Memorandum

To: ISO Board of Governors and WEIM Governing Body
From: Eric Hildebrandt, Executive Director, Market Monitoring
Date: September 13, 2023
Re: Department of Market Monitoring comments on rules of conduct enhancements track 1

This memorandum does not require ISO Board of Governors or WEIM Governing Body action.

EXECUTIVE SUMMARY
The Department of Market Monitoring (DMM) supports Management’s Rules of Conduct enhancements track 1 proposal. The proposed change in the penalty for inaccurate meter data submission should eliminate disproportionately large penalties for small errors that persist over long periods of time, while maintaining a financial incentive for scheduling coordinators to submit accurate meter data. DMM supports the proposal to maintain the existing penalties on late meter data submission as being reasonable and necessary to ensure the high level of current compliance. DMM also recommends that the ISO clarify the deadline for data that proxy demand response providers must submit for the ISO and DMM to be able to monitor their self-reported load reduction performance. The ISO has committed to considering solutions to this and other issues in the next phase of this initiative.

COMMENTS
Proposed changes
Track 1 of the Rules of Conduct initiative has a narrow scope, focused mainly on evaluating the meter data penalty design in response to stakeholder feedback. DMM supports the various elements of the ISO’s meter data penalty proposal.

DMM agrees with the ISO and stakeholders that the current penalty of $1,000/trading day for inaccurate meter data submission can be overly punitive on small, long-term errors. The proposal would change the penalty for inaccurate data to the lower of (1) $1,000/trading day; or (2) 30 percent of the error’s value. This change should eliminate disproportionately large penalties for small errors that persist over long periods of time, while maintaining financial incentive for scheduling coordinators to submit accurate meter data.

DMM also supports the ISO maintaining the existing penalties on late meter data submission. If the ISO values the timely and accurate submission of a particular type of data, DMM supports the ISO establishing or maintaining strict data submission deadlines and financial penalties for failing to meet the deadlines.
Further recommendations

Some stakeholders cited the potential low amount of penalties actually levied as evidence for considering whether it would continue to be worth the ISO’s efforts to monitor and enforce some rules of conduct deadlines. DMM disagrees with this logic. A strict deadline and financial penalty for not meeting that deadline 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.

For example, the tariff does not have a clear deadline for some data that proxy demand response providers must submit for the ISO and DMM to be able to monitor their self-reported load reduction performance. In the absence of a firm deadline, the ISO has not been able to levy penalties on the demand response providers for non-compliance with the data submission required by the tariff. Without any penalties, DMM has observed significant and ongoing problems with some proxy demand response providers not submitting this required data.

The ISO has committed to considering solutions to this issue in the next phase of this initiative, along with other potential enhancements to the Rules of Conduct.