Decision on Rules of Conduct
Enhancements Track 1

Jill Powers
Demand Response & Distributed Energy Sector Manager, Market Policy Development

Joint ISO Board of Governors and WEIM Governing Body Meeting
General Session
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Management proposes changes to the Rules of Conduct

- Rules of conduct establish principles and obligations for participating in the ISO markets and prescribe penalties for violations of rules

- Applies penalties for market issues, including missing, late, or inaccurate meter data submission
Today’s inaccurate meter data penalties can be disproportionate to the magnitude of the inaccuracy

- Current penalty: $1,000 per trading day
- Not proportional to market impact
  - Small MW quantity meter data inaccuracy can accrue sizable penalties over time
Management proposes to align inaccurate meter data penalty with market impact

• Proposal to adjust the penalty to the lower of:
  – 30% of error’s absolute value
  – $1,000 per trading day

• Proposed penalty is proportional to market impact while deterring non-compliance
Management proposes rules of conduct process enhancements to improve operational efficiency

- **Eliminates annual penalty distribution filing with FERC**
  - Post informational report on ISO website showing distribution of penalty funds

- **Clarifies eligibility for penalty distribution payments**
  - Entities exempt from penalties or receiving a penalty waiver should not receive proceeds from penalty distribution

- **Clarifies application of Market Adjustment Provision in context of WEIM entities**
  - Where WEIM entity is the sole entity in a utility distribution company area, no market adjustment is provided
Stakeholders broadly support enhancements

- Two stakeholder workshops and two opportunities for written comments

- Management proposal addresses stakeholder concerns
  - Courtesy warning ahead of potential exposure to meter data penalties
  - Penalty application when a resource has a non-zero total expected energy value for a settlement interval
  - Provided detailed examples of calculated penalties
Management recommends the ISO Board of Governors and WEIM Governing Body approve the Rules of Conduct enhancement track 1 proposal

- Proposal will ensure meter data penalties for small, long-term meter data inaccuracies are proportional to their market impact while deterring non-compliance
- Proposal will improve operational efficiency
- Proposal is responsive to FERC guidance on several penalty waiver requests