

# EDAM Congestion Revenue Allocation: Considerations for Durable Enhancements

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# Philosophy and Objectives

- Evolve the allocation of EDAM congestion revenue to be transparent and aligned with actual impacts and prices of modeling power flows on a given transmission segment
- Ensure all EDAM entities are treated similarly and fairly
- Recognize that the CAISO BAA (and the EDAM market) charges for the use of transmission very differently than OATT-based BAA's joining EDAM
- While BAAs joining EDAM should be allowed to continue to sell transmission contract rights, other EDAM entities should not be forced to explicitly or implicitly subsidize such sales
- Provide a framework that both prevents cost-shifts among EDAM transmission providers and sets the stage for entities to eventually migrate (if and when they are ready) from OATT-base transmission sales to a CAISO-like CRR transmission treatment

# The “Old World” of OATT Transmission Compared to the “New World” of EDAM Physical Flow Pricing

- The “Old World” of non-CAISO BAAs (“Endless series of private toll roads”)
  - Sales of Firm and Non-Firm Transmission Open Access Transmission Tariff (OATT) contractual rights
    - No explicit consideration of the actual flows an injection creates on the rest of the grid
    - Can create “loop flows” and other unscheduled flows that effectively use transmission that wasn’t paid for (and may not even belong to the BAA selling the contract right)
    - Creates additional costs to customers: inefficient use of infrastructure; inefficient response to changing real-time conditions; potential to restrict trade;...
- The “New World” in the EDAM (“Interstate highway system”)
  - Efficient use of the grid through EDAM market transactions
    - Transmission allocated based on physics and economics, not contract rights
    - Power flows are fully modeled (considers the grid-wide impact of generation injections and load withdrawals)
    - Congestion (and losses) priced accurately on an hourly basis based on actual grid conditions, total power flows and economic bids from the market, all to produce the lowest total cost to customers
  - Instead of selling OATT rights, the CAISO BAA allocates/auctions rights to the congestion revenue associated with moving power from Point A to Point B (CRRs)
    - This becomes the financial equivalent of holding a transmission contract right without creating the forementioned costs to customers

# The Path Forward

- SCE supports developing a congestion allocation framework based on Option 3 (“Simultaneous Feasibility”)
  - EDAM carefully prices the use of all transmission segments in the footprint
  - Parties that use transmission (anywhere in the grid) need to pay for it, rather than shifting costs to other market participants
- For EDAM BAAs that sell transmission, EDAM should only guarantee congestion revenues for such sales that are “simultaneously feasible” in light of all other (sanctioned) EDAM footprint transactions
  - If done correctly, this protects other EDAM participants from being forced (implicitly) to subsidize transmission sales made without their consent
  - Additional transmission sales should be allowed and may still receive some congestion revenue but there should be no expectation of being “fully funded” from EDAM congestion revenue (or from other EDAM participants)
- Option 3 also allows lays the foundation to allow willing EDAM BAA’s to move away from selling transmission contract rights, and instead to offer CRR financial rights as done by the CAISO today