

192 FERC ¶ 61,196
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: David Rosner, Chairman;
Lindsay S. See and Judy W. Chang.

California Independent System Operator Corporation

Docket No. ER25-2637-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued August 29, 2025)

1. On June 26, 2025, pursuant to section 205 of the Federal Power Act (FPA)¹ and part 35 of the Commission's regulations,² California Independent System Operator Corporation (CAISO) filed proposed revisions to its Open Access Transmission Tariff (Tariff) to revise its methodology for allocating congestion revenue under the Extended Day-Ahead Market (EDAM) design. The proposed revisions modify the allocation of congestion revenues among balancing authority areas (BAA) participating in EDAM so that the day-ahead congestion revenues attributable to parallel flows are allocated to the EDAM BAA where market participants paid prices that include those congestion costs, rather than to the BAA where the constraint occurs. As discussed below, we accept CAISO's revisions to its Tariff to become effective as of the actual implementation date, as requested.³

I. Background

2. On December 20, 2023, the Commission accepted two sets of Tariff revisions that will implement CAISO's Day-Ahead Market Enhancements and EDAM framework.⁴ CAISO's primary purpose in extending the day-ahead market to other BAAs was to build on the economic and reliability benefits of the Western Energy Imbalance Market

¹ 16 U.S.C. § 824d.

² 18 C.F.R. pt. 35 (2024).

³ See Appendix for eTariff records.

⁴ *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 (2023) (EDAM Order).

(WEIM).⁵ The Commission found in the EDAM Order that CAISO's congestion revenue and transfer revenue proposals were just and reasonable. In EDAM, congestion revenue will represent the cost to serve demand across an EDAM BAA's transmission system while inter-BAA transfer revenue represents the cost of serving demand across participating BAAs.⁶

3. Under the approved EDAM framework, congestion revenue will accrue when energy transactions over an EDAM BAA's internal transmission system are settled using Locational Marginal Prices (LMP) at each pricing node, and there is a price difference due to congestion between the two points (e.g., source and sink locations or import and export locations for wheel throughs). During CAISO's settlement process, CAISO allocates congestion revenue to the EDAM BAA where a transmission constraint is binding, which is not necessarily the EDAM BAA where the congestion charges associated with the transmission constraint are assessed (i.e., due to parallel flow, a transmission constraint in one EDAM BAA can cause congestion charges to be assessed on a neighboring EDAM BAA's system, but the associated congestion revenue would be returned to the EDAM BAA where the transmission constraint arose).⁷

4. CAISO explains that due to parallel flows, generation in one EDAM BAA can contribute to congestion in a neighboring EDAM BAA, and this contribution may be reflected in the Marginal Congestion Component (MCC)⁸ of LMPs at generation and load pricing locations across different EDAM BAAs.⁹ CAISO states that because EDAM's existing congestion revenue allocation method allocates congestion revenue to the EDAM BAA where a transmission constraint is binding, situations can occur where the EDAM BAA with the binding transmission constraint is not the same BAA where the congestion charges are accrued. In that case, CAISO may not allocate sufficient congestion revenue to each EDAM BAA to fully reverse transmission customers'

⁵ *Id.* P 8.

⁶ *Id.* P 434.

⁷ CAISO Transmittal, Docket No. ER23-2686-000, at 185-87 (filed August 22, 2023) (CAISO EDAM Transmittal).

⁸ The MCC represents the cost of congestion at a given location (e.g., a node on the transmission system) when transmission elements are congested. Transmittal at 13.

⁹ CAISO states that parallel flow (sometimes called parallel path flow, loop flow, or unscheduled flow) means the flow of electricity along the natural paths of least resistance on the interconnected transmission system and across different BAAs. *Id.* at 15.

day-ahead congestion charges that accrued when exercising their firm OATT transmission service rights.¹⁰

5. Two WEIM participants, PacifiCorp and Portland General Electric Company (Portland General), have filed with the Commission to revise their respective OATTs to enable their participation in EDAM.¹¹ Both filings include OATT revisions to sub-allocate congestion revenue allocated to the respective EDAM Entities. Also in both proceedings, protesters raised numerous concerns regarding the allocation of congestion revenue that may arise due to parallel flows under EDAM and the lack of financial hedging tools to offset congestion costs. CAISO filed comments in both proceedings explaining that these issues with congestion revenue allocation arise under its Tariff rather than the respective OATTs. In response to these protests and after conducting a stakeholder process to address the issue, CAISO determined that it was appropriate to modify the EDAM congestion revenue allocation methodology.¹²

