access Charges for Day-Ahead Market transactions serving Load within the CAISO Balancing Authority Area that use the CAISO Controlled Grid are governed by Section 26. Transmission service charges for Day-Ahead Market transactions serving Load within an EDAM Entity Balancing Authority Area are governed by the applicable EDAM Transmission Service Provider tariff. Transmission service charges for Day-Ahead Market transactions supported by EDAM Transfers are addressed in this Section 33.26. ~~The CAISO will adopt provisions in Section 26 to implement the EDAM Access Charge that are consistent with the provisions in this Section 33.26.~~ Transmission service charges for Real-Time Market transactions are governed by Section 11, Section 26, or Section 29.26, as applicable.