

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

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37. Rules of Conduct

37.1 Objectives, Definitions, and Scope

37.1.1 Purpose

Section 37 sets forth the guiding principles for participation in the markets administered by the CAISO. The specified Rules of Conduct are intended to provide fair notice to Market Participants of the conduct expected of them, to provide an environment in which all parties may participate on a fair and equal basis, to redress instances of gaming and other instances of anticompetitive behavior, and thereby to foster confidence of Market Participants, ratepayers and the general public in the proper functioning of the CAISO markets.

37.1.2 Objectives

The objectives of this CAISO Tariff are to:

- (a) Provide clear Rules of Conduct specifying the behavior expected of Market Participants;
and
- (b) Establish in advance the Sanctions and other potential consequences for violation of the specified Rules of Conduct.

37.1.3 Application of Other Remedies

The activities and remedies authorized under this Section 37 are in addition to any other actions or relief that may be available to the CAISO elsewhere in the CAISO Tariff or under law, regulation or order. Nothing in this Section 37 limits or should be construed to limit the right of the CAISO to take action or seek relief otherwise available to it, and such action or relief may be pursued in addition to the action or relief specified in this Section 37.

37.1.4 [Not Used]

37.1.5 Administration

The CAISO shall administer the following Rules of Conduct specified herein: Section 37.4.1, Section 37.4.2, Section 37.4.3, Section 37.5.2, Section 37.6.1, Section 37.6.2, and Section 37.6.3. FERC shall administer the following Rules of Conduct specified herein: Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1.

37.2 Comply with Operating Orders

37.2.1 Compliance with Orders Generally

37.2.1.1 Expected Conduct

Market Participants must comply with operating orders issued by the CAISO as authorized under the CAISO Tariff. For purposes of enforcement under this Section 37.2, an operating order shall be an order(s) from the CAISO directing a Market Participant to undertake, a single, clearly specified action (e.g., the operation of a specific device, or change in status of a particular Generating Unit) that is intended by the ISO to resolve a specific operating condition. Deviation from an ADS Dispatch Instruction shall not constitute a violation of this Section 37.2.1.1. A Market Participant's failure to obey an operating order containing multiple instructions to address a specific operating condition will result in a single violation of Section 37.2. If some limitation prevents the Market Participant from fulfilling the action requested by the CAISO then the Market Participant must promptly and directly communicate the nature of any such limitation to the CAISO.

37.2.1.2 [Not Used]

37.2.2 [Not Used]

37.2.2.1 [Not Used]

37.2.2.2 [Not Used]

37.2.3 Operations and Maintenance Practices

37.2.3.1 Expected Conduct

Market Participants shall undertake such operating and maintenance practices as necessary to avoid contributing to a major Outage or prolonging response time to a major Outage. For the purposes of this Section 37.2.3.1, a major Outage is an Outage that affects at least ten (10) percent of the Load served by the Distribution System of a UDC or any Outage that results in major damage to the CAISO Controlled Grid or to the health and safety of personnel.

37.2.3.2 [Not Used]

37.2.4 Resource Adequacy Availability

37.2.4.1 Expected Conduct

Subject to Section 40, a Market Participant shall start a Generating Unit listed as a Resource Adequacy

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Resource and bring it on-line and/or available consistent with a DAM or RUC commitment or Real-Time Dispatch Instructions and once started up, shall not shut down a Generating Unit listed as a Resource Adequacy Resource in a manner that is inconsistent with a DAM or RUC commitment or Real-Time Dispatch Instructions, unless the CAISO releases the Generating Unit after the RUC process is completed, or a derate or Outage prevents the Generating Unit from being on-line and available.

37.2.4.2 [Not Used]

37.2.5 [Not Used]

37.2.6 [Not Used]

37.3 Submit Feasible Bids and Submissions to Self-Provide

37.3.1 Bidding Generally

37.3.1.1 Expected Conduct

Market Participants must submit Bids for Energy, RUC Capacity and Ancillary Services and Submissions to Self-Provide an Ancillary Service from resources that are reasonably expected to be available and capable of performing at the levels specified in the Bid, and to remain available and capable of so performing based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of submission. Intertie Schedules in the RTM for import or export Energy are not subject to the foregoing requirement, but failure to deliver on such Intertie Schedules in the RTM can be subject to referral by DMM under Section 11.1, Appendix P.

37.3.2.1 [Not Used]

37.3.2 Exceptions

The submission of a Bid or of a Submission to Self-Provide Ancillary Services that causes, or that the CAISO expects to cause Congestion shall not, by itself, constitute a violation of Section 37.3.1.