II. Filing

6. CAISO proposes to allocate the portion of congestion revenue arising from parallel flows and associated with balanced day-ahead self-schedules for eligible firm OATT transmission service rights to the EDAM BAA where market participants paid prices that include those congestion costs, rather than to the BAA where the constraint occurs.¹³ CAISO states that the proposed Tariff revisions specify that eligible rights are “long-term firm and monthly firm point-to-point and network integration transmission service rights, including conditional firm, as defined under the EDAM Transmission Service Provider tariff (with shorter-term rights being ineligible for this treatment).”¹⁴ CAISO explains that the proposed Tariff revisions state that “for each settlement period of the day-ahead market, the CAISO will determine . . . the congestion difference within the EDAM area from the contribution of qualified and balanced day-ahead self-schedules registered by the EDAM entity in each EDAM entity [BAA] to the MCC at each resource

¹⁰ *Id.* at 23.

¹¹ *PacifiCorp*, Docket No. ER25-951-000 (filed Jan. 16, 2025); *Portland General Electric Co.*, Docket No. ER25-1868-000 (filed Apr. 3, 2025).

¹² Transmittal at 22-25.

¹³ *Id.* at 27. As discussed below, eligible long-term firm transmission rights are first registered with CAISO and then tracked via contract reference numbers. *Id.* at 5-6.

¹⁴ *Id.* at 5 n.10; CAISO, CAISO eTariff, § 33.11.1 Transfer Revenue and Congestion Revenue Allocation (1.0.0), § 33.11.1.2.1.

location and intertie in the EDAM area.”¹⁵ CAISO states that this congestion difference will be allocated to the EDAM BAA where the qualified and balanced day-ahead self-schedule is associated.¹⁶

7. CAISO explains that the calculation of congestion revenue allocation and reversal of congestion charges in the settlement process relies on the registration of transmission service rights with CAISO. CAISO requires transmission customers to register their firm point-to-point and network transmission service rights, including conditional firm rights, with CAISO to identify the characteristics of the rights from source to sink. CAISO states that it will associate registered transmission rights with a contract reference number, which, when included in the bid submission, will associate that bid with the existing transmission service rights. CAISO states that when the scheduling coordinator representing the transmission customer with eligible firm transmission rights submits a day-ahead self-schedule at the source or sink location, the market will recognize that the source or sink location is associated with a contract reference number representing those registered transmission service rights. CAISO states that it will collect the resulting day-ahead congestion revenue associated with parallel flow for the balanced source/sink self-schedules associated with contract reference numbers and allocate that congestion revenue to the EDAM Entity for the BAA where the congestion revenue accrued, rather than where the binding constraint was located, as the Tariff currently requires.¹⁷

8. CAISO explains that it will not change its EDAM congestion revenue allocation methodology for two other categories of congestion revenue. First, CAISO states that it will continue to allocate internal congestion revenue arising from a binding transmission constraint within an EDAM BAA to that same EDAM BAA, using the same methodology approved in the EDAM Order.¹⁸ Second, CAISO states that it will continue to allocate any remaining congestion revenue associated with parallel flow to the EDAM BAA where the transmission constraint arose. CAISO explains that due to the inherent difference between CAISO and other BAAs—and due to the functionality CAISO will use to allocate congestion revenue—CAISO does not currently have a mechanism that would allow the CAISO BAA to be allocated congestion revenue associated with congestion charges that accrue in the CAISO BAA because of a transmission constraint that arises in a neighboring EDAM BAA. CAISO states that the CAISO BAA will

¹⁵ Transmittal at 27; CAISO, CAISO eTariff, § 33.11.1 Transfer Revenue and Congestion Revenue Allocation (1.0.0), § 33.11.1.2.1.

¹⁶ Transmittal at 27. Balanced self-schedules represent the same quantity of energy at the source and sink locations.

¹⁷ *Id.* at 18-21, 27-29.

¹⁸ *Id.* at 26 (citing EDAM Order, 185 FERC ¶ 61,210 at PP 434-435).

nevertheless be allocated new congestion revenue associated with parallel flow that arises in neighboring EDAM BAAs because of a binding transmission constraint internal to the CAISO BAA, which will be used to fund Congestion Revenue Rights (CRR) in the CAISO BAA.¹⁹

9. CAISO asserts that it is committed to monitor the performance and impacts of the transitional tariff revisions proposed in this filing as soon as the end of market simulation, during parallel operations, and after EDAM goes live. CAISO states that it will monitor congestion-related metrics and share the operational information it gleans through that monitoring with market participants in regular forums and through the normal course of business. CAISO explains that Department of Market Monitoring of the California Independent System Operator Corporation (DMM) will independently perform monitoring and reporting as well and that the operational information provided by CAISO and DMM will help inform future evolution of the design of EDAM congestion revenue allocation. CAISO states that if the Commission finds this sort of information beneficial, it encourages the Commission to direct submission of an informational report prior to EDAM implementation and every six months thereafter until a long-term design is developed.²⁰

