

Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on February 26, 2026

Department of Market Monitoring

March 12, 2026

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Day-Ahead Market Enhancements - Configurable Parameters Implementation Working Group* presentation on February 26, 2026.¹

DMM supports the ISO's proposal to use lower envelope multiplier and deployment imbalance reserve (DIR) factor values at go-live, along with reduced imbalance reserve (IR) requirements, to help minimize the risks associated with implementing a new product in a new market structure. DMM recommends the ISO utilize the lowest possible values for all three parameters and only consider increasing these values if market results demonstrate a clear need or value to do so.

Although DMM has recommended caution when interpreting simulation results based on unrealistic input data, the ISO's analysis in both the market simulation and parallel operations resulted in IR prices that do not seem consistent with the actual costs of providing the product. The ISO's analysis also indicates that certain parameter values may further increase IR prices without clear evidence of improving real-time deliverability of IR schedules.

To limit risk at go-live, DMM recommends the ISO use values lower than 60 percent for the envelope multiplier and DIR factor, as lower parameter values would reduce the risk of unnecessarily constraining IR supply and driving prices above efficient levels. DMM also supports using lower IR requirements at go-live. This will allow the ISO to gain operational experience while managing risk of unintended market outcomes and procuring higher levels of IR only if needed. DMM recommends the ISO only consider increasing configurable parameter values and IR requirements after go-live if operational data shows a need for procuring additional IR capacity or improving real-time deliverability. If market results reveal deliverability concerns, DMM further recommends the ISO conduct analysis to confirm that increasing the envelope multiplier or DIR factor would effectively address those concerns at a justifiable cost.

Comments

DMM recommends using lowest possible configurable parameter values until the ISO can demonstrate these parameters are necessary and capable of improving deliverability

DMM supports the ISO's proposal to use lower values for the DIR factor and envelope multiplier parameters at go-live to reduce the risk of inefficiently high IR prices with potentially little to no benefit in return. DMM recommends the lower parameter values remain in place until further analysis determines (1) whether it is necessary to improve real-time deliverability of IR; (2) whether either of these parameters can effectively address deliverability in real-time; and (3) whether the value of that improved deliverability justifies the resulting higher IR prices.

¹ *Day-Ahead Market Enhancements: Configurable Parameters Implementation Working Group* presentation, California ISO, February 26, 2026: [https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Day-Ahead-Market-Enhancements-\(DAME\)-Configurable-Parameters-Implementation-Working-Group-Feb-26-2026.pdf](https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Day-Ahead-Market-Enhancements-(DAME)-Configurable-Parameters-Implementation-Working-Group-Feb-26-2026.pdf)

DMM recommends the ISO use values less than 60 percent for the envelope multiplier and DIR factor to minimize the risks at go-live. While the ISO's results suggest the envelope multiplier had less impact on IR prices in parallel operations, there are a variety of other explanations for why the results in parallel operations during this week in February are different than the October day studied in market simulation.² DMM recommends caution in underestimating the impact the envelope multiplier could have on IR prices at go-live, and suggests the ISO start with a value less than 60 percent for both the envelope multiplier and the DIR factor in order to minimize risk.

DMM continues to recommend weighing any increase in parameter values against their costs.³ Because real-time deliverability of IR awards cannot be evaluated until after go-live, DMM recommends the ISO only consider changing the original parameter values once there is sufficient operational data to determine whether improvements are needed and whether these parameters can effectively address them. It is unclear to DMM whether the envelope multiplier and DIR factor can meaningfully increase real-time deliverability. Even a 100 percent DIR factor does not guarantee deliverability in real-time, and a higher envelope multiplier does not ensure adequate state-of-charge in real-time. DMM therefore recommends the ISO only consider gradually increasing these values after go-live if market results indicate that there are real-time deliverability concerns that will be addressed efficiently with adjustments to these two parameters.

DMM supports the ISO's proposal to reduce imbalance reserve requirements

DMM supports the ISO's plan to reduce IR requirements at go-live as DMM agrees this could be an additional avenue for mitigating risk. Lowering the IR requirement could allow the ISO to assess the market's capability of efficiently procuring IR at more incremental levels, rather than enforcing the full requirement at go-live. DMM recommends the ISO use lower IR requirements at go-live and only consider increasing the requirements if market results indicate a need to procure additional IR capacity.

As previously noted by DMM, there are a number of options other than IR procurement that can address net load uncertainty between day-ahead and real-time markets. Due to these other options, DMM believes that starting go-live with lower requirements could protect against inefficiently high IR prices without creating much risk that uncertainty between day-ahead and real-time will be unable to be met. This would allow the ISO to gather and analyze market data to determine whether increasing the requirements is necessary for market efficiency and reliability.

Similar to other stakeholders, DMM is concerned about the frequency and cost of demand curve procurement in both the market simulation and parallel operations under fairly low load conditions. DMM is specifically concerned about what this frequency of demand curve procurement implies about the availability and cost of IR capacity under relatively low load conditions. The increased dependence on demand curve procurement to meet higher IR requirements reflects insufficient capacity to meet these requirements at a cost less than that of demand curve procurement. Therefore, using a lower requirement at go-live would mitigate market risk by reducing the overall level and cost of IR procurement, including demand curve procurement and associated cost, while affording an opportunity to assess available IR capacity in live market conditions at varied load levels.

² *Ibid*, p 49

³ *Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on November 20, 2025*, Department of Market Monitoring, December 10, 2025: <https://www.caiso.com/documents/dmm-comments-on-day-ahead-market-enhancements-configurable-parameters-implementation-nov-20-2025-working-group-dec-10-2025.pdf>