37.4 Comply with Available Reporting Requirements

37.4.1 Reporting Availability

34.4.1.1 Expected Conduct

A Market Participant shall notify the CAISO Control Center of any Outage reportable pursuant to Section 9.3.10.3.1 of a Generating Unit subject to Section 4.6 within sixty (60) minutes after the Outage is discovered.

37.4.1.2 Sanctions

A “violation” for purposes of this Section shall mean each failure to notify the CAISO Control Center about an Outage of a Generating Unit within sixty (60) minutes after the Outage is discovered, as required by Section 37.4.1, except that (a) for each Generating Unit, the first such failure in a calendar month shall not constitute a violation, and (b) for each Generating Unit, multiple failures in the same calendar day shall constitute a single violation. The Sanctions for a violation of Section 37.4.1 shall be as follows:

- (a) for each Generating Unit that is the subject of a violation, the Sanction for the first violation in a calendar month shall be a warning letter;
- (b) for each Generating Unit that is the subject of a violation, the Sanction for the second and subsequent violations in a calendar month will be a financial penalty, as follows:
 - (i) if the Generating Unit has not been the subject of a financial penalty for a previous violation within twelve (12) months of the instant violation, the Sanction will be \$1,000;
 - (ii) if the Generating Unit has been the subject of one financial penalty for a previous violation within twelve (12) months of the instant violation, the Sanction will be \$2,000;
 - (iii) if the Generating Unit has been the subject of two or more financial penalties for previous violations within twelve (12) months of the instant violation, the Sanction will be \$5,000.

37.4.2 Scheduling and Final Approval of Outages

37.4.2.1 Expected Conduct

A Market Participant shall not undertake an Outage except as approved by the CAISO in accordance with Section 9.3.2, Section 9.3.9, and Section 9.3.6.6. A Market Participant shall not commence any Outage without obtaining final approval from the CAISO Control Center in accordance with Sections 9.3.9 and 9.3.10.

37.4.2.2 Sanctions

The Sanctions for a violation of Section 37.4.2 shall be as follows: for the first violation within a rolling twelve (12) month period, \$5,000; for subsequent violations within a rolling twelve (12) month period,

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\$10,000. A “violation” shall mean each Outage undertaken for which all required approvals were not obtained.

37.4.3 [Not Used]

37.4.4 Enhancements and Exceptions

Except as otherwise specifically provided, penalty amounts shall be tripled for any violation of Section 37.4.1 through Section 37.4.3 that occurs during a CAISO System Emergency. Violations of the above rules that result in circumstances in which an Uninstructed Deviation Penalty under Section 11.23 is assessed shall not be subject to Sanction under this Section. 37.4.

37.5 Provide Factually Accurate Information

37.5.1 [Not Used]

37.5.2 Inaccurate or Late Actual SQMD

37.5.2.1 Expected Conduct

Scheduling Coordinators representing Scheduling Coordinator Metered Entities shall provide complete and accurate Settlement Quality Meter Data for each Trading Hour and shall correct any errors in such data no later than forty-eight (48) Business Days after the Trading Day (T+48B). Failure either to submit complete and accurate Actual Settlement Quality Meter Data or to replace Estimated Settlement Quality Meter Data with complete and accurate Actual Settlement Quality Meter Data by T+48B is late Actual Settlement Quality Meter Data and shall be a violation of this rule. The failure to provide complete and accurate Actual Settlement Quality Meter Data, as required by Section 10.3.6 that causes an error to exist in such Settlement Quality Meter Data after forty-eight (48) Business Days after the Trading Day (T+48B) shall be a violation of this rule. 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 shall be a violation of this rule and may be referred to DMM for investigation.

37.5.2.2 Sanctions

Violations under this Section 37.5.2 shall be subject to Sanction described in Section 37.11.

37.5.2.3 Disposition of Sanction Proceeds

For purposes of redistributing collected market adjustments, any amounts collected under this provision

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shall be applied first to those parties affected by the conduct. Any excess amounts shall be disposed of as set forth in Section 37.9.4.

37.6 Provide Information Required by CAISO Tariff

37.6.1 Required Information Generally

37.6.1.1 Expected Conduct

Except as provided below in Section 37.6.4 (Review by FERC), all information that is required to be submitted to the CAISO under the CAISO Tariff must be submitted by the specified deadline. For the purposes of this Section 37.6.1.1, the specified deadline is either the deadline established directly in the CAISO Tariff or, where the CAISO Tariff does not establish a specific deadline, by the deadline that the CAISO has authority to establish under the CAISO Tariff.