III. Notice and Responsive Pleadings

10. Notice of the filing was published in the *Federal Register*, 90 Fed. Reg. 28734 (July 1, 2025), with interventions and protests due on or before July 17, 2025. NV Energy, Inc.; Calpine Corporation; Brookfield Renewable Trading and Marketing LP; Boston Energy Trading and Marketing LLC; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; Public Power Council; DC Energy, LLC; Utah Municipal Power Agency; Idaho Power Company; Transmission Agency of Northern California; Northern California Power Agency; and California Department of Water Resources State Water Project filed timely motions to intervene. Southern California Edison Company filed an out-of-time motion to intervene.

11. Salt River Project Agricultural and Improvement Power District (Salt River Project); Arizona Public Service Company (APS); DMM; Pacific Gas and Electric Company (PG&E); Western Power Trading Forum (WPTF) and Northwest & Intermountain Power Producers Coalition (NIPPC); Joint Commenters;²¹ Public Interest

¹⁹ *Id.* at 32-33.

²⁰ *Id.* at 9.

²¹ Joint Commenters include PacifiCorp, Portland General Electric Company, and Balancing Authority of Northern California.

Organizations (PIO);²² Clean Energy Associations;²³ and Powerex Corp. (Powerex) filed timely motions to intervene and comments.

12. Joint Customers²⁴ filed timely motions to intervene and a protest.

13. On August 1, 2025, CAISO filed a motion for leave to answer and answer (August 1, 2025). On August 13, 2025, Joint Customers filed a motion for leave to answer and answer. On August 21, 2025, CAISO filed a motion for leave to answer and answer (August 21, 2025 Answer).

A. Comments and Protests

14. Most commenters support the proposed Tariff revisions, arguing that the proposal is just and reasonable and a necessary measure to support EDAM as it begins its operations.²⁵ Most commenters assert that while the Commission should accept the instant proposal, it should be viewed as a transitional mechanism until CAISO is able to hold a stakeholder process, informed by operational data, to formulate near-term and long-term enhancements to the congestion revenue framework in EDAM. Most commenters note that the proposal, while an improvement over the status quo, is not perfect and note several concerns with the proposal or potential areas for improvement.

15. DMM, PG&E, PIOs, WPTF and NIPPC, and Clean Energy Associations raise concerns that the proposal may create economic incentives for significant inefficient self-scheduling of resources relative to the existing EDAM design. However, these parties all note that CAISO is committed to monitoring the issue and exploring near-term enhancements after EDAM is live to address potential inefficiencies.²⁶ Further, DMM

²² Public Interest Organizations include Natural Resources Defense Council and Western Resource Advocates.

²³ Clean Energy Associations include American Clean Power Association; Interwest Energy Alliance; and Renewable Northwest.

²⁴ Joint Customers include Utah Municipal Power Agency; Deseret Generation & Transmission Co-operative, Inc.; and Utah Associated Municipal Power Systems.

²⁵ Clean Energy Associations Comments at 2; APS Comments at 4; WPTF and NIPPC Comments at 3-4; Salt River Project Comments at 3-4; PIOs Comments at 3-4; Powerex Comments at 3; Joint Commenters Comments at 1-2; DMM Comments at 1; PG&E Comments at 1-2.

²⁶ DMM Comments at 2-3; PG&E Comments at 2-3; PIOs Comments at 4; WPTF and NIPPC Comments at 4-5; Clean Energy Associations Comments at 4-5.

explains that CAISO provided data on the distribution of firm rights holders in the PacifiCorp BAAs, and according to CAISO, about 88% of eligible rights—including about 95% of network integration transmission service—are held by PacifiCorp Merchant. DMM states that, based on this data and PacifiCorp's public statements, CAISO believes the total amount of rights that would self-schedule in order to receive congestion revenue would likely be limited. DMM asserts that it agrees that these points provide some assurance that self-scheduling for the purposes of parallel flow congestion hedging may be limited in the PacifiCorp BAAs. Nonetheless, DMM recommends that CAISO immediately begin work on a long-term solution to address such self-scheduling incentives more broadly, by decoupling congestion revenue allocation from cleared schedule quantities.²⁷

