January 12, 2024

The Honorable Debbie-Anne Reese
Acting Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Docket No. ER24-____-000

Tariff Amendment to Enhance the Rules of Conduct

Dear Acting Secretary Reese:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment to update four distinct aspects of Section 37 of the CAISO's tariff, which is called the rules of conduct.[1] These rules specify the behavior expected of CAISO market participants and establish in advance financial sanctions and other consequences for violations of these rules. Through this filing, the CAISO seeks to: (1) update the penalty formula for inaccurate submissions of meter data; (2) eliminate the calculation of a market adjustment charge for meter data reporting errors when the party in error is the only party in the relevant utility service area; (3) remove the requirement for the CAISO to seek Commission approval before distributing annual penalty proceeds to eligible market participants; and (4) clarify that entities exempt from rules of conduct sanctions are not eligible market participants for distributing penalty proceeds.

Each set of tariff amendments are discrete, severable, and not interdependent with the other aspects of the proposal. Additionally, one element

[1] The CAISO submits this filing pursuant to section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d, and Part 35 of the Commission's Regulations, 18 C.F.R. Part 35. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the CAISO tariff, and references herein to specific tariff sections are references to sections of the CAISO tariff unless otherwise specified.

of revised tariff section 37.5.2.2.1[2] regarding penalties for derived load meter data, described in more detail below, is severable from the other meter data penalty revisions.[3] The CAISO thus requests the Commission evaluate the justness and reasonableness of the revisions separately.

The CAISO respectfully requests the Commission issue an order accepting the proposed tariff revisions by March 22, 2024. The CAISO is targeting implementation of these provisions on April 1, 2024. However, to provide additional implementation flexibility, the CAISO requests these tariff revisions be effective, subject to the CAISO filing a notice with the Commission within 5 days of the actual effective date.[4]

I. Background

A. History and Purpose of the Rules of Conduct

The CAISO's rules of conduct establish a variety of rules for market participant behavior and defines consequences when market participants do not adhere to those rules.[5] The rules of conduct help provide fair notice to market participants of expected conduct; redress instances of market manipulation and anticompetitive behavior; and increase the confidence of market participants, ratepayers, and the general public in the proper functioning of the CAISO markets. The CAISO developed the rules of conduct in response to the Western Energy Crisis and proposed them for Commission approval in 2003.[6] They first took effect in 2007.

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[2] For the sake of clarity, this transmittal letter distinguishes between existing tariff provisions (*i.e.*, provisions in the current CAISO tariff), new tariff provisions (*i.e.*, tariff provisions the CAISO proposes to add in this filing), and revised tariff provisions (*i.e.*, existing tariff provisions the CAISO proposes to revise in this filing).

[3] The specific provision is: "Where a Scheduling Coordinator (under the same SCID or different SCIDs) submits inaccurate Meter Data for both a Generating Unit and Load for the same Trading Day, the CAISO does not consider the inaccurate Load Settlement Quality Meter Data for purposes of assessing Sanctions under this Section 37.5.2.2.1 if the Scheduling Coordinator demonstrates to the CAISO's reasonable satisfaction that the Load Settlement Quality Meter Data is derived from the Generating Unit Settlement Quality Meter Data and that the inaccurate Load Settlement Quality Meter Data was caused by the inaccurate Generating Unit Settlement Quality Meter Data. In such cases, the CAISO considers the inaccurate Load Settlement Quality Meter Data in calculating any applicable market adjustment pursuant to Section 37.5.2.2.4." Revised tariff section 37.5.2.2.1.

[4] The CAISO respectfully requests the Commission grant waiver of the notice requirement of section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1), to permit a potential effective date more than 120 days after this filing.

[5] *See* existing tariff section 37.1.2.

[6] *Cal. Indep. Sys. Operator Corp.*, Amendment No. 55 to the CAISO Tariff, FERC Docket No. ER03-1102-000 (July 22, 2003) (Amendment 55).