37.6.1.2 Sanctions

Except as otherwise provided below, in Section 37.6.2 and Section 37.6.3, the Sanction for a violation of Section 37.6.1.1 shall be \$500 for each day that the required information is late.

37.6.2 Investigation Information

37.6.2.1 Expected Conduct

Except as provided below in Section 37.6.4 (Review by FERC), Market Participants must submit information in response to a written request by the CAISO for information requested in the course of an investigation authorized by the CAISO by the deadline established in the request by the CAISO.

37.6.2.2 Sanctions

The Sanction for a violation of Section 37.6.2 shall be as follows: for the first violation in a rolling twelve (12) month period, \$1000/day; for the second violation in a rolling twelve (12) month period, \$2000/day; for the third and subsequent violations in a rolling twelve (12) month period, \$5000/day. For purposes of this subsection, a violation shall be each failure to provide a full response to a written request and the Sanction shall be determined from the date that the response was due until a full response to the request is received.

37.6.3 Audit Materials

37.6.3.1 Expected Conduct

Except as provided below in Section 37.6.4 (Review by FERC), Market Participants shall comply with the

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CAISO's audit and/or test procedures authorized pursuant to Section 10.3.10, and further shall perform and submit an annual self-audit as required by the procedures the ISO establishes pursuant to Section 10.3.10, including procedures established relating to the deadline for submitting the required audit.

37.6.3.2 Sanctions

For failure to submit an audit report as required by Section 10.3.10.1, the Sanction shall be \$1000/day until such report is received by the CAISO. For all other violations of this rule the Sanctions shall be as follows: for the first violation in a rolling twelve (12) month period, \$1000/day; for the second violation in a rolling twelve (12) month period, \$2000/day; for the third and subsequent violations in a rolling twelve (12) month period, \$5000/day. For purposes of this subsection, a "violation" shall be each failure to provide all information required under the audit or test, from the date that the information was due until all required information is received by the CAISO.

37.6.4 Review by FERC

A Market Participant who objects to an information, audit or test obligation that is enforceable under Section 37.6.1, Section 37.6.2 or Section 37.6.3 above shall have the right immediately (and in all events, no later than the due date for the information) to seek review of the obligation with FERC. In the event that such review is sought, the time for submitting the response or other information to the CAISO shall be tolled until FERC resolves the issue.

37.7 [Not Used]

37.8 Process for Investigation and Enforcement

37.8.1 Purpose; Scope

The provisions of this Section 37.8 set forth the procedures by which the CAISO will independently investigate potential violations of the Rules of Conduct and administer enforcement activities. Except as hereinafter provided the provisions of this section apply to the Rules of Conduct set forth in Sections 37.2 through 37.6.

37.8.2 Referrals to FERC

Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1 shall be enforced by FERC, in accordance with FERC's rules and procedures. Pursuant to Section 11 of Appendix P, DMM shall refer suspected violations of Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1 to FERC. For

violations of this Section 37 that are enforced by FERC, Section 37.8.3, Section 37.8.4, Section 37.8.5, Section 37.8.6, Section 37.8.7, Section 37.8.8, Section 37.8.9, and Section 37.8.10 shall not apply to any investigation DMM may conduct prior to submitting a referral to FERC.

37.8.3 Investigation

The CAISO shall conduct a reasonable investigation seeking available facts, data, and other information relevant to the potential Rules of Conduct violation.

37.8.4 Notice

The CAISO shall provide notice of the investigation in sufficient detail to allow for a meaningful response to the Scheduling Coordinator and, as limited below, to all Market Participants the Scheduling Coordinator represents that are the subject(s) of the investigation. The CAISO shall contact the Market Participant(s) that may be involved, so long as the CAISO has sufficient objective information to identify and verify the role of the Market Participant(s) in the potential Rules of Conduct violation. Such Market Participant(s) will likely have an existing contractual relationship with the CAISO (e.g., UDC, MSS, CAISO Metered Entity, Participating Transmission Owner, Participating Generator, Participating Load, Distributed Energy Resource Provider, or Demand Response Provider).

37.8.5 Opportunity to Present Evidence

The CAISO shall provide an opportunity to the Market Participant(s) that are the subject(s) of the investigation to present any issues of fact or other information relevant to the potential Rules of Conduct violation being investigated. The CAISO shall consider all such information or data presented.

