



California ISO

WESTERN ENERGY IMBALANCE MARKET (WEIM)

Decision on Rules of Conduct Enhancements Track 1

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Management proposes changes to the Rules of Conduct

- Rules of conduct establish principles and obligations for participating in the ISO markets and prescribe penalties for violations of rules
- Applies penalties for market issues, including missing, late, or inaccurate meter data submission

Today's inaccurate meter data penalties can be disproportionate to the magnitude of the inaccuracy

- Current penalty: \$1,000 per trading day
- Not proportional to market impact
 - Small MW quantity meter data inaccuracy can accrue sizable penalties over time

Management proposes to align inaccurate meter data penalty with market impact

- Proposal to adjust the penalty to the lower of:
 - 30% of error's absolute value
 - \$1,000 per trading day
- Proposed penalty is proportional to market impact while deterring non-compliance

Management proposes rules of conduct process enhancements to improve operational efficiency

- **Eliminates annual penalty distribution filing with FERC**
 - Post informational report on ISO website showing distribution of penalty funds
- **Clarifies eligibility for penalty distribution payments**
 - Entities exempt from penalties or receiving a penalty waiver should not receive proceeds from penalty distribution
- **Clarifies application of Market Adjustment Provision in context of WEIM entities**
 - Where WEIM entity is the sole entity in a utility distribution company area, no market adjustment is provided

Stakeholders broadly support enhancements

- Two stakeholder workshops and two opportunities for written comments
- Management proposal addresses stakeholder concerns
 - Courtesy warning ahead of potential exposure to meter data penalties
 - Penalty application when a resource has a non-zero total expected energy value for a settlement interval
 - Provided detailed examples of calculated penalties

Management recommends the ISO Board of Governors and WEIM Governing Body approve the Rules of Conduct enhancement track 1 proposal

- Proposal will ensure meter data penalties for small, long-term meter data inaccuracies are proportional to their market impact while deterring non-compliance
- Proposal will improve operational efficiency
- Proposal is responsive to FERC guidance on several penalty waiver requests