

**Comments of the  
Western Energy Imbalance Market Body of State Regulators  
on the Extended Day-Ahead Market Draft Final Proposal  
November 22, 2022**

The Western Energy Imbalance Market (“WEIM”) Body of State Regulators (“BOSR”) appreciates the opportunity to submit consensus comments to the California Independent System Operator (“CAISO”) on the Extended Day-Ahead Market (“EDAM”) Draft Final Proposal dated October 31, 2022.<sup>1</sup> The WEIM BOSR is a self-governing, independent body composed of one public utility commissioner from each state in which load-serving regulated utilities participate in the CAISO’s WEIM.<sup>2</sup> This includes the states of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. The BOSR also currently includes two liaisons representing consumer-owned utilities and a liaison representing a federal power marketing administration. One of the BOSR’s responsibilities is to express a common position, where possible, in the CAISO stakeholder processes or to the WEIM Governing Body on WEIM issues.<sup>3</sup>

**The BOSR’s Comments on the Extended Day-Ahead Market Initiative**

The EDAM Draft Final Proposal is the product of a comprehensive, open, and collaborative stakeholder process, and the BOSR applauds the effort of all participants that have dedicated their time and effort to the initiative. The BOSR has taken an incremental approach to submitting comments to the California ISO on the EDAM initiative, providing specific feedback on critical topics of specific interest and concern to the Western states as the components become more fully developed. The BOSR is prepared to offer comments at this time specific to Transmission Availability in the EDAM.

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<sup>1</sup> Extended Day Ahead Market Draft Final Proposal, California ISO (October 31, 2022), available at: <http://www.caiso.com/InitiativeDocuments/RevisedStrawProposal-ExtendedDay-AheadMarket.pdf>

<sup>2</sup> Charter, Energy Imbalance Market Body of State Regulators (revised April 30, 2021) (“BOSR Charter”).

<sup>3</sup> BOSR Charter, Purposes and Responsibilities at 3.

## **1. Pathways for Unscheduled Firm and Conditional Firm Point to Point Transmission**

The BOSR supports the CAISO's proposed three pathways provided to transmission customers to utilize their unscheduled transmission rights in the EDAM. Pathway 1 allows transmission customers to exercise their rights by submitting self-schedules of their firm and conditional firm point to point transmission in the EDAM. Pathway 2 allows transmission customers to release unscheduled firm and conditional firm transmission and make it available for use in the EDAM. Pathway 3 allows transmission rights holders to tentatively make unscheduled firm and conditional firm transmission available in the EDAM while retaining the flexibility of exercising these rights between the day-ahead market and real-time market. The BOSR supports this framework because it maximizes the transmission made available in the EDAM, while providing flexibility that is consistent with existing Open Access Transmission Tariff (OATT) rights. The BOSR believes greater transmission availability in the EDAM will lead to improved day-ahead unit commitment, economically efficient market outcomes, and greater cost savings for EDAM participants and electric utility customers.

Some stakeholders raised concerns that the Pathway 2 Bucket 2 could allow for the exercise of market power when this transmission is needed by a BAA to meet the RSE. The BOSR is interested in more information to determine the extent of this concern, and what measures can be put in place to mitigate against it.

Some stakeholders raised concerns regarding Pathway 3. These stakeholders assert that Pathway 3 conflicts with their existing OATT rights by forcing them to incur re-dispatch costs when they choose to use the rights between the day-ahead and real-time markets. These stakeholders argue that they should have the ability to withhold these transmission rights from use in the EDAM. The BOSR respects the desire of stakeholders to preserve existing OATT rights but is concerned that allowing transmission customers to "carve out" or hold transmission rights out of the market could undermine market efficiency by reducing transmission availability and generator competition and ultimately increasing the overall cost to EDAM participants and electric utility customers.

The BOSR believes the three pathways proposed by the CAISO will result in a competitive and equitable market for all EDAM participants by maximizing the transmission made available in the EDAM, while providing flexibility that is consistent with existing OATT rights.

## **2. Recoverable Transmission Revenue in the EDAM**

The BOSR acknowledges the possibility of transmission rights holders foregoing short-term firm and non-firm transmission revenues by deciding to participate in the EDAM. Transmission providers currently sell short-term firm and non-firm transmission in the bilateral market via their OATT. With the proposed EDAM framework, where all unscheduled and unsold transmission is made available to the market, revenues associated with these transactions are at risk. The BOSR appreciates the CAISO's thoughtful construction of a cost recovery mechanism that will allow transmission providers to recover these foregone transmission revenues. The BOSR believes the proposed historical transmission revenue recovery mechanism will incentivize entities to participate in the EDAM.

The BOSR, however, has concerns with Component 3 of the proposed mechanism. Component 3 provides for recovery of transmission costs associated with wheeling through transactions.

### **Component 3: Recovery of Transmission Costs Associated with EDAM Wheeling Through Transactions**

In its proposal, the CAISO states:

The third component of revenues eligible for transmission revenue recovery through the EDAM is associated with wheels through an EDAM entity's transmission system in excess of the total net imports/exports transfers of the EDAM entity. Some WEIM entities have experienced this situation during certain times of the year. In those situations, the WEIM entity's transmission system supported robust wheels through its system benefiting other WEIM participants, and this scenario could occur in the EDAM as well.

The BOSR is concerned that because wheel-through transactions are already reflected in historical transmission revenues, and foregone revenues associated with these transactions are to be recovered in Component 1 of the proposed revenue recovery mechanism, the proposal to

specifically address these transactions in Component 3 can create double-counting issues. The BOSR recommends the CAISO staff analyze the potential for double recovery of these revenues.

Additionally, the BOSR recommends that the CAISO implement a standardized assessment of the EDAM recoverable revenues calculation as well as the forecasted shortfall by each entity. Each EDAM Entity likely has different accounting methods, therefore, the credibility of the EDAM recoverable transmission revenues for each component should be verified by CAISO. The BOSR believes this step is critical in ensuring the necessary transparency needed to establish an effective incentive mechanism.

Lastly, the BOSR supports the proposal of reviewing and updating the calculation of EDAM recoverable transmission revenues after two years of participation in the EDAM. As the EDAM is implemented, the liquidity of the bilateral market is expected to be reduced and this change should be reviewed and reflected in the cost recovery calculations. The BOSR encourages CAISO to consider an eventual phaseout of the historical transmission revenue recovery through EDAM. As the market matures and the benefits of the EDAM are realized, the need for foregone transmission revenue recovery as an incentive to participation may diminish.

### **Conclusion**

The BOSR supports the three pathways proposed by the CAISO for making unscheduled transmission available in the EDAM. The BOSR supports this framework because it maximizes the transmission made available in the EDAM, while providing flexibility that is consistent with existing OATT rights.

The BOSR also supports the concept of historical transmission revenue recovery through EDAM as financial incentives for market participation. However, the BOSR recommends a re-evaluation of Component 3 to avoid double recovery of transmission revenues associated with wheel-through transactions.

Finally, the BOSR encourages CAISO to consider an eventual phaseout of the historical transmission revenue recovery through EDAM, acknowledging that the benefits of the market will outweigh the potential decrease in transmission revenues as the market matures. The BOSR appreciates the opportunity to provide these comments and looks forward to continued participation in the EDAM initiative.