37.8.6 Results of Investigation

The CAISO shall notify the Market Participant(s) that are the subject(s) of the investigation of the results of the investigation. The Market Participant(s) shall have thirty (30) days to respond to the findings of the CAISO before the CAISO makes a determination of whether a Sanction is required by this CAISO Tariff.

37.8.7 Statement of Findings and Conclusions

Where the investigation results in a Sanction, the CAISO shall state its findings and conclusions in writing, and will make such writing available to the Scheduling Coordinator and, as provided in Section 37.8.4, to the Market Participant(s) that are the subject(s) of the investigation.

37.8.8 Officer Representative

Where an investigation results in a Sanction by the CAISO, the CAISO shall direct its notice of such result to a responsible representative of the Scheduling Coordinator and, as provided in Section 37.8.4, to the Market Participant(s) that are the subject(s) of the investigation at the officer level.

37.8.9 Record of Investigation

Where an investigation results in a Sanction, the CAISO will maintain a record of the investigation until its decision has been finally reviewed, if review is sought, or until the period for seeking review has expired.

37.8.10 Review of Determination

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 Recalculation Settlement Statement containing the financial penalty, in accordance with Section 11. The Recalculation Settlement Statement dispute and appeal to FERC must be made in accordance with the timeline for raising disputes specified in Section 11.29.8. 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 Sanction will be considered assessed when it is included on a Recalculation Settlement Statement, whether or not the CAISO accepts a Scheduling Coordinator's dispute of such Recalculation Settlement Statement pending resolution of an appeal to FERC in accordance with this section or Section 37.9.3.3.

37.9 Administration of Sanctions

37.9.1 Assessment, Waivers and Adjustments

Penalty amounts for violation of these Rules of Conduct shall be calculated as specified in Section 37.4.1.2, Section 37.4.2.2, Section 37.4.3.2, Section 37.4.4, Section 37.5.2.2, Section 37.6.1.2, Section 37.6.2.2, and Section 37.6.3.2.

37.9.2 [Not Used]

37.9.2.1 [Not Used]

37.9.2.2 [Not Used]

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37.9.2.3 [Not Used]

37.9.2.4 [Not Used]

37.9.2.5 [Not Used]

37.9.2.6 [Not Used]

37.9.3 Settlement

37.9.3.1 Settlement Statements

The CAISO will administer any penalties issued under this Section 37 through Recalculation Settlement Statements, as relevant, issued to the responsible Scheduling Coordinator by the CAISO. Before invoicing a financial penalty through the Settlement process, the CAISO will provide a description of the penalty to the responsible Scheduling Coordinator and all Market Participants the Scheduling Coordinator represents that are liable for the penalty, when the CAISO has sufficient objective information to identify and verify responsibility of such Market Participants. The description shall include the identity of the Market Participant that committed the violation and the amount of the penalty.

37.9.3.2 Payment

Except as provided in Section 37.8.10 or Section 37.9.3.3 below, the Scheduling Coordinator shall be obligated to pay all penalty amounts reflected on Settlement Statements to the CAISO pursuant to the CAISO's Settlement process, as set forth in Section 11.

37.9.3.3 Other Responsible Party

Where a party or parties other than the Scheduling Coordinator is responsible for the conduct giving rise to a penalty reflected on a Settlement Statement, and where the Scheduling Coordinator bears no responsibility for the conduct, such other party or parties ultimately shall be liable for the penalty. Under such circumstances, the Scheduling Coordinator shall use reasonable efforts to obtain payment of the penalty from the responsible party(ies) and to remit such payment to the CAISO in the ordinary course of the Settlement process. In the event that the responsible party(ies) wish to dispute the penalty, or the Scheduling Coordinator otherwise is unable to obtain payment from the responsible parties, the Scheduling Coordinator shall notify the CAISO and dispute the Settlement Statement. The CAISO promptly shall notify FERC. If the CAISO finds that a Market Participant separate from the Scheduling Coordinator that is unable to obtain payment from the responsible party(ies) is solely responsible for a

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violation, the Scheduling Coordinator that is unable to obtain payment may net its payment of its Invoice amount by the amount of the penalty in question. The CAISO may refuse to offer further service to any responsible party that fails to pay a penalty, unless excused under the terms of the CAISO Tariff, by providing notice of such refusal to the Scheduling Coordinator. Following such notice, the Scheduling Coordinator shall be liable for any subsequent penalties assessed on account of such responsible party.