B. Summary of Existing Rules of Conduct

1. Substantive Rules

The rules of conduct includes ten categories of market participant rules. Six have defined sanctions, which the CAISO enforces.[7] The Commission administers the other four rules through its enforcement process. Violations of these four rules are subject to sanctions the Commission determines through that process.[8]

The six CAISO-administered rules are:

1. ***Forced Generation Outages*** – Generators must report forced generation outages within 60 minutes of discovery. Violations are subject to escalating penalties, starting with a warning letter running up to $5,000 per violation for the fifth violation in a rolling 12-month period.
2. ***Maintenance Outage Approval*** – Generators and transmission operators may not take a maintenance outage without receiving CAISO approval. Violations are subject to a sanction of $5,000 for the first violation in a rolling 12-month period, increasing to $10,000 for subsequent violations in a rolling 12-month period.
3. ***Timely & Accurate Meter Data*** – Scheduling coordinators that submit their own meter data must submit complete and accurate meter data by the submission deadline. The CAISO assesses penalties of either $1,000 or $4,000 per trading day depending on when a scheduling coordinator corrects an issue.
4. ***Tariff-Required Information*** – Market participants must submit tariff-required information by the applicable deadline. Violations are penalized $500 per day the information is late.
5. ***Investigative Information*** – Market participants must submit information requested in a CAISO investigation. Violations are subject to escalating sanctions starting at $1,000 per day up to $5,000 per day.

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[7] Existing tariff section 37.1.5 (specifying which of the rules of conduct are enforced by the CAISO and which by the Commission).

[8] All ten rules initially were enforced by the CAISO. As part of the CAISO's compliance with Commission Order No. 719, the CAISO amended its tariff to only enforce rules whose violations could be identified objectively. *See Cal. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,050, PP33-61 (2011); *Wholesale Competition in Regions with Organized Electric Markets*, 125 FERC ¶ 61,071 (2008).

6. ***Audit and Test Requirements*** – Market participants must comply with the CAISO's audit and test procedures and provide all required audit reports. Violations are subject to escalating sanctions starting at $1,000 per day up to $5,000 per day.[9]

The four Commission-administered rules are that market participants must: comply with operating instructions; not contribute to a major outage due to inadequate operating and maintenance practices; operate a resource adequacy resource consistent with its market awards; and submit feasible bids to the market.[10]

2. Enforcement Process

The tariff creates a defined process for the CAISO to administer the six rules of conduct it enforces. If the CAISO believes a market participant may have committed a tariff violation subject to CAISO penalties, it "shall conduct a reasonable investigation seeking available facts, data, and other information relevant to the potential" violation.[11] The CAISO must begin the investigation within 90 days of discovering the events potentially subject to sanction.[12] The investigation must include "notice of the investigation in sufficient detail to allow for a meaningful response"[13] and an opportunity for the market participant "to present any issues of fact or other information relevant to the potential" violation.[14] Based on its investigation, the CAISO must assess any penalties resulting from the investigation within "one year after discovery of the events constituting the violation, but no later than three years after the date of the violation."[15]

When the CAISO determines a penalty is warranted, the market participant "may obtain immediate review of the CAISO's determination by directly appealing to FERC," in which case the "penalty will be tolled until FERC renders its decision on the appeal."[16]

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[9] These rules are established in existing tariff sections 37.4, 37.5, 37.6, and 37.11.

[10] These rules are provided in existing tariff sections 37.2.1, 37.2.3, 37.2.4, and 37.3.1.1.

[11] Existing tariff section 37.8.3.

[12] Existing tariff section 37.10.1.

[13] Existing tariff section 37.8.4.

[14] Existing tariff section 37.8.5.

[15] Existing tariff section 37.10.1.

[16] Existing tariff section 37.8.10. Under tariff section 37.8.10, the scheduling coordinator must "also dispute the Recalculation Settlement Statement containing the financial penalty" to toll the penalty.

3. Penalty Distribution

a. Tariff Provisions Governing Distribution of Proceeds

Section 37.9.4 of the CAISO tariff requires the CAISO to place all proceeds of penalties collected under section 37 for a year into a trust account. After the end of the year, the CAISO allocates those proceeds, with interest, to eligible market participants. Eligible market participants are "those Market Participants that were not assessed a financial penalty pursuant to this Section 37 during the calendar year."[17] The "eligible market participant" rule ensures an entity is not rebated part of its penalty and create an additional financial incentive for compliance.

