

Comments of Powerex Corp.

August 13 and 20 Workshops on EDAM Congestion Revenue Allocation

September 3, 2026

Powerex appreciates the opportunity to provide comments on the California ISO's August 13 and August 20, 2026, workshops on EDAM Congestion Revenue Allocation. The August workshops focused primarily on the details of California ISO's "Design Concept 3," in which entitlements to day-ahead congestion revenue are allocated between eligible OATT transmission rights and California ISO Congestion Revenue Rights (CRRs) subject to a common Simultaneous Feasibility Test (SFT).

Powerex believes that at the heart of this stakeholder process lies an unsettled policy choice regarding the allocation of costs associated with congestion impacted by parallel flows. This underlying policy choice is evident in the comments of workshop participants, which repeatedly focused on whether cost responsibility was being allocated equitably.

This is not a new issue in the West, nor is it unique to organized markets. Parallel flows have been well understood for decades and represent one of the most significant seams issues between transmission service providers (TSPs) and balancing authority areas (BAAs) in the West.¹ The West has a longstanding and reciprocal framework through which TSPs provide transmission service while also accommodating the parallel flows that inevitably occur when other TSPs provide transmission service on their systems.

For entities that join EDAM, this key parallel flow seams issue will shift to being managed under EDAM's market rules. It is still uncertain whether EDAM will apply rules that are consistent with the longstanding framework for parallel flows—a framework that will continue to be available to entities that join a different day-ahead organized market, or that do not join any day-ahead market at all. Importantly, the rules for managing the parallel flow seams issues for entities in EDAM will not be decided through negotiations between the California ISO, PacifiCorp or other affected TSPs as peers. Rather, the rules will be decided largely through the California ISO's stakeholder process; and while there are ongoing efforts to transition tariff authority over EDAM to an independent organization (*i.e.*, ROWE), that body will vote to either accept or reject the proposal developed and selected by California ISO staff. The fact that adopting rules that depart from the existing framework in the West will overwhelmingly benefit ratepayers of the California ISO, at the direct expense of retail ratepayers and transmission customers of TSPs outside California, makes it all the more challenging to develop a solution that earns the confidence of all stakeholders.

To date, the stakeholder process has not included a "level-setting" discussion of the existing framework in the rest of the West. This is critical context in order for stakeholders to adequately

¹ See Powerex, ["Parallel Flows Represent a Major Seams Issue Within EDAM That Requires Policy Resolution Prior to Developing Detailed Technical Solutions"](#) (June 2026).

consider the potential consequences of pursuing EDAM rule changes that conflict with that framework. These consequences include, but are not limited to:

- Creating cost shifts that reduce the potential benefits from joining EDAM for entities outside California;
- Undermining the settled expectations behind recent multi-billion-dollar investments in new transmission projects or upgrades; and
- Increasing the risk and uncertainty of pursuing new transmission projects and upgrades, which are broadly recognized as critical to the region's reliability and affordability goals.

As discussed more fully below, Powerex reiterates its prior recommendation that future workshops be dedicated to tackling the underlying policy question and its implications head-on, rather than indirectly by discussing technical proposals that imply a particular policy choice. Future workshops should provide all stakeholders with a common understanding of the current allocation of cost responsibility related to parallel flow impacts, in both the planning and operational timeframes, as well as of the allocation of costs, benefits and risks of adopting EDAM rules that conflict with that framework.

The West has a Longstanding Reciprocal Framework for Parallel Flow Seams Issues

In the West, transmission providers other than the California ISO provide transmission service defined by a “contract path”—either between a defined point of receipt and point of delivery (for Point-to-Point service) or from a designated network resource to load (for Network Integration Transmission Service). It is well known that electricity flows in an interconnected grid do not follow the contractual path that defines transmission service. Service provided by one TSP causes electricity to flow on the systems of neighboring TSPs, just as every TSP experiences parallel flows on its system caused by transmission service offered and used by other TSPs.

This phenomenon is not only well-known but has a longstanding solution in the West. Namely, the quantity of transmission service that a TSP is authorized to offer on a given path is limited, so that the electricity flows resulting from “on path” transmission service and parallel flows from service on other paths remains within the operational limits of all impacted facilities—including facilities on other transmission systems. This type of determination is generally made through the independent path rating process performed by WECC at the time that a TSP builds or upgrades a transmission path. This process can also identify the need for upgrades or reinforcements to other TSPs’ facilities if they are significantly impacted.

In the operational timeframe, each TSP is responsible for maintaining the reliability of their transmission system, including ensuring that electricity flows remain within the applicable limits of their facilities. By definition, parallel flows are the result of transmission service provided by *other* TSPs; a TSP affected by parallel flows has no authority to curtail the service of other TSPs,

or to re-dispatch the generation of other TSPs.² In other words, in the operational timeframe, parallel flows are treated as fixed, and each TSP keeps flows on its facilities within operational limits by adjusting the use of transmission service by its own transmission customers. In this manner, parallel flows caused by service from other TSPs are accommodated ahead of a TSP's own use of its system, just as the parallel flows that its customers create on adjacent systems are accommodated by the adjacent TSPs. Importantly, neither TSPs nor their transmission customers bear any financial responsibility for the parallel flows that inevitably result from use of that TSP's transmission service; just as each TSP has no authority to recover costs from other TSPs (or their transmission customers) for accommodating their parallel flows.

