

Supplemental Comments on Gas Resource Management Draft Final Proposal

Department of Market Monitoring

October 15, 2025

Summary

The Department of Market Monitoring (DMM) submits these comments on the *Gas Resource Management Draft Final Proposal* as a supplement to our comments submitted on October 3.¹

As noted in our prior comments, DMM has major concerns about the benchmark group approach outlined in the draft final proposal for setting default costs and reference level change request (RLCR) thresholds for units in areas with higher gas price volatility. DMM noted that at a minimum, this approach should be developed in more detail, and subject to further review and analysis based on actual historical data on gas price volatility and the frequency of RLCR requests.

In these supplemental comments, we provide a summary of the frequency of RLCRs in the CAISO and all WEIM balancing areas. This analysis shows that over the last three years, the frequency of RLCRs in the CAISO has been extremely low (.01% to .05%), and that no RLCRs have been approved for WEIM balancing areas outside of California.

These data suggest there has been very limited historical dependency on the RLCR process, and that if defaults and reasonableness thresholds are set to maintain this low level of dependence across all areas (as indicated in the draft final proposal), it could result in very high defaults and reference levels for WEIM/EDAM areas that have high gas price volatility with extreme outliers.

DMM has noted that many concerns with the CAISO's proposal might be addressed by setting a cap on the maximum level of fuel volatility scalar that is applied to default costs and RLCR thresholds that might result from any default methodology established by the CAISO. There is currently no fuel volatility scalar included in the default cost calculations, while the fuel volatility scalar values for RLCR reasonableness thresholds are currently 110% in most cases.²

Supplemental analysis and comments

DMM supports allowing customized RLCR thresholds based on analysis of historical data on the difference between (1) available gas price indices at the most appropriate hub for each resource, and (2)

¹ <https://www.caiso.com/documents/dmm-comments-on-gas-resource-management-draft-final-proposal-oct-03-2025.pdf>

² Figure 2 on page 11 of the draft final proposal does not consider the scenario of a 110% fuel volatility scalar on energy bids. However, as described in Appendix O of the BPM for Market Instruments, the fuel volatility scalar used to calculate reasonableness thresholds of both commitment cost and energy bids is 110% for days with a published gas price index, and 125% for other days (eg, Mondays). This scalar is applied to the fuel cost, on top of other scalars currently applied to estimated costs built into default cost calculations (110% of cost for default energy bid calculations and 125% of cost for commitment cost calculations). Any resource-specific fuel volatility scalar would be added to the fuel cost used in calculating default values, and to existing fuel volatility scalars in calculation of the reasonableness threshold.

the unit's actual gas procurement costs. Ideally, such analysis should be based on data for a significant time period (e.g., at least 1 year, but longer if possible, since it is often 2 to 4 years in between major gas price spikes).

While DMM supports this general framework, DMM has significant concerns about the ISO's draft final proposal for determining fuel cost adjustments for units in balancing areas outside of California with higher gas price volatility. DMM's prior comments noted that there is a wealth of data currently available that could be used to assess the implications of the general framework outlined in the draft final proposal. These data include the actual frequency of RLCRs and the historical volatility of gas prices in areas outside of California.

To help begin assessment of these data, DMM has compiled data on the frequency of approved RLCRs over the last three years within the CAISO and all other WEIM balancing areas.³ For this analysis, DMM first constructed a set of daily observations, with each observation representing an individual gas-fired unit that had bids submitted to the day-ahead or real-time market during any hour of that day.⁴ DMM then identified the units/days in this sample that ISO records indicate the resource submitted an approved RLCR.

As explained in Attachment O of the BPM for Market Instruments, there are two types of RLCR requests: *manual* and *automated*:⁵

Scheduling Coordinators (SCs) for resources that have or expect to have fuel or fuel-equivalent costs that are greater than the costs used by the CAISO to calculate Reference Levels may submit Reference Level Change Requests to update their DEBs and Default Commitment Costs. There are two types of Reference Level Change Requests: automated and manual. Automated requests are automatically accepted in SIBR up to a CAISO calculated Reasonableness Threshold value. Manual requests must be submitted and approved manually. Manual Reference Level Change Request, if approved, will result in Revised Default Commitment Cost Bids and Revised Default DEBs.

Although ISO data categorize RLCRs as automated or manual, DMM believes some RLCRs categorized as automated may actually have been RLCRs that were submitted as automated RLCRs above the reasonableness threshold, and were automatically approved at the reasonableness threshold.⁶ DMM also understands that data on manual RLCRs do not include any that were not approved. DMM understands that the frequency of manual RLCRs that were not approved is extremely low, and is only

³ Data for 2025 includes bid and RLCR activity from January until the end of September.

⁴ For CAISO resources, this analysis treats the day-ahead market and real-time mutually exclusive. So a resource that bid into the day-ahead market and real-time, and submitted RLCRs in both of these markets, would count as two RLCRs in two bid days.

⁵ *Business Practice Manual for Market Instruments*, Attachment O, pp. 435-436

⁶ As explained in the BPM, "If the requested Reference Level is above the Reasonableness Threshold, the submission will be capped at the Reasonableness Threshold value and the capped amount will be used in CAISO market systems." (p. 444) If this occurs, participants can then re-submit their requested reference level in excess of the automated Reasonableness Threshold as a manual RLCR. Participants can also submit a manual RLRC directly without first submitting an automated RLCR.

aware of one such request.⁷ Further analysis would be needed to identify such requests. However, DMM expects that both these refinements would not change the fundamental findings of this initial analysis.

Table 1 summarizes results of this analysis. As shown in Table 1, the combined frequency of all RLCRs submitted over the last three years has been extremely low in the CAISO area, with a maximum combined frequency of 0.49% in 2024. The frequency was much lower in 2023 (0.01%) and in 2025 (0.06%). Most of these RLCRs were for resources connected to the Kern hub or El Paso pipeline, which have less storage and are more volatile than the main gas hubs in California.

As shown in Table 1, ISO data show that no RLCRs have been made and approved for any gas resource within any WEIM balancing areas outside of California over this three-year period. DMM is not aware of any RLCRs above the reasonableness threshold that have not been approved in any WEIM balancing area.

Table 1. Frequency of Reference Level Change Requests (RLCR)

Based on all gas units with bids in day-ahead and real-time market during any hour of day

	CAISO		
	2023	2024	2025
Under threshold (autotomatically approved)	0.01%	0.39%	0.02%
Over threshold (manually approved)	0.00%	0.10%	0.05%
Total RLCRs	0.01%	0.49%	0.06%

	WEIM (outside of California)		
	2023	2024	2025
Under threshold (autotomatically approved)	0.00%	0.00%	0.00%
Over threshold (manually approved)	0.00%	0.00%	0.00%
Total RLCRs	0.00%	0.00%	0.00%

DMM believes that analysis such as this may help identify very different variations of this general approach than those suggested in the draft final proposal. DMM has noted that many concerns with the CAISO's proposal might be addressed by setting a cap on the maximum level of scalar applied to default costs and RLCR thresholds that might result from any default methodology established by the ISO. DMM suggests that any increase in the scalar be based on analysis of the actual volatility of gas prices in different areas. It may be appropriate for areas with higher volatility and more extreme price outliers to be more dependent on targeted manual reviews to address these cases, rather than allowing potentially much higher default values and reasonableness thresholds that overestimate costs most of the time.

⁷ In this case, an SC requested a manual adjustment citing a physical supply issue in a fuel region that was different than their registered fuel region in Master File.