In distributing the funds, the CAISO pays eligible market participants based on the product of: (a) the amount in the trust account, including interest; and (b) the ratio of grid management charge payments by the scheduling coordinator on behalf of eligible market participants to the total of such amounts paid by all scheduling coordinators. The payment cannot be more than the grid management charge paid by the scheduling coordinator on behalf of all eligible market participants it represents. After the disposition, the scheduling coordinator distributes the amounts to the eligible market participants in proportion to their share of the grid management charge paid by the scheduling coordinator on their behalf. For example, assume a scheduling coordinator represented three market participants (MP_1, MP_2, and MP_3) for the year and each paid $5,000 in grid management charge. If the scheduling coordinator is not charged any sanctions during the year, then the CAISO will count the scheduling coordinator as having paid $15,000 in grid management charge for the *pro rata* distribution. It is then up to the scheduling coordinator to pass along whatever amount of the penalty proceeds the CAISO allocates based on that $15,000 in grid management charge in equal portions to each of MP_1, MP_2, and MP_3. If, however, the CAISO assessed this scheduling coordinator a rules of conduct sanction because of conduct attributable to MP_1, then that is the ineligible market participant and the scheduling coordinator will be treated as having paid $10,000 in grid management charge for the *pro rata* distribution, rather than $15,000 in grid management charge had there been no sanction. It is then up to that scheduling coordinator to distribute the funds appropriately to MP_2 and MP_3.

Section 37.9.4 requires the CAISO to "obtain FERC's approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds" before distributing the penalty proceeds. The CAISO thus makes a new filing with the Commission each year seeking approval of how it applied the *pro rata* formula described above to the specific penalties charged

[17] Existing tariff section 37.9.4.

for the prior year. Each filing publicly provides aggregated information about penalties charged over the year and total dollars to distribute. The CAISO files the specific distribution to each scheduling coordinator under seal and requests confidential treatment of this information.

b. Applying eligible market participant rule for entities exempt from penalty

In 2020, the CAISO issued a penalty under section 37.11 for late meter data revisions to one of the two federal power marketing administrations (PMA) that participate in the CAISO's markets. In response, the PMA asserted it was exempt from paying penalties under section 37 because imposition of the sanctions would violate the Supremacy Clause[18] of the Constitution and the Anti-Deficiency Act,[19] and accordingly the penalties were barred under section 22.9(a) of the CAISO tariff. This section states: "No person or federal entity shall incur any liability by failing to comply with a CAISO Tariff provision that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder . . . ."

The CAISO altered its business processes so it logs potential violations by either PMA but does not assess penalties. This exemption, however, raises whether the PMAs would be eligible for a distribution of the penalty proceeds. Section 37.9.4 calls for the CAISO to distribute the section 37 penalty proceeds to "those Market Participants that were not assessed a financial penalty pursuant to this Section 37 during the calendar year." Arguably the PMAs would meet this standard even in years where they had a violation because the CAISO would never assess penalties against them. The CAISO does not believe an entity should be eligible to receive a distribution of penalty revenues when it is never at risk of paying a penalty. Accordingly, the CAISO's annual penalty distribution filing for the past few years has proposed not to allocate funds to the PMAs and the Commission has approved that proposal in each instance.[20]

The CAISO potentially faces a similar issue when the Commission grants a market participant's penalty appeal. Where the Commission order excuses payment of the penalty, arguably that entity would be an eligible market participant even if it is clear they committed a violation. The CAISO does not believe it should treat an entity as an eligible market participant when it

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18 *See* U.S. Const., art. vi, cl. 2.

19 *See* 31 U.S.C. § 1341.

