



**COMMENTS ON CAISO'S PROPOSED
11/08/10 TARIFF MODIFICATIONS
REGARDING SUBMISSION OF METER DATA**

PREPARED BY:

Sue Mara

RTOAdvisors, L.L.C.

(415) 902-4108

sue.mara@rtoadvisors.com

November 23, 2010

BACKGROUND

In May, 2010, I submitted a short written paper to the CAISO describing confusing language in the CAISO's tariff regarding requirements for submitting "accurate" Settlement Quality Meter Data. The paper also detailed specific tariff provisions of concern, such as Sections 10.3.6, 37.11 and 37.5.2. I pointed out that, when the provisions requiring "accurate" meter data are read in conjunction with the Rules of Conduct provisions, the tariff dictates that Scheduling Coordinators (SCs) will be subject to penalties and sanctions if they submit revised meter data. I noted that these tariff provisions do not reflect the current practices of Meter Data Management Agents (MDMAs), overwhelmingly the utilities, who consistently update the meter usage data outside of the timelines imposed by both their own tariff and the deadlines in the CAISO tariff (and related BPMs).

There are millions of meters and a certain percentage of these meters will have glitches or read errors. Accordingly, as more accurate meter usage data is obtained, the MDMAs provide the revised usage data to the SC. The CAISO tariff has this common practice treated as a violation of the "Rules of Conduct" and subject to "sanctions and penalties," which is unjustified and unrealistic.

Revising meter usage data as more accurate data becomes known is part of common and acceptable good utility business practice and should never be considered a violation of the Rules of Conduct, unless fraud or market manipulation is indeed the goal of the revisions. The reality is, when the SCs

submit their meter usage data to the CAISO, they have no knowledge of any meter errors or that the meter data may subsequently be revised. Also, when the MDMAs provide the SCs with revised and more accurate meter data, these changes generally add up to very small MW amounts in the aggregate, but, nonetheless, they are revisions to the data that the SCs previously submitted to the CAISO. Applying sanctions to this common business practice or making such practice subject to a “Rule of Conduct violation” is an excessive application of the CAISO’s authority.

The proposed tariff changes released November 8, 2010 make only one small change in the meter data sections related to the issues I raised – they clarify that revised meter data can be submitted up to T+43C without incurring Sanction or penalty. That change is welcome, but does not go far enough. (Please refer to my May, 2010 paper for a detailed discussion of confusing language that should be modified.)

Most significantly, the CAISO tariff has no materiality threshold for revised meter data that can be independently calculated by the SC. The only “threshold,” described in Section 37.11.1, is based on the size of the sanction (Sanction > \$1,000 for at least one Trading Day during the period during which there was incomplete or inaccurate meter data). The Sanction is calculated based on LMP prices during the period of the revised meter data. Only the CAISO is able to calculate this number. With this approach, the CAISO tariff would require SCs to submit revised meter data in amounts of only a few hundred kW per hour and further be subject to a Rule of Conduct violation and penalties. That approach

would seem, on its face, to be an excessive exercise of authority. Instead, the CAISO tariff should be revised to *encourage* submission of revised meter data, but only when the amount of the revision is material. This represents a more reasonable approach, which reduces SC costs, limits administrative burdens, and reserves Rule of Conduct violations to more egregious circumstances.

PROPOSED REVISIONS

Attached are my proposed revisions to the CAISO Tariff. To address my concerns, I have revised sections included in the November 8th release and have added one section that was not included in the November 8th release, but was needed to address my concerns. Each section is labeled to show whether it came from the November 8th version or from the Fifth Replacement version posted on the CAISO web site. In addition, the CAISO's proposed changes are in **red** and mine are in **blue**. My primary changes are to add materiality thresholds in Sections 10.3.6.3 and 37.5.2.1. The following summarizes the changes proposed in each section:

10.3.6.2 – Changed “will” to “may” to reflect the fact that the penalty may not always be applied, in particular, if the materiality threshold is not met, as provided in later sections.

10.3.6.3 – Added a “materiality” threshold below which the SC does not have to submit revised meter data. Clarified that that the deadline is T+43C and that penalties may apply if submitted thereafter.

