

Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on March 24, 2026

Department of Market Monitoring

April 7, 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 March 24, 2026.¹ DMM supports the ISO's proposal to use a lower envelope multiplier value, a lower deployment imbalance reserve (DIR) factor, and reduced imbalance reserve (IR) requirements at go-live to help minimize the risks associated with implementing a new product in a new market structure. DMM continues to recommend the ISO use the lowest values possible for these three inputs and only consider increasing these values if operational data shows a need for procuring additional IR capacity or improving real-time deliverability.

Comments

DMM supports using the lowest possible values for envelope multipliers and deployment imbalance reserve factors at go-live

DMM supports the ISO lowering the envelope multiplier and DIR values to 45 percent. However, DMM reiterates that there is no evidence yet available from real-time market results to indicate that these parameters will improve real-time deliverability. Therefore, DMM would support using even lower values at go-live.² As for the second phase of the configurable parameters initiative, DMM continues to recommend the ISO only consider increasing these parameter values if (1) market results demonstrate that increased values would meaningfully impact the real-time deliverability of IR and (2) that the reliability need to do so justifies any increase in IR procurement costs.

DMM recommends the ISO further reduce the net load uncertainty percentile used to establish the imbalance reserve requirement

DMM supports the ISO's proposal to use a lower percentile of net load uncertainty to establish the IR requirement. However, DMM recommends the ISO consider a value lower than the 90th percentile as this may not meaningfully reduce IR requirements from levels established using the 97.5th percentile. DMM continues to recommend starting with the lowest IR requirement possible in order to minimize risk and allow the ISO to gain operational experience procuring IR.

The mathematical formulation of the current imbalance reserve demand curve assumes that if there is not enough imbalance reserve to cover actual net load difference between day-ahead and real-time, then the

¹ *Day-Ahead Market Enhancements: Configurable Parameters Implementation Working Group* presentation, California ISO, March 24, 2026: <https://stakeholdercenter.caiso.com/InitiativeDocuments/presentation-day-ahead-market-enhancements-dame-configurable-parameters-implementation-working-group-mar-24-2026.pdf>

² *Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on January 29, 2026*, Department of Market Monitoring, February 19, 2026: <https://www.caiso.com/documents/dmm-comments-on-day-ahead-market-enhancements-configurable-parameters-implementation-jan-29-2026-working-group-feb-19-2026.pdf>

ISO will violate contingency reserve requirements and face a minimum penalty of \$247/MWh. However, as DMM has previously noted, this is not likely the case since there are a number of other options besides IR procurement that can address net load uncertainty between day-ahead and real-time markets.

The purpose of the real-time market is to resolve differences between day-ahead and real-time conditions, and the historical levels of net load uncertainty used by the ISO to inform residual unit commitment (RUC) adjustments indicate a belief that the resources available in the real-time market will generally be effective in doing so without procuring a large amount of capacity specifically to meet net load uncertainty. Since the ISO began selecting the percentiles that set RUC adjustments for net load uncertainty between the day-ahead and 15-minute markets, the ISO has used a percentile at or below the 75th percentile on the vast majority of days.³ DMM believes that starting go-live with lower requirements could protect against inefficiently high IR prices without creating much risk that net load uncertainty between day-ahead and real-time will be unable to be met.

³ 2024 Annual Report on Market Issues and Performance, Department of Market Monitoring, August 7, 2025, pp 255-260: <https://www.caiso.com/documents/2024-annual-report-on-market-issues-and-performance-aug-07-2025.pdf>