16. DMM explains that firm rights holders will have an incentive to opt in to the congestion revenue allocation by submitting a contract reference number when they think they will create flows. DMM states that CAISO staff have clarified that rights holders can opt to not submit a contract reference number when they think schedules will create counterflows for which they may receive congestion payments, and that this will be allowable under EDAM market rules. DMM argues that this will create a disincentive to opt out (i.e., not submit a contract reference number) when they think their schedules will create counterflows. DMM argues that it is unacceptable to use various types of circular schedules to receive such congestion payments while avoiding congestion charges. DMM explains that this could involve submitting a contract reference number for one set of schedules in the congested direction, while also submitting an offsetting (or circular) set of schedules in the counterflow direction without a contract reference number. DMM asserts that a well-designed congestion revenue allocation would not create the inefficiencies of linking payments to cleared energy schedules and that as noted in numerous filings and comments on this issue, the most efficient longer-term approach would be one that is decoupled from bidding and scheduling. DMM states that, as highlighted by CAISO's Market Surveillance Committee (MSC), long-term options may include flow entitlements and/or allocating financial rights.²⁸

17. PG&E states that near-term discussions should include approaches to eliminating CAISO BAA asymmetry. PG&E notes that CAISO states that near-term discussions will focus on: (1) identifying potential enhancements that incent economic bidding and mitigate or eliminate self-scheduling incentives; and (2) developing a treatment for congestion revenue allocation within the CAISO BAA that is comparable to the treatment afforded to OATT transmission service rights in other EDAM BAAs. PG&E asserts that with respect to the second issue, it expects that a near-term equitable solution will

²⁷ DMM Comments at 2-3.

²⁸ *Id.* at 3-5.

include: (1) reciprocal or comparable congestion revenue allocation for parallel flows associated with CRRs within CAISO's system; (2) creating new EDAM (footprint wide) tools that can improve the allocation risk of unhedged flows across multiple customers akin to those improvements CAISO implemented in 2019, such as the CRR 1B enhancement, which allowed market participants to share the burden of underfunding; and (3) developing a solution that does not impact or exacerbate the underfunding issues associated with the current CRR process. PG&E states that it recommends CAISO set clear timeframes to resolve concerns of how CRRs will be settled in EDAM as discussed at the June 12, 2025 stakeholder workshop and in comments submitted on CRR Modeling and Settlement in EDAM. PG&E argues that working on a long-term solution should begin immediately and that postponing discussions by 12 months will cause unnecessary delays, because these issues are complex and may take a long time to develop.²⁹

18. Salt River Project states that it believes that CAISO's proposed Tariff amendments strike an appropriate balance that reasonably hedges and protects transmission customers that have invested in long-term or monthly firm transmission rights on adjacent systems but also recognizes the contribution and congestion revenue entitlements of entities in BAAs where the congestion occurs; however, Salt River Project states that it does have some concerns with the proposal. First, Salt River Project states that it believes the proposed Tariff amendments should not be considered a transitional solution. In particular, Salt River Project is concerned that the long-term, durable solution that CAISO references in its transmittal letter could be a reversion back to how congestion revenues would be allocated prior to the proposed Tariff amendments in this proceeding. Salt River Project explains that it needs a reasonable degree of certainty regarding its financial exposure to potentially significant and highly variable congestion charges because of parallel flows on other systems, including but not limited to CAISO's BAA in California, and that a reversal of CAISO's proposal could have significant negative financial consequences for Salt River Project. Salt River Project asserts that if the Commission approves CAISO's proposed amendments, Salt River Project requests that the Commission approve them simply as the established terms and conditions set forth in CAISO's tariff and not as a transitional, temporary solution. Salt River Project also argues that the proposed revisions do not resolve the significant issues identified by parties in the proceedings regarding Portland General's and PacifiCorp's proposed tariff revisions implementing EDAM.³⁰

19. APS states that CAISO's proposal provides a clearer pathway for a limited congestion hedge and represents progress compared to earlier versions of the design. APS explains that despite the improvement, it remains concerned with the overall

²⁹ PG&E Comments at 3-5.