37.5.2.1 – Added the concept of a “material” error. If the SC submits revised meter data, but the data do not meet the definition of a “material error,” the SC will not be sanctioned or penalized.

37.8.2 – Clarified that, for meter data errors, the appeal to FERC would likely involve the Recalculation Settlement Statement.

37.11.1 – Clarified that the penalty only applies to “material” errors. Deleted a heading that did not seem to belong. (Note: I excluded the Tables in the tariff simply to avoid re-typing them; I do not propose any changes to those tables.)

SUMMARY

Current CAISO tariff language regarding submission of “accurate” meter data is confusing and unreasonable. I propose revisions that would provide a more reasonable outcome and is both easily complied with and easily administered. I would be pleased to discuss these proposed changes at any time.

PROPOSED TARIFF CHANGES

10.3.6.2 Timing of Settlement Quality Meter Data Submission for Recalculation Settlement Statement T+38B (6/24/10 5th Replacement Version)

Scheduling Coordinators must submit Actual Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO no later than midnight on the forty-third (43) calendar day after the Trading Day (T+43C) for the Recalculation Settlement Statement T+38B. A Scheduling Coordinator that timely submits Actual Settlement Quality Meter Data for the Initial Settlement Statement T+7B pursuant to Section 10.3.6.1 may submit revised Actual Settlement Quality Meter Data for the Recalculation Settlement Statement T+38B no later than the forty-third (43) calendar day after the Trading Day pursuant to this Section.

- (a) When Actual Settlement Quality Meter Data is not received by the CAISO for a Scheduling Coordinator Metered Entity by forty-three (43) calendar days after the Trading Day (T+43C), the Scheduling Coordinator has failed to submit complete and accurate meter data as required by Section 37.5.2.1 and ~~will~~ may be subject to monetary penalty pursuant to Section 37.5.2.2.

(b) Any Scheduling Coordinator Estimated Settlement Quality Meter Data submitted by a Scheduling Coordinator on behalf of the Scheduling Coordinator Metered Entities it represents that is not replaced with Actual Settlement Quality Meter Data by forty-three (43) calendar days after the Trading Day (T+43C) has failed to submit complete and accurate meter data as required by Section 37.5.2.1 and ~~will~~ may be subject to monetary penalty pursuant to Section 37.5.2.2. In the absence of Actual Settlement Quality Meter Data, Scheduling Coordinator Estimated Settlement Quality Meter Data will be used in the Recalculation Settlement Statements.

(c) The CAISO will not estimate a Scheduling Coordinator Metered Entity's Settlement Quality Meter Data for any outstanding metered Demand and/or Generation for use in a Recalculation Settlement Statement calculation. Any previous CAISO Estimated Settlement Quality Meter Data that the Scheduling Coordinator does not replace with Actual Settlement Quality Meter Data by forty-three (43) calendar days after the Trading Day (T+43C) will be set to zero. The CAISO will follow the control process described in the BPM for Metering to monitor and identify the CAISO Estimated Settlement Quality Meter Data that was not timely replaced and will take proactive measures to obtain the Actual Settlement Quality Meter Data. A Scheduling Coordinator that fails to replace CAISO Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data by forty-three (43) calendar days after the Trading Day (T+43C) has failed

to provide complete and accurate Settlement Quality Meter Data as required by Section 37.5.2.1 and will be subject to monetary penalty pursuant to Section 37.5.2.2.

10.3.6.3 Timing of Settlement Quality Meter Data Submission for Recalculation Settlement Statements after the Recalculation Settlement Statement T+38B (CAISO 11/08/10 Version)

Scheduling Coordinators are not required to submit revised Actual Settlement Quality Meter Data to the CAISO for the Scheduling Coordinator Metered Entities they represent after forty-three (43) calendar days after the Trading Day (T+43C), unless such revised meter data represent increases or decreases of more than 250 megawatt-hours for the Trading Day for a particular TAC Area. In that event, Scheduling Coordinators ~~may continue~~ **are required** to submit Actual Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO ~~for use in Recalculation Settlement Statements subsequent to the Recalculation Settlement Statement T+38B by~~ **after forty-three (43) calendar days after the Trading Day (T+43C)** according to timelines established in the CAISO Payments Calendar, **but may be subject to Sanction and penalty pursuant to Section 37.5.2.**

37.5.2.1 Expected Conduct (CAISO 11/08/10 Version)

Market Participants shall provide complete and accurate Settlement Quality

Meter Data for each Trading Hour and shall correct any errors in such data ~~prior to the issuance of Initial Settlement Statement T+7B or Recalculation Settlement Statement, as relevant~~ no later than forty-three (43) calendar days after the Trading Day (T+43C). ~~The~~ failure to provide complete and accurate Settlement Quality Meter Data, as required by Section 10 ~~that causes an~~ material error to exist in such Settlement Quality Meter Data after forty-three (43) calendar days after the Trading Day (T+43C) ~~and that results in an error that is discovered after issuance of an Initial Settlement Statement T+7B or Recalculation Settlement Statement, as relevant,~~ shall be a violation of this rule. In addition, Scheduling Coordinators that fail to submit Scheduling Coordinator Estimated Settlement Quality Meter Data that is complete and based on a good faith estimate that reasonably represents Demand and/or Generation quantities for each Settlement Period as required by Section 10 and that results in an material error that is discovered and has not been replaced by Actual Settlement Quality Meter Data after ~~issuance of an Initial Settlement Statement T+7B or Recalculation Settlement Statement, as relevant,~~ forty-three (43) calendar days after the Trading Day (T+43C) shall be a violation of this rule.

For purposes of this Section 37.5.2, a material error is defined as a change in the meter data of more than 500 megawatt-hours for the Trading Day for a particular TAC Area. Only material errors may be deemed violations under this Section 37.5.2 and subject to Sanction pursuant to Section 37.11.

37.8.10 Review Of Determination (CAISO 11/08/10 Version)

A Market Participant that receives a Sanction may obtain immediate review of the CAISO's determination by directly appealing to FERC, in accordance with FERC's rules and procedures. In such case, the applicable Scheduling Coordinator shall also dispute the Initial Settlement Statement ~~T+38 BD~~ T+7B or Recalculation Settlement Statement, as relevant, containing the financial penalty, in accordance with Section 11. The ~~Initial Settlement Statement T+38 T+7B BD~~ dispute and appeal to FERC must be made in accordance with the timeline for raising disputes specified in Section 11.29.8.2. The penalty will be tolled until FERC renders its decision on the appeal. The disposition by FERC of such appeal shall be final, and no separate dispute of such Sanction may be initiated under Section 13, except as provided in Section 37.9.3.4. For the purpose of applying the time limitations set forth in Section 37.10.1, a Ssanction will be considered assessed when it is included on an Initial Settlement Statement ~~T+38 BD~~ T+7B or Recalculation Settlement Statement, as relevant, whether or not the CAISO accepts a the Scheduling Coordinator's dispute, ~~of such Initial Settlement Statement T+38 BD T+7B~~ pending resolution of an appeal to FERC in accordance with this section or Section 37.9.3.3.

37.11.1 Method For Calculating Inaccurate Meter Data Penalty (CAISO 11/08/10 Version)

There is no Sanction for the submission of inaccurate Meter Data used for an

Initial Settlement Statement T+ 7B. However, an material error in submitted Meter Data that exists after forty-three (43) calendar days after the Trading Day (T+43C) is discovered after issuance of a Recalculation Settlement Statement constitutes a Rule of Conduct violation, as described in Section 37.5.2. The level of the Sanction depends on whether the Scheduling Coordinator or the CAISO discovered the error. An increased penalty will apply for errors that are discovered by the CAISO.

Table A1 below shows how the level of the Sanction depends on the following factors: whether or not the Scheduling Coordinator finds the error; whether or not the Scheduling Coordinator owes the market, and whether or not the CAISO performs a re-run of the market or produces a Recalculation Settlement Statement. If the CAISO issues a Recalculation Settlement Statement or performs a re-run, then Settlement to all Scheduling Coordinators is recalculated, and the impact of such re-runs on charges assessed will be considered. A penalty charge equal to thirty (30) percent ~~(30%)~~ of the estimated value of the Energy error will apply if the Scheduling Coordinator discovers the error or seventy-five (75) percent ~~(75%)~~ of the estimated value of the Energy error if the CAISO discovers the error. Penalty assessment and disposition of penalty proceeds will be administered as described in Section 37.9.1 and Section 37.9.4 respectively. A Sanction will not be imposed unless such Sanction is more than \$1,000 for at least one Trading Day during the period for which there was incomplete or inaccurate Meter Data.

TABLE A-1

Note to Table A1:

The applicable price will be the greater of: (1) the simple average of the relevant twelve (12) five-minute LMPs for each hour in which inaccurate meter data occurred; or (2) \$10/MWh. ~~The applicable price will be the greater of the relevant hourly LMP or \$10/MWh.~~ The LMP used will be the values posted on OASIS for each Trading Hour of the applicable Trading Day period.

~~2. Method for Calculating Inaccurate Meter Data Penalty When there is not a Recalculation Settlement Statement or re-run.~~

If the CAISO does not perform a Recalculation Settlement Statement or re-run, for cases of inaccurate Meter Data, Table A2 will be used to determine and allocate penalty and any market adjustment amount. The market adjustment approximates the financial impact on the market; however, it does not completely reflect all the Settlement consequences of inaccurately submitted Meter Data. The approximated value of the inaccurate Meter Data in question will be calculated and returned to the market based on the average of the pro rata share of Unaccounted for Energy (UFE) charged in the utility Service Area during the period of the inaccurate Meter Data event. The thirty (30) percent ~~(30%)~~ or seventy-five (75) percent ~~(75%)~~ penalty will be distributed as discussed in Section 37.9.4. For cases where the CAISO does not perform a Recalculation Settlement Statement or re-run and the Scheduling Coordinator does not owe the market, then no market adjustment will be performed and no penalty will be assessed.

TABLE A-2

Notes to Table A2:

The applicable price will be the greater of: (1) the simple average of the relevant twelve (12) five-minute LMPs for each hour in which inaccurate meter data occurred; or (2) \$10/MWh. ~~The applicable price will be the greater of the relevant hourly LMP or \$10/MWh.~~ The LMP used will be the value posted on OASIS for each Trading Hour of the applicable Trading Day.

A Sanction will be imposed only if the Sanction is more than \$1,000 for at least one Trading Day during the period for which there was incomplete or inaccurate Meter Data.

If the error is to the detriment of the responsible Scheduling Coordinator (e.g., under-reported Generation or over-reported Demand), and the CAISO does not produce a Recalculation Settlement Statement or perform a re-run, then no market adjustment will be made and no penalty will be assessed. If the CAISO produces a Recalculation Settlement Statement or performs a re-run after the error is corrected, then the Scheduling Coordinator will be given credit for the additional Energy through the normal Settlement process. If the Scheduling Coordinator is paid for an error due to a Recalculation Settlement Statement or re-run, then a Sanction will be assessed to assure that Recalculation Settlement Statements or re-runs do not diminish the incentive to correct such errors. This Sanction would be thirty (30) percent ~~(30%)~~ of the Energy value of the error if the

Scheduling Coordinator discovers the error or seventy-five ~~(75%)~~ (75) percent ~~(75%)~~ estimated value of the error if the CAISO discovers the error.

If the error is to the detriment of the market, then a charge equal to thirty (30) percent ~~(30%)~~ or seventy-five ~~(75%)~~ percent of the estimated value of the error, as appropriate, will be added to the charge for the Energy. If there is no Recalculation Settlement Statement or re-run, then the cost of Energy supplied by the CAISO (and inappropriately charged to the market as Unaccounted for Energy) must be recovered as well, and the charge will be equal to one-hundred thirty (130)% percent or one-hundred seventy five (175)% percent of the estimated value of the error, as appropriate.