

Comments on Rules of Conduct Enhancements Track 1 Draft Final Proposal

Department of Market Monitoring

August 15, 2023

Comments

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Rules of Conduct Enhancements Track 1 – Draft Final Proposal*.¹ 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.

First, 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% 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.

Next, DMM 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.

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 that a relative lack of any particular penalty is an appropriate indicator of a lack of value of maintaining the penalty. 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 has not defined 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. In the absence of these penalties, DMM has observed significant and

¹ *Rules of Conduct Enhancements Track 1 – Draft Final Proposal*, California ISO, August 2, 2023:

<http://www.caiso.com/InitiativeDocuments/Draft-Final-Proposal-Rules-of-Conduct-Enhancements-Track1.pdf>

ongoing problems with some proxy demand response providers ever submitting this required data.

DMM believes well-defined deadlines and financial penalties for not meeting those deadlines creates important incentives for market participants to perform the desired behavior. DMM supports Track 1's meter data submission penalty proposal for adding elements that help reduce or prevent potential disproportionately large penalties while maintaining provisions to deter non-compliance.