

Comments on Penalty Enhancements: Demand Response, Investigation, and Tolling Straw Proposal

Department of Market Monitoring

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The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Penalty Enhancements: Demand Response, Investigation, and Tolling Straw Proposal*.¹

In this initiative, the ISO proposes to set a due date for demand response monitoring data and establish well-defined penalties for providers who fail to meet the requirements. DMM agrees that there should be clear requirements and a well-defined penalty structure for the submission of demand response monitoring data. DMM and the ISO need this data to monitor activity of demand response providers – such as submission of potentially inaccurate baselines or potential baseline manipulation.

In the absence of a clear deadline in the tariff for the submission of demand response monitoring data, DMM has witnessed significant, ongoing problems with some demand response providers never submitting this required data. DMM supports the CAISO's proposal to explicitly require demand response monitoring data to be submitted by T+52B after a demand response event.

In addition, without a well-defined penalty structure for demand response providers who fail to submit the required data, the ISO has not levied penalties against the providers who do not submit the required monitoring data. DMM supports a penalty structure that adequately incentivizes demand response providers to provide the necessary monitoring data in a timely matter without being overly punitive.

The CAISO's proposal is to penalize each SCID at \$1,000 per trading day after the T+52B deadline, with penalties increasing to \$4,000 per day after the T+214B deadline. DMM understands the idea that levying this penalty at an SCID level, rather than at the resource level as currently done, may avoid over-penalizing a single SCID due to the potential large number of demand response resources per SCID. However, one potential issue with this penalty structure is an SCID that may be missing data for just a few resources is penalized at the same magnitude as an SCID missing data for many resources. For an SCID that has many resources, but is missing data for just a few resources, a structure like this removes any incentive for the SCID to comply with submitting data for the remainder of the resources in a timely manner.

The ISO is also proposing to discuss a potential inaccurate meter data materiality threshold or first-time waiver. While DMM does not oppose discussions around this issue, DMM would like to highlight the importance of strict deadlines and financial penalties for not meeting deadlines. A structure of strict deadlines and financial penalties creates important incentives for market participants to perform the desired behavior by the deadline. Removing the penalty for a particular submission deadline could result in increased non-compliance of that deadline over time.

¹ *Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Straw Proposal*, California ISO, March 28, 2024: <https://www.caiso.com/InitiativeDocuments/StrawProposal-Penalty-enhancements-demand-response-investigation-and-tolling-Mar-28-2024.pdf>