³⁰ Salt River Project Comments at 5-9.

structure of the congestion revenue allocation framework as EDAM does not afford adequate protections to participants that economically engage in the market even if they have procured long-term firm transmission service. APS asserts that the EDAM design's reliance on a schedule approach rather than a rights-based methodology reduces the economic value of firm transmission and creates inefficiencies, including overscheduling, and that APS continues to advocate for a rights-based approach to congestion revenue allocation that better aligns with the Commission's precedent established in Order No. 681. APS states that even if it chooses not to voluntarily participate in a market, without these fundamental protections, it may nonetheless be compelled to participate indirectly as a transmission customer of an EDAM participant. APS requests that the Commission encourage the continued development of congestion revenue allocation in EDAM and hold the market design to the physical and financial firmness standards established in Order No. 681 and currently provided through the OATT.³¹

20. Powerex generally supports CAISO's proposal as an improvement over the existing EDAM tariff. However, Powerex argues that, because CAISO describes the proposal as a transitional or temporary approach, the proposal provides no confidence that EDAM will respect firm OATT transmission service beyond its initial launch period. Powerex also argues that there are multiple additional indications that CAISO's proposed congestion revenue allocation approach—and the protection it provides to customers that invest in firm OATT transmission service—will be short-lived.³²

21. Powerex asserts that western entities need certainty that the transmission service they are committing to rely upon for delivery of new resources or long-term supply contracts will largely protect them from congestion charges for the life of their investments.³³ Powerex cites several examples of what it views as CAISO's inconsistent treatment of firm transmission rights in the development of EDAM tariff rules.³⁴

³¹ APS Comments at 4-6.

³² Powerex Comments at 3-5 (citing Market Surveillance Committee of the California ISO, *Opinion on Extended Day-Ahead (EDAM) Congestion Revenue Allocation* 3 (June 16, 2025), <https://www.caiso.com/documents/market-surveillance-committee-opinion-extended-day-ahead-market-congestion-revenue-allocation-jun-13-2025.pdf> (MSC Opinion); Memorandum from Susan L. Pope to Western Energy Market Governing Body, *Opinion on California ISO Final Proposal for EDAM Congestion Revenue Allocation* 1 (June 16, 2025), <https://www.westerneim.com/Documents/WEM-Governing-Body-Market-Expert-Opinion-on-Extended-Day-Ahead-Market-Congestion-Revenue-Allocation-Jun-18-2025.pdf> (WEM Market Expert Opinion)).

³³ *Id.* at 5-7.

³⁴ *Id.* at 8-10 (citing CAISO, *EDAM Final Proposal* (2022),

22. Powerex argues that CAISO has created significant uncertainty and challenges for entities in the West through the combination of past mixed messaging on the voluntary nature of EDAM and the congestion protections for firm OATT rights, the transitional nature of the proposed amendments, and CAISO's refusal to recognize respecting firm OATT transmission rights as a guiding principle for its imminent further re-design of EDAM. First, Powerex explains that entities now face greatly elevated risk when investing in long-term firm OATT transmission service from transmission providers that will participate in EDAM. Second, Powerex argues that CAISO continues to oppose enabling transmission customers to schedule the use of firm transmission service outside of EDAM so that they do not incur EDAM congestion charges in the first place. Third, Powerex contends that CAISO's captive approach to EDAM—together with its refusal to provide any durable protection to firm transmission customers from EDAM congestion charges—appears to be part of the ongoing efforts by CAISO (and PacifiCorp and Portland General) to hinder the use of firm transmission service for Southwest Power Pool's (SPP) Markets+ participation, a competing market to EDAM.³⁵

23. Powerex states that it believes the Commission can restore confidence in the region by affirming that: (1) consistent with open access requirements, no market operator or transmission service provider may restrict transmission customers' ability to participate in the specific transactions or Commission-approved regional programs or markets of their own choosing; and (2) customers that choose to use firm transmission service to participate in the same organized market in which the transmission provider participates (e.g., EDAM, in the case of PacifiCorp and Portland General) must receive a workable source-to-sink financial hedge against day-ahead congestion charges. Powerex also suggests that the Commission require CAISO to file, within 24 months or such other timeframe as the Commission finds appropriate, a proposal for a durable framework that is consistent with the above principles and that comprehensively addresses the treatment of firm OATT transmission service in the context of EDAM.³⁶

<http://www.caiso.com/InitiativeDocuments/FinalProposalExtended-Day-AheadMarket.pdf>; CAISO EDAM Transmittal).

³⁵ *Id.* at 11-13. Markets+ is a Commission-approved day-ahead market that SPP will operate in the Western Interconnection. Markets+ intends to go live in the second quarter of 2027 and has participation commitments from a number of Western utilities. Like EDAM, Markets+ participants will need to revise their OATTs to effectuate their participation. *Sw. Power Pool, Inc.*, 190 FERC ¶ 61,030, at PP 95, 329, *order on reh'g & clarification*, 191 FERC ¶ 61,177 (2025).

³⁶ Powerex Comments at 14-15.

24. In their protest, Joint Customers argue that congestion revenues should be returned directly to transmission customers. Joint Customers explain that congestion charges are supposed to send price signals to transmission customers, not to balancing authorities, and that the allocation of congestion revenues is supposed to provide a hedge against congestion charges to transmission customers, not to balancing authorities. Joint Customers assert that the core deficiency of the proposed EDAM market is its coupling of congestion revenue allocation with scheduling, leading to the use it or lose it concern.³⁷ Joint Customers contend that making a targeted adjustment to how congestion revenues are allocated to balancing authorities that includes coupling congestion revenue allocation and market scheduling completely misses the mark. Joint Customers explain that CAISO's proposal to allocate congestion revenues to balancing authorities rather than directly to transmission customers still leaves it to each balancing authority to adopt its own provisions governing the allocation of the congestion revenues received by the balancing authority among the transmission providers and transmission customers in each BAA. Joint Customers contend that enabling transmission customers to have a direct settlement relationship with CAISO as the market operator would make the determination of which BAA should receive congestion revenue moot and would eliminate the need for sub-allocation of congestion revenues to transmission customers by EDAM Entities.³⁸

25. Joint Customers assert that CAISO's own experts recognize that the present EDAM design provides wrong incentives that will distort the market.³⁹ Joint Customers also protest allowing EDAM to go live with what it describes as a market design that will be to the detriment of transmission customers, even if going live will provide information and experience, as CAISO says. Joint Customers argue that the Commission should reject the instant proposal without prejudice to a filing that includes viable and comprehensive solutions for allocation of congestion revenue to transmission customers on day one of EDAM going live.⁴⁰

B. Answers

26. CAISO asserts that the Commission should disregard Joint Customers' protest as beyond the scope of this proceeding and an impermissible collateral attack on the EDAM Order. CAISO argues that the congestion revenue allocation framework, which allocates

³⁷ Joint Customers Protest at 4-5 (citing MSC Opinion at 6, 13; WEM Market Expert Opinion at 9-10).

³⁸ *Id.* at 5-7.

³⁹ *Id.* at 9-10 (citing MSC Opinion at 3, 6, 29; WEM Market Expert Opinion at 1, 3-5).

⁴⁰ *Id.* at 7-12.

congestion revenue to participating balancing authorities rather than directly to transmission customers, has already been established and accepted by the Commission and Joint Customers' arguments are an impermissible collateral attack on the EDAM Order.⁴¹ CAISO further argues that Tariff revisions CAISO may or may not make in the future are beyond the scope of this proceeding. CAISO asserts that it presented accurate information to stakeholders and the Commission, and it asks the Commission to disregard arguments on the voluntariness of EDAM.⁴² Similarly, CAISO asserts that Salt River Project's proposed opt-out option is beyond the scope of this proceeding.⁴³

27. Joint Customers reject CAISO's assertion that their protest is outside the scope of the instant proceeding. Joint Customers state that their protest in PacifiCorp's and CAISO's EDAM-related filings explain why direct allocation and settlement with transmission customers is necessary for a just and reasonable market design. Joint Customers argue that the issues in their protest have not been "fully determined" and thus cannot be subject to collateral estoppel.⁴⁴ Joint Customers aver that CAISO itself argues the Commission should allow the stakeholder process on further congestion revenue allocation enhancements to proceed while also arguing that customers are collaterally estopped from asserting their concerns about allocation of congestion revenues. Joint Customers further argue that implementing EDAM's congestion revenue allocation framework cannot be done without distorting the market or creating perverse incentives, which were flaws not before the Commission when it issued the EDAM Order. Joint Customers state that the Commission should reject CAISO's filing without prejudice to a proposal that resolves Joint Customers' concerns regarding allocation of congestion revenue and the ability of transmission customers to settle with CAISO directly.⁴⁵

28. CAISO states that the issues Joint Customers raise are beyond the scope of this proceeding. CAISO argues that the issues are appropriately addressed in the renewed congestion revenue allocation stakeholder process that will begin in the fall of 2025, and CAISO encourages Joint Customers' participation. CAISO states that the instant proposal does not propose any changes to the category of entities to which CAISO will allocate congestion revenue under the existing EDAM design and that if the Commission

⁴¹ CAISO August 1, 2025 Answer at 9-10 (citing CAISO EDAM Transmittal at 189-190; EDAM Order, 185 FERC ¶ 61,210 at PP 418, 421).

⁴² *Id.* at 12-15.

⁴³ *Id.* at 15-16.

⁴⁴ Joint Customers Answer at 3-4 (quoting *Alamito Co.*, 43 FERC ¶ 61,274, at 61,753 (1988)).

⁴⁵ *Id.* at 5-6.

were to reject the proposal, EDAM congestion revenue would still be allocated to participating balancing authorities when EDAM goes live.⁴⁶

IV. Discussion

A. Procedural Matters

29. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2024), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

30. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d), we grant Southern California Edison Company's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

31. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2024), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

32. We find that CAISO's proposed Tariff revisions are just and reasonable and not unduly discriminatory or preferential because they will allocate a portion of certain congestion revenues associated with a binding constraint to the EDAM BAA where market participants paid congestion costs associated with the constraint, rather than to the EDAM BAA where the constraint occurs. As a result, these revisions ensure that eligible firm transmission customers have the opportunity to hedge against day-ahead congestion charges in EDAM by submitting balanced self-schedules. We accept CAISO's proposed Tariff revisions with an effective date of 12/31/9998, as requested. No less than seven days prior to the date CAISO implements the proposed Tariff revisions with a 12/31/9998 effective date, CAISO is required to make a compliance filing in this docket through the Commission's eTariff system with the accepted Tariff record text that establishes the actual effective date of the Tariff records and designates the records accepted in this order as OBE (overtaken by events).⁴⁷

⁴⁶ CAISO August 21, 2025 Answer at 3-5.

⁴⁷ CAISO must make a compliance filing using Type of Filing Code 80 in this docket by including the associated filing identifier (associated_filing_id) for this filing at the filing level. The filing must include tariff records with the effective date for the previously-accepted tariff records and that also include, at the tariff record level, the

33. CAISO's proposed Tariff revisions will allow eligible firm transmission customers to hedge against congestion charges and facilitate the timely implementation of EDAM. Commenters largely support the instant proposal as an interim measure until CAISO's stakeholder processes identifies a permanent solution to commenters' concerns. CAISO frames the instant proposal as a "transitional measure," and, after EDAM goes live, CAISO states that it intends to begin a stakeholder process, informed by operational data, to identify near-term and long-term revisions for congestion revenue allocation under EDAM.⁴⁸ We note, however, that the instant proposal does not contain a sunset date. As such, although some commenters are concerned that future Tariff revisions might again expose their firm transmission use to congestion charges, such concerns are outside the scope of the instant proceeding.

34. We recognize some commenters' concerns that the instant proposal could further incentivize the use of self-schedules in the EDAM BAAs as a means for market participants to hedge against congestion.⁴⁹ However, in the EDAM Order, the Commission found that self-schedules are not inherently undesirable because they present a viable approach to making supply resources available to CAISO's markets.⁵⁰ In any case, even if CAISO's proposal may further incentivize self-scheduling, we note that, under EDAM's current market design, the ability to self-schedule helps participating transmission providers respect their transmission customers' firm transmission service rights, a consideration that must be balanced against any potential market impacts. We find that the likely benefits of EDAM's market dispatches will still incentivize market participants to economically bid into EDAM.⁵¹ We also note that CAISO has stated that it is committed to monitor the use of self-schedules and congestion charges once EDAM goes live and to propose any refinements that may be needed.

35. Likewise, we agree with CAISO that DMM's gaming concerns are addressed under the rules of conduct in the Tariff.⁵² Specifically, CAISO notes that its rules of

associated filing identifier (associated_filing_id), associated record id (associated_record_id), and associated option code (associated_option_code) of the original tariff records accepted with a 12/31/9998 date.

⁴⁸ CAISO states that the near-term solutions would address issues like the incentive to self-schedule, while the long-term revisions might include proposals like CRRs. Transmittal at 28-33, 42-43.

⁴⁹ See *supra* P 14.

⁵⁰ EDAM Order, 185 FERC ¶ 61,210 at P 316.

⁵¹ See *PacifiCorp*, 192 FERC ¶ 61,197, at P 153 (2025).

⁵² Transmittal at 38 (citing CAISO, CAISO eTariff, § 37.3.1 Bidding Generally

conduct require market participants to submit bids “from resources that are reasonably expected to be available and capable of performing at the levels specified in the [b]id,” which bars the submission of bids without the intent to perform.⁵³ As such, we agree with CAISO that the type of gaming DMM contemplates (i.e., where market participants collect congestion revenue while avoiding congestion charges by submitting offsetting schedules) is forbidden by the rules of conduct in the CAISO Tariff and could be subject to enforcement action.⁵⁴ We therefore find that CAISO’s rules of conduct, coupled with ongoing monitoring, mitigate potential gaming risk.⁵⁵

36. We disagree with arguments that CAISO should allocate congestion revenue directly to transmission customers and/or based on their transmission rights and that CAISO should allow transmission customers to opt their transmission service rights out of EDAM. The Commission has already accepted in the EDAM Order CAISO’s allocation of congestion revenue to EDAM Entities, who in turn sub-allocate the congestion revenue as provided for in their OATTs.⁵⁶ Similarly, with respect to transmission carve-outs, the EDAM Order approved the CAISO Tariff section that

(3.0.0), § 37.3.1.1) (“The CAISO emphasizes that under the CAISO’s Rules of Conduct, and specifically CAISO Tariff section 37.3.1.1, market participants must submit bids ‘from resources that are reasonably expected to be available and capable of performing at the levels specified in the Bid.’ These requirements should mitigate gaming risk in addition to monitoring which the DMM performs regarding participation and bidding in the market.”).

