

Comments on Commitment Cost Bidding Flexibility Workshop #2 - June 18, 2026

Department of Market Monitoring

July 6, 2026

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Commitment Cost Bidding Flexibility Workshop #2*, held on June 18, 2026.¹ DMM noted several shortcomings with the commitment cost mitigation policy approved in 2018 as part of the *Commitment Cost and Default Energy Bid Enhancements* initiative.² DMM encourages the ISO to carefully review and thoroughly discuss this initiative with stakeholders prior to implementation.

DMM continues to believe that a robust and well-designed framework for dynamic commitment cost mitigation is necessary before considering an increase to the current 125 percent cap on commitment cost bids. While DMM recognizes there may be instances where the existing cap does not fully reflect a resource's actual costs, DMM believes many of these cases could be more effectively addressed with other mechanisms aimed at improving accuracy of the resources' reference levels. For example, DMM continues to recommend that the ISO enhance processes for allowing commitment cost bid caps to be raised in response to actual market conditions at the start of each operating day.

While the ISO is contemplating approaches to implement dynamic commitment cost mitigation, DMM notes that any approach to doing so will necessarily be different and more complicated than the approach used for energy bids and must consider a wider range of constraints and resources. DMM agrees with stakeholders that it would be useful for the ISO to provide additional detail on any technical limitations that may be relevant to the implementation of any potential approach to dynamic commitment cost mitigation.

The complexity of the ISO's basic dynamic mitigation proposal creates significant potential for implementation errors and unexpected performance issues. Consequently, DMM recommends that commitment cost bid caps should be raised on a more gradual basis only after the effectiveness of dynamic mitigation is confirmed based on actual operational experience.

Comments

Additional targeted steps to improve the accuracy of commitment cost bid caps may reduce the need for complex dynamic commitment cost mitigation.

Developing a sufficient design for dynamic commitment cost mitigation will be complex and will likely require significant software changes which can lead to implementation errors and performance issues. DMM recommends the ISO continue focusing on improving resources' ability to accurately reflect costs—

¹ *Commitment Cost Bidding Flexibility Workshop 2*, California ISO, June 18, 2026:

<https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Commitment-cost-bidding-flexibility-working-group-Jun-18-2026.pdf>

² *Comments on Revised Draft Final Proposal for Commitment Cost and Default Energy Bid Enhancements*, Department of Market Monitoring, February 28, 2018: <https://www.caiso.com/documents/dmmcomments-commitmentcostsanddefaultenergybidenhancementsreviseddraftfinalproposal.pdf>

particularly fuel costs—with targeted mechanisms like the default gas price index (GPI) adjustment. In 2025, the ISO took incremental steps through the *Gas Resource Management* initiative to provide additional gas price flexibility in reference levels, including for commitment costs. However, DMM continues to recommend the ISO provide additional flexibility in the manual reference level change request process, such as extending the 8 a.m. deadline for reference level change requests for the real-time market.³

DMM realizes there must be some lag between when requests are made and when they can be implemented in the market. However, DMM has suggested that the ISO allow reference levels for both energy bids and commitment costs to be updated on an ongoing basis in the real-time market. DMM understands that other regional transmission operators offer this type of flexibility, especially under unusual market conditions.⁴ This additional flexibility would further decrease the need to raise the commitment cost bid cap above 125 percent in many cases.

The approach to dynamic market power mitigation for commitment costs will necessarily differ from the approach used for energy bids.

DMM agrees that dynamic market power mitigation (MPM) tests for commitment costs should differ from the energy MPM process across several key aspects. For commitment cost mitigation, the MPM test would need to consider a wider set of constraints as it would be necessary to test non-binding constraints. In addition, there may be other constraints and scenarios to consider, such as minimum online constraints and operator actions that affect commitments.⁵ DMM also continues to recommend that resources that could have been committed should be considered and mitigated when necessary to prevent participants from withholding more efficient resources from the market.⁶

The ISO should provide additional detail on technical challenges to implementing different dynamic commitment cost mitigation approaches.

During the call, stakeholders requested the ISO provide more detailed information regarding the implementation issues associated with the original policy. DMM agrees that understanding the specific roadblocks would help identify what approaches may or may not be feasible. The ISO has indicated that implementing this policy will require technology trade-offs that increase with solution complexity. DMM recommends the ISO clearly outline these trade-offs so that stakeholders can better understand the practical limitations.

³ *Memorandum to Western Energy Markets Governing Body - Comments on proposed changes to gas resource management*, Department of Market Monitoring, December 9, 2025: <https://www.caiso.com/documents/decision-on-gas-resource-management-and-extended-day-ahead-market-congestion-department-of-market-monitoring-comments-dec-2025.pdf>

⁴ *Ibid.*

⁵ *Comments on Revised Draft Final Proposal for Commitment Cost and Default Energy Bid Enhancements*, Department of Market Monitoring, February 28, 2018: <https://www.caiso.com/documents/dmmcomments-commitmentcostsanddefaultenergybidenhancementsreviseddraftfinalproposal.pdf>

⁶ *Ibid.*