20 *Cal. Indep. Sys. Operator Corp.*, 181 FERC ¶ 61,199, PP 4 & 7 (2022); *Petition of the California Independent System Operator Corporation for Approval of Disposition of Penalty Assessment Proceeds and Non-Refundable Interconnection Financial Security*, at 6-7, FERC Docket No. ER24-355-000 (Nov. 2, 2023).

committed a violation but is excused from paying the penalty because, for example, the penalty is excessive under that market participant's specific circumstances. The CAISO similarly has attempted to address this issue in prior penalty waiver proceedings.[21]

C. Unique Issues with Meter Data Penalties

Meter data issues are the most frequent source of rules of conduct penalties and the most frequent source of appeals to the Commission.

1. Meter Data Submission Process

Meter data represents energy generated or consumed during a settlement interval and is the basis of how the CAISO settles its markets. An entity referred to in the CAISO tariff as a "CAISO Metered Entity" has its meter data collected and processed remotely by the CAISO. A "Scheduling Coordinator Metered Entity" (SCME) submits its meter data to the CAISO for market settlement.

The CAISO financially settles its markets through an iterative process that includes an initial settlement statement nine business days after the trading day (T+9B) followed by several subsequent recalculation settlement statements. The CAISO publishes the final recalculation settlement statement produced in the ordinary course of business 70 business days after the trading day (T+70B). A scheduling coordinator for a SCME must submit meter data by the fifty-second business day after the trading day (T+52B) for the CAISO to process that data on the T+70B recalculation settlement statement.

After the T+70B statement, the CAISO publishes the next recalculation settlement statement 11 months after the trading day (T+11M). The T+11M statement is optional. Scheduling coordinators for SCMEs may submit new or revised meter data for the CAISO to use on the T+11M statement by the two-hundred fourteenth day (T+214B) after the trading day. If the CAISO publishes a T+11M statement, it calculates those statements based on that new meter data.

2. Meter Data Penalties

a. Current Meter Data Penalties

Although scheduling coordinators may submit new or revised meter data for use on the T+11M statement, a scheduling coordinator's failure to submit any

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[21] *Cal. Indep. Sys. Operator Corp.*, Petition for Limited Waiver, at 13-14, FERC Docket No. ER23-1699-000 (Apr. 24, 2023); *Cal. Indep. Sys. Operator Corp.*, Petition for Limited Waiver, at 9 n.22, FERC Docket No. ER21-395 (Nov. 12, 2020).

meter data by T+52B[22] or its submission of revised meter data for the T+11M statement violates the tariff.[23] The CAISO refers to the former scenario of submitting no meter data by the deadline as submission of *late meter data* and refers to the latter scenario of submitting revisions to previously-submitted data after the deadline as submission of *inaccurate meter data*. Whether the scheduling coordinator submits late meter data or inaccurate meter data, the violation subjects the scheduling coordinator to a penalty of $1,000 for each affected trading day.[24] A scheduling coordinator that fails to submit meter data for the T+70B settlement statement and fails to submit meter data for the T+11M settlement statement faces an additional penalty of $3,000 per trading day (totaling $4,000 for every trading day with missing meter data). The overall purpose of these penalties is to incentivize scheduling coordinators to provide accurate and timely meter data to facilitate accurate settlement statements.

b. Market Adjustment as a Complement to the Meter Data Penalties

Where late or inaccurate meter data is not processed on the T+11M settlement statement and the initial error benefits the scheduling coordinator responsible for submission of the meter data (*i.e.*, over-reported generation or under-reported load), the CAISO calculates a market adjustment that "approximates the financial impact on the market."[25] The market adjustment is the product of the difference between the correct data and the misreported hourly data and the greater of: (a) the average of the 12 five-minute prices for the hour; or (b) $10/MWh. The funds collected from the market adjustment are "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."[26] The tariff separately states the market adjustment funds "shall be applied first to those parties affected by the conduct,"

[22] Existing tariff section 10.3.6.3 ("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 fifty-second (52) Business Day after the Trading Day (T+52B) for the Recalculation Settlement Statement T+70B calculation").

[23] Existing tariff section 10.3.6.4 ("Scheduling Coordinators submitting Actual Settlement Quality Meter Data after fifty-two Business Days after the Trading Day (T+52B) have 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").