37.9.3.4 [Not Used]

37.9.4 Disposition of Proceeds

The CAISO shall collect penalties assessed pursuant to this Section 37.9 and deposit such amounts in an interest bearing trust account. After the end of each calendar year, the CAISO shall distribute the penalty amounts together with interest earned through payments to Scheduling Coordinators as provided herein.

For the purpose of this Section 37.9.4, "eligible Market Participants" shall be those Market Participants that were not assessed a financial penalty pursuant to this Section 37 during the calendar year.

Each Scheduling Coordinator that paid GMC during the calendar year will identify, in a manner to be specified by the CAISO, the amount of GMC paid by each Market Participant for whom that Scheduling Coordinator provided service during that calendar year. The total amount assigned to all Market Participants served by that Scheduling Coordinator in such calendar year (including the Scheduling Coordinator itself for services provided on its own behalf), shall equal the total GMC paid by that Scheduling Coordinator.

The CAISO will calculate the payment due each Scheduling Coordinator based on the lesser of the GMC actually paid by all eligible Market Participants represented by that Scheduling Coordinator, or the product of a) the amount in the trust account, including interest, and b) the ratio of the GMC paid by each Scheduling Coordinator for eligible Market Participants, to the total of such amounts paid by all Scheduling Coordinators. Each Scheduling Coordinator is responsible for distributing payments to the eligible Market Participants it represented in proportion to GMC collected from each eligible Market Participant.

Prior to allocating the penalty proceeds, the CAISO will obtain FERC's approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds. If the total amount in the trust account to be so allocated exceeds the total GMC obligation of all eligible Market Participants,

then such excess shall be treated in accordance with Section 11.29.9.6.3.

37.10 Miscellaneous

37.10.1 Time Limitation

An investigation of events potentially subject to Sanction by the CAISO under this Section 37 must be commenced within ninety (90) days of discovery of the events. Sanctions may be assessed under this Section 37 up to one year after discovery of the events constituting the violation, but no later than three years after the date of the violation. Nothing in this section shall limit the rights or liabilities of any party under any other provision of applicable laws, regulations or tariff provisions.

37.10.2 No Limitation on other Rights

Nothing contained in this Section 37 shall limit the ability of the CAISO to collect information from Market Participants or to establish new provisions pursuant to Section 15.

37.11 Method for Calculating Penalties

37.11.1 Inaccurate or Late Actual SQMD Penalty

There is no Sanction for the submission of inaccurate or late Actual Settlement Quality Meter Data used for a Recalculation Settlement Statement T+ 12B. However, failure by a Scheduling Coordinator, under a specific SCID, to submit Actual Settlement Quality Meter Data or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data by forty-eight (48) Business Days after the Trading Day (T+48B) for one or more scheduled Resource IDs for a given Trading Day is late Actual Settlement Quality Meter Data and constitutes a Rule of Conduct violation. The Sanction is \$1,000 and the Scheduling Coordinator is required to submit Actual Settlement Quality Meter Data during the period specified in Section 10.3.6.4 for Recalculation Settlement Statement T+9M. Where a Scheduling Coordinator fails to submit Actual Settlement Quality Meter Data or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data by T+48B for one or more scheduled Resource IDs for a given Trading Day and that Scheduling Coordinator also fails to submit Actual Settlement Quality Meter Data during the period specified in Section 10.3.6.3 for Recalculation Settlement Statement T+9M, then the Scheduling Coordinator shall also be levied a Sanction of \$3,000. The submission by a Scheduling Coordinator of Actual Settlement Quality Meter Data that causes an error to exist in such Actual Settlement Quality Meter Data after T+48B shall constitute inaccurate Actual

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Settlement Quality Meter Data and is a Rule of Conduct violation. The Sanction is \$1,000. All violations of this Section 37.11.1 shall be found per SCID per Trading Day and all Sanctions assessed under this Section 37.11.1 shall be levied per SCID per Trading Day. Accordingly, for any given trade date, one Scheduling Coordinator may be found to have committed multiple violations of, and may be assessed multiple Sanctions under, this Section 37.11.1.

37.11.2 Inaccurate or Actual SQMD Penalty without Recalculation Settlement Statement

If the CAISO does not perform a Recalculation Settlement Statement or re-run, for cases of inaccurate Actual Settlement Quality Meter Data, the penalty will be a market adjustment and a Sanction. The Sanction shall be \$1,000. 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. 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 but the Sanction of \$1,000 still shall be levied.

For the market adjustment, 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 LMP used will be the value posted on OASIS for each Trading Hour of the applicable Trading Day.