EDAM Rules and Proposals Indirectly Reflect Different Underlying Policy Choices

Powerex recognizes and respects that stakeholders may have a wide range of opinions as to whether this longstanding existing framework is optimal, efficient, or fair. But this framework nevertheless defines the *status quo* in the West. This critical context has been notably absent from the discussion in this stakeholder process so far, even though the current revenue allocation and each of the alternative proposals rests on an embedded policy for how congestion costs should be allocated:

- **The existing EDAM rules** are generally aligned with the longstanding parallel flow framework in the West, but only for a subset of transactions. For day-ahead self-schedules associated with eligible firm OATT transmission service, any congestion charges collected from parallel flows would be returned to the TSP providing transmission service for the transaction.
- **The California ISO's "Design Concept 1"** would extend this treatment to cleared economic bids associated with eligible firm OATT transmission service. All other types of transmission service, including shorter-term firm service and all non-firm services, are subject to new EDAM congestion charges stemming from parallel flow on other TSP systems.
- **The California ISO's "Design Concept 3,"** discussed at the August 13 and 20 workshops, rests on an entirely different policy for defining cost responsibility for parallel flows. Under Design Concept 3, transactions on external TSPs would no longer be protected from parallel flow congestion charges ahead of the affected TSP's own transactions.
- **The California ISO's "Design Concept 2"** would put EDAM on track to transition to a framework with no protection at all against charges for parallel flow congestion, since protection would be tied only to transmission service in place at a certain point in time.

² In certain defined cases, an Unscheduled Flow Mitigation Plan can be initiated, requiring reductions to "off-path" schedules that materially contribute to flows on a qualified path that is close to its operating limit.

During the August workshops, some stakeholders appeared to advocate for an even more dramatic shift in cost responsibility. One commenter argued that any congestion on constraints in the California ISO system should be borne *first* by external transactions associated with parallel flows, with transactions within the California ISO system having priority ahead of such external transactions. This would represent a complete inversion of the longstanding framework in the West under which each TSP accommodates parallel flows and manages congestion by adjusting its own transmission service use in the operational timeframe. Another commenter characterized parallel flows caused by external transmission service as “using our transmission system for free,” which this commenter appeared to oppose.

Stakeholders Should Consider Consequences of EDAM Rules that are at Odds with the Framework in the Rest of the West, Including in Other Day-Ahead Markets

The consequences of adopting EDAM rules that lead to large shifts in who bears the cost of congestion deserve fuller discussion and consideration. It is now clear that constraints in the California ISO account for the majority of congestion across the potential EDAM footprint, and these constraints are impacted by transactions in external transmission systems.³ This means that any rules that charge ratepayers of other TSPs for congestion in the California ISO system will overwhelmingly benefit California ISO ratepayers at the direct expense of retail ratepayers and transmission customers of TSPs outside of California.

At a minimum, entities outside California considering joining EDAM—or seeking approval to do so from their regulators—will need to weigh the benefits of that market against the increased cost burden imposed by EDAM for parallel flow. This has not been the case to date, and indeed the majority of the EDAM benefits studies have explicitly assumed that no such cost shift occurs.⁴ In addition, the EDAM benefits reports that the California ISO has recently begun to publish also do not account for any cost shift that occurs due to EDAM congestion revenue allocation, even though such a cost shift would not occur in a counterfactual without EDAM.⁵

EDAM rules that dilute the value of firm OATT transmission service also jeopardize the business model through which transmission facilities are funded in the West. In its June 2026 briefing on this issue to the WEM Governing Body, NV Energy emphasized the need for EDAM rules to “hold OATT customers harmless to the extent possible from any financial consequences from the actual use of their firm transmission rights,” and warned that “otherwise, there is potential for Nevada customers paying for transmission revenue requirements and not receiving commensurate benefits.” Powerex agrees, and notes that any dilution of the hedging value of firm OATT rights will undermine the value of continued investment in those rights. Such dilution may occur through an annual or monthly SFT, by other pro rata reductions at settlement, or by forcibly converting the optionality inherent in OATT rights into a financial obligation with

³ California ISO “EDAM Congestion Cost Analysis,” (July 28).

⁴ Cross-examination testimony of John Tsoukalis before the Public Utilities Commission of Nevada, Docket No. 25-10025 (March 10, 2026) [hearing transcript](#) at Page 212, Lines 24-25, stating that his study “assumes that 100% of congestion inside the NV Energy BA is return to NV Energy”.

⁵ California ISO “Draft EDAM Benefits Methodology,” at 15.

potentially negative value. As NV Energy observed, “a central tenet of EDAM was to join the day ahead market while preserving OATT service.”⁶ EDAM rules that are contrary to the longstanding frameworks fall short of this commitment.

The consequences of EDAM rules that depart from the *status quo* would also fundamentally alter the settled expectations of entities that undertake major new transmission projects or upgrades. Namely, the entities that fund the new projects do so with the expectation of receiving the ability to use (or offer) transmission service up to the fully approved rating of the path, without that use being restricted by conditions on other TSPs’ systems and without ongoing financial liability for congestion costs on other TSPs’ systems. In its June 2026 briefing, NV Energy specifically expressed concern regarding how its major transmission investments in SWIP-N and Greenlink would be impacted by proposed changes to EDAM congestion revenue allocation rules.⁷ These concerns apply equally to other TSPs or entities pursuing major transmission investments, including Bonneville Power Administration’s Lower Columbia to NOB project, and Idaho Power’s Boardman-to-Hemingway project, in collaboration with PacifiCorp and Bonneville. The value proposition of these investments could be significantly eroded if use of the new facilities required large congestion payments to other TSPs, whose ratepayers have not contributed to the new projects, and who have not reinforced their own systems to adequately accommodate unavoidable parallel flows.

⁶ [NV Energy Perspective – Spotlight Briefing on Extended Day-Ahead Market Congestion Revenue Allocation – June 2026](#), at slide 4.

⁷ NV Energy Spotlight Briefing, at 3.