[24] Existing tariff sections 37.5 & 37.11.

[25] Existing tariff section 37.11.2. Where revised data is not processed and the initial error is to the scheduling coordinator's detriment, "then no market adjustment will be made but the Sanction of $1,000 still shall be levied."

[26] *Id.*

and that "[a]ny excess amounts shall be disposed of" under the same process applicable to distributing penalty proceeds.[27]

c. Prior Meter Data Penalty Structure

Before October 1, 2011, the CAISO's meter data penalties were based on a percentage of the error. The penalty was 30 percent of the value of the energy in error if the scheduling coordinator identified the error and 75 percent of the error if the CAISO discovered the error. In proposing the change to a per-day penalty, the CAISO stated the percentage-based penalty was "overly burdensome for submitting corrected meter data and that an appropriate incentive for the market participants to submit accurate and timely settlement quality meter data would be a set sanction of $1,000 for each trade day corrected."[28] Imposing exorbitant penalties for meter data violations, where nearly all violations are identified by market participants and reporting issues to the CAISO relies on voluntary compliance, created a possible disincentive to correct meter data.

In response to several penalty appeals submitted by scheduling coordinators, the CAISO further explained the concerns that motivated the change. For example, Pacific Gas and Electric Company (PG&E) filed a waiver request with the Commission for penalties assessed shortly before the penalty methodology was changed.[29] There, the percentage-based penalty created a $5.77 million penalty; whereas, the per-day penalty would have created an $845,000 penalty. In response to PG&E's waiver request, the CAISO explained that the 30 percent penalty can create "a penalty that is disproportionate to the severity of the violation" because "a single configuration error in how meter data gets reported from a particular resource can lead to flawed meter data reporting over many days."[30] Shortly thereafter Exelon Corporation filed a similar waiver request. The CAISO filed similar comments in response and the Commission again approved the request.[31]

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[27] Existing tariff section 37.5.2.3.

[28] *Cal. Indep. Sys. Operator Corp.*, Settlements Process Timeline Changes Transmittal Letter, at 18, FERC Docket No. ER11-4171-000 (Aug. 1, 2011) (Settlements Process Timeline filing).

[29] *Pac. Gas & Elec. Co.*, Request for Waiver, FERC Docket No. ER12-1009-000 (Feb. 6, 2012).

[30] *Pac. Gas & Elec. Co.*, CAISO Comments on Waiver, at 3-4, FERC Docket No. ER12-1009-000 (Feb. 22, 2012).

[31] *Exelon Corp.*, 141 FERC ¶ 61,070 (2012).

d. Meter Data Penalty Waiver and Appeal Filings

In November 2020, the CAISO filed a waiver request with the Commission seeking to excuse the CAISO from assessing penalties against NV Energy, Inc. for inaccurate meter data.[32] NV Energy faced a penalty of $685,000 for meter data errors on approximately 1,400 trading days.[33] The magnitude of the meter data in error was relatively small, but NV Energy faced significant penalties because the error persisted over such an extended period.

The CAISO's filing explained its concern that the tariff-defined penalties did not create an appropriate outcome in NV Energy's instance. The CAISO's concern with the percentage-based penalty was that it created excessive penalties when there was a persistently large meter data error, whereas the per-day penalty created a more proportionate penalty and more reasonable incentives for compliance. However, the CAISO did not consider the opposite scenario—the case where a per-day penalty yielded a disproportionate penalty if there were a persistently small meter data error. The CAISO explained that in NV Energy's circumstance, the prior 30 percent penalty formula would result in a penalty of approximately $21,000,[34] whereas the $1,000 per trading day penalty created a 983 percent penalty.[35] The CAISO believed this level of penalty was unwarranted and requested a waiver to excuse the penalties.

The NV Energy appeal also raised a question about how the market adjustment would be allocated. NV Energy was the only party assessed unaccounted for energy in its service area during the trading days. The CAISO thus would assess the market adjustment to NV Energy and then immediately allocate the funds back to NV Energy. That process seemed to make little sense and the CAISO requested not to refund the market adjustment to NV Energy and instead add it to the rules of conