

# Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on January 29, 2026

Department of Market Monitoring

February 19, 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 January 29, 2026.<sup>1</sup>

DMM supports the ISO testing the sensitivity of the configurable parameters on the market results prior to go-live. Consistent with ISO data team's explanations of the data, DMM has recommended caution when interpreting results based on potentially unrealistic input data in the test environment. However, the ISO's preliminary analysis has demonstrated that some of the configurable parameter values can significantly increase imbalance reserve (IR) prices, with limited evidence that these higher prices would improve real-time energy availability and deliverability of IR schedules. Further, there appears to be little evidence that the resulting prices are consistent with the actual costs of providing the product.

DMM supports the ISO's proposal made in the Market Surveillance Committee meeting on February 6 to utilize lower default values for the envelope multiplier, deployment imbalance reserve (DIR) factor, and imbalance reserve requirement at go-live, as this could help protect against inefficiently high IR prices. DMM recommends the ISO conduct analysis after go-live to evaluate whether resource availability and transmission deliverability of IR needs improvement, whether adjusting these parameters could appropriately address these concerns, and whether the value of any increased availability or deliverability justifies the potential increase in IR costs that may result from higher parameter values.

DMM also supports the ISO considering changes to the remaining configurable parameters after go-live when actual market data are available.

## Comments

DMM agrees with the ISO's summary of the results from the first stage of analysis, particularly regarding the impact of the battery envelope multiplier and the deployment imbalance reserve factor on IR prices.<sup>2</sup> DMM supports the ISO's proposal to lower the default value for these two configurable parameters at go-live to reduce risk of inefficiently high IR prices, as discussed in the Market Surveillance Committee meeting on February 6, 2026.<sup>3</sup>

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<sup>1</sup> *Day-Ahead Market Enhancements: Configurable Parameters Implementation Working Group* presentation, California ISO, January 29, 2026: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Day-Ahead-Market-Enhancements-Configurable-Parameters-Implementation-Working-Group-Jan-29-2026.pdf>

<sup>2</sup> *Ibid*, p 52.

<sup>3</sup> *Day-Ahead Market Enhancements: Update on the configurable parameters working group progress*, California ISO, Market Surveillance Committee Meeting February 6, 2026: <https://www.caiso.com/documents/presentation-extended-day-ahead-market-edam-configurable-parameters-feb-06-2026.pdf>

### ***Higher envelope multipliers increase costs and may not ensure real-time availability***

DMM continues to recommend that the benefit of a higher envelope multiplier be weighed against the cost.<sup>4</sup> The ISO's preliminary analysis indicates that higher envelope multipliers significantly increase IR prices. It is unclear to DMM whether this envelope multiplier will substantially increase the availability of storage resources to provide IR in real-time for two reasons:

- First, there is no real-time constraint that ensures storage resources with IR awards will establish the needed state-of-charge earlier in the day to be available to provide charging or discharging energy in later hours with IR awards.<sup>5</sup>
- Second, the current bid cost recovery (BCR) structure removes storage resources' exposure to the real-time price of day-ahead schedule buybacks, which further reduces the likelihood that real-time and day-ahead schedules will align to establish the state-of-charge needed to provide imbalance reserve capacity later in the day.<sup>6</sup>

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

### ***High deployment imbalance reserve factors increase costs and may not increase actual IR deliverability***

DMM continues to recommend the ISO consider starting the deployment imbalance reserve (DIR) factor at a value less than 100 percent and then evaluate after go-live whether an increase is necessary.<sup>7</sup> The ISO's analysis shows that higher DIR factors may lead to higher IR prices, and could lead to more demand curve procurement which implies fewer IR awards to resources (less capacity procured). The DIR factor creates a trade-off between the probability of real-time deliverability and the cost of IR. However, because even a 100 percent DIR factor does not guarantee deliverability in real-time, or potentially not even more deliverability than a lower factor, DMM recommends the ISO start with a lower value at go-live and then

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<sup>4</sup> *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>

<sup>5</sup> A battery would need to charge before being able to discharge energy during hours of imbalance reserve up awards. Similarly, a battery may need to ensure sufficient charging capability during hours of IRd awards by discharging or forgoing charging in hours before the imbalance reserve down awards. There is no real-time constraint on state-of-charge (SOC) that will ensure such outcomes, even if they exist in the day-ahead market.

<sup>6</sup> *Comments on Storage Design and Modeling Working Group Presentation on November 12, 2025*, Department of Market Monitoring, November 26, 2025: <https://www.caiso.com/documents/dmm-comments-on-storage-design-and-modeling-nov-12-2025-working-group-presentation-nov-26-2025.pdf>

<sup>7</sup> *Comments on Day-Ahead Market Enhancements Configurable Parameters Working Group Presentation on December 18, 2025*, Department of Market Monitoring, January 8, 2026: <https://www.caiso.com/documents/dmm-comments-on-day-ahead-market-enhancements-configurable-parameters-implementation-dec-18-2025-working-group-jan-08-2026.pdf>

analyze actual market data to determine whether deliverability problems warrant potentially increasing the DIR factor.

***DMM agrees with the ISO's choice of parameters to adjust for go-live***

DMM supports the ISO's choice of parameters to reduce IR impacts at go-live (including the envelope multiplier, DIR factor, and reserve requirement levels) rather than changing the other parameters—such as the \$55/MWh bid cap and default availability bid. The \$55/MWh bid cap and default availability bid are defined in the tariff and may be harder to adjust prior to go-live. As such, these parameters are not appropriate to adjust based on potentially unrealistic market data. DMM also notes that there is limited analysis on how the \$55/MWh default availability bid affects market outcomes. DMM recommends the ISO analyze actual market data after go-live to determine whether updates to these parameters are warranted, as this will provide better insight into their impact on market performance.