

California Independent System Operator Corporation
Fifth Replacement FERC Electric Tariff

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35. Market Validation And Price Correction

35.1 Market Validation

The CAISO shall monitor the Market Clearing software solutions for the Day-Ahead Market, the RUC process, the Hour-Ahead Scheduling Process, and the Real-Time Market for all market intervals to determine whether prices are calculated accurately, consistent with the provisions of the CAISO Tariff. To the extent reasonably practicable, the CAISO shall correct erroneous prices identified through such monitoring and re-run the relevant CAISO Markets prior to publication of prices on its Open Access Same-Time Information System (OASIS) or provision of prices directly to Market Participants, if applicable.

35.2 Timing Of The Price Correction Process

All prices for each Trading Day shall become subject to the CAISO's price correction process once the CAISO publishes them on its OASIS or provides them directly to Market Participants, if applicable. For all prices, the price correction process for each Trading Day shall end no later than the end of the fifth calendar day following that Trading Day. The CAISO may complete the price correction process for any Trading Day earlier than the end-time established in this Section 35 . The CAISO shall provide notification on the CAISO Website when it has completed the price correction process for each Trading Day. If the CAISO does not provide such notification, the price correction process will be deemed complete at the end of the fifth calendar day following that Trading Day.

35.3 Finality Of Prices Subject To The Price Correction Process

All prices shall be considered provisional until the CAISO has completed the price correction process regarding them. All prices for each Trading Day shall be considered final for purposes of this Section 35 once the price correction process for that Trading Day has ended and the CAISO will not make price corrections or change published prices after the price correction process time period has expired except as further discussed in this Section 35.3. The CAISO will not make price corrections after the price correction process time period specified in Section 35.2 has expired, except as otherwise directed by the Federal Energy Regulatory Commission. In addition, for intervals in which the CAISO experiences a problem with the processing or publication of prices, the CAISO will make changes to the affected prices to remedy the processing or publication problems within the time period following the applicable Trading

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Day as specified in the Business Practice Manual, except as otherwise directed by the Federal Energy Regulatory Commission. After the expiration of the applicable time horizon for addressing processing and publication issues, as specified in the Business Practice Manual, in the case of a price discrepancy between prices posted on the CAISO's OASIS and prices provided to Scheduling Coordinators through other means, the CAISO will use the price posted on OASIS for Settlement purposes.

35.4 Scope Of Price Corrections

The CAISO may correct all financially binding prices, including all prices released pursuant to Section 6, whenever the CAISO identifies an invalid market solution or invalid prices in an otherwise valid market solution. The circumstances in which the CAISO may determine that an invalid market solution or invalid prices exist include the following: the occurrence of data input failure; the occurrence of hardware or software failure; or a result that is inconsistent with the CAISO Tariff. The reposting of prices to remedy processing or publication issue as discussed in Section 35.3 does not constitute a price correction.

35.5 Price Correction Methodology

The CAISO shall correct prices to conform with the relevant provisions of the CAISO Tariff to the extent such correction is practicable. To the extent such correction is not practicable, the CAISO shall correct prices so that they are as close as reasonably possible to the prices that should have resulted under the relevant provisions of the CAISO Tariff, using the most accurate data available, and in a manner that is consistent with the prevalent system conditions existing at that time. The CAISO shall correct prices using the first applicable and practicable correction method of the following:

- (a) The CAISO shall selectively recalculate incorrect financially binding prices when the invalid prices are isolated and can be corrected such that no other financially binding prices are affected by the correction.
- (b) If the correction method in Section 35.5(a) is not applicable and practicable, the CAISO shall recalculate prices for the invalidated market interval when all market inputs applicable to the market interval to be recalculated are either (i) preserved from the original market run, for data that was not the cause of the invalidated price, (ii) corrected, in the case of invalid initial data in the initial Market Clearing,

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or (iii) recreated or replicated data using the best available alternate data sources, in the case of missing data in the initial Market Clearing.

- (c) If the correction methods in Sections 35.5(a) and 35.5(b) are not applicable and practicable, the CAISO shall use, in place of prices for the binding interval of an invalidated market solution, replicated prices from binding or advisory intervals from the validated market solution in which the market conditions were most similar to the market conditions in the invalidated market solution, for the affected interval. In no case will an invalidated Day-Ahead Market solution be replaced with a valid Day-Ahead Market solution from a previous Trading Day. The method set forth in this Section 35.5(c) shall apply in the Day-Ahead Market only when some but not all hourly market intervals within a valid market run are deemed to be invalid and prices are not recalculated pursuant to the method set forth in Section 35.5(b), above.

The CAISO shall include details concerning the CAISO's price correction methodology in the applicable Business Practice Manual.

35.6 Weekly Price Correction Report

The CAISO shall summarize all price corrections that occur within a week in a report that shall be posted on the CAISO Website by the seventh day of the following week. For all price corrections that occur during each week, the price correction report shall specify: (a) which market intervals were affected, (b) which price locations were affected, (c) a brief description of the reason for the price correction, and (d) the method of price corrective action undertaken.