

Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on December 18, 2025

Department of Market Monitoring

January 8, 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 December 18, 2025.¹ DMM supports the ISO testing the sensitivity of the configurable parameters on market results prior to go-live, but continues to recommend caution when interpreting results that use unrealistic market data. When determining configurable parameter values that impact deliverability of imbalance reserves (IR), DMM supports an approach that balances computational complexity and market efficiency with the need for sufficiently reliable and deliverable imbalance reserve capacity. DMM continues to request that the ISO provide additional information regarding IR bids being used in testing to allow better understanding of the interaction between IR bids and IR prices.

Comments

DMM understands that computation time will be the deciding factor on which constraints will be considered in the imbalance reserve (IR) deployment scenarios. DMM supports the ISO's plan to use the same approach used for the flexible ramping product (FRP) deployment scenarios by first enforcing flowgates, then nomograms, and then assessing feasibility of contingencies. Due to performance issues with solution run-times, the ISO does not include contingency flowgate constraints in FRP deployment scenarios.

Because the IR deployment scenarios are run in the day-ahead, the computation time may not be as limiting as it was for FRP. Ideally, all constraints (flowgates, nomograms, and contingencies) should be included because using the same constraints for both the market run and the deployment scenarios is important for preventing stranded capacity.² However, full deliverability may be too high a standard and if computation times are too burdensome, tradeoffs may need to be made and DMM supports the ISO's proposal to prioritize the inclusion of flowgates and nomograms.

DMM recommends the ISO consider starting the deployed imbalance reserve (DIR) factor at a value less than 100 percent, and then analyze after go-live whether it is necessary to increase. If the ISO is not open to changing the initial value, DMM recommends the ISO prioritize testing whether lowering the DIR significantly impacts deliverability. The DIR factor creates a trade-off, and either extreme has its downsides. Even a 100 percent DIR factor does not guarantee deliverability in real-time.

The ISO's analysis shows higher DIR factors may lead to higher IR prices and could also result in more demand curve procurement which implies fewer IR awards to resources (less capacity procured). On the other end, a zero percent factor would likely result in IR being awarded to stranded resources, resulting in

¹ *Day-Ahead Market Enhancements: Configurable Parameters Implementation Working Group* presentation, California ISO, December 18, 2025: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Day-Ahead-Market-Enhancements-Configurable-Parameters-Implementation-Working-Group-Dec-18-2025.pdf>

² *2024 Annual Report on Market Issues and Performance*, Department of Market Monitoring, August 7, 2025, p. 232: <https://www.caiso.com/documents/2024-annual-report-on-market-issues-and-performance-aug-07-2025.pdf>

capacity that would not be deliverable. DMM recommends the ISO consider starting the DIR factor lower than the proposed 100 percent, and potentially increasing this value if a deliverability problem arises.

DMM continues to request that the ISO provide additional information regarding IR bids to allow better understanding of the interaction between IR bids and IR prices.³ Specifically, DMM requests the ISO provide figures similar to the ones in the presentation that show IR bid megawatt quantities by price bucket, but exclude the megawatt quantities of IR bids that correspond to energy schedules or are infeasible due to commitment status and start-up time. Such data would be beneficial, for example, to better understand why there are so many hours that have 8-9 GW of imbalance reserve up (IRU) bids less than or equal to \$5/MWh (slide 38) but result in relaxing the IR constraint at \$40/MWh prices (slide 42) when the requirement is 2-4 GW.⁴

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>

⁴ *Day-Ahead Market Enhancements: Configurable Parameters Implementation Working Group presentation*, California ISO, December 18, 2025: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Day-Ahead-Market-Enhancements-Configurable-Parameters-Implementation-Working-Group-Dec-18-2025.pdf>