⁵³ Transmittal at 38 (citing CAISO, CAISO eTariff, § 37.3.1 Bidding Generally (3.0.0), § 37.3.1.1).

⁵⁴ To the extent an entity wishes to report a possible Tariff violation, it can do so by filing a complaint or by using the Commission’s Enforcement Hotline.

⁵⁵ The Commission has previously found that “Circular Scheduling is an anticompetitive practice which results in distorted market prices and congestion payments that would not have been tendered in the absence of these schedules. This type of market manipulation is captured under Market Behavior Rule 2(c) in the MBR Tariff Order addressing transactions in which an entity knowingly creates artificial congestion and then purports to relieve such artificial congestion; therefore, this prohibition will be enforced by the Commission.” *Cal. Indep. Sys. Operator Corp.*, 106 FERC ¶ 61,179, at PP 137, 142 (2004) (citing *Investigation of Terms & Conditions of Pub. Util. Mkt.-Based Rate Authorizations*, 105 FERC ¶ 61,218 (2003)).

⁵⁶ EDAM Order, 185 FERC ¶ 61,210, at PP 438-439 (“EDAM transfer and congestion costs and transmission services will be addressed in the OATTs submitted to the Commission by individual EDAM transmission service providers.”).

provides EDAM Entities the discretion to determine the criteria for such carve-outs.⁵⁷ Nonetheless, as we find CAISO's instant proposal just and reasonable, the Commission need not address commenters' alternative proposals.⁵⁸

37. Finally, PG&E and Joint Customers argue that CAISO should immediately begin a stakeholder process to identify near-term solutions to the issues of the asymmetry between EDAM BAAs and the incentive to self-schedule. Joint Customers additionally argue that implementation of EDAM should be delayed until long-term enhancements to the congestion revenue allocation methodology are identified. Similarly, Powerex requests that the Commission require CAISO to submit revisions within 24 months. We disagree with protesters that a deadline for further deliberation should be mandated as we find that CAISO's current allocation methodology for congestion revenue is just and reasonable. Moreover, we will not direct CAISO to delay the go-live date of a market expansion that the Commission has already found to be just and reasonable.

38. CAISO also commits to reporting information on the performance and impacts of the proposed Tariff revisions during parallel operations and after EDAM goes live and has offered to submit informational reports to the Commission prior to EDAM implementation and every six months thereafter until a long-term design for congestion revenue allocation is developed.⁵⁹ Accordingly, we direct CAISO to file such periodic informational reports.⁶⁰

The Commission orders:

(A) CAISO's proposed Tariff revisions are hereby accepted, effective as of the actual implementation date, as discussed in the body of this order.

⁵⁷ *Id.* P 314 (“[A]ny use of section 33.18.3.3 to carve-out transmission rights from EDAM would be contingent on the EDAM transmission service provider’s OATT provisions allowing for such carve-out.”).

⁵⁸ *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984); *see also Oxy USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995) (finding that under the FPA, as long as the Commission finds a methodology to be just and reasonable, that methodology “need not be the only reasonable methodology, or even the most accurate” one).

⁵⁹ Transmittal at 9.

⁶⁰ These informational reports should be filed in the instant docket and will not be noticed for comment or require Commission action.

Docket No. ER25-2637-000

- 17 -

(B) CAISO is hereby directed to make a compliance filing to establish the effective date of the remaining Tariff records, as discussed in the body of the order.

(C) CAISO is hereby directed to submit informational filings, as discussed in the body of this order.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Secretary.

Docket No. ER25-2637-000

- 18 -

Appendix

California Independent System Operator Corporation, CAISO eTariff,

§ [11.2.4, CRR Settlements \(22.0.0\)](#),

§ [33.11.1, Transfer Revenue and Congestion Revenue Allocation \(1.0.0\)](#),

§ [33.11.3, Day-Ahead Market Settlement \(2.0.0\)](#).

Document Content(s)

ER25-2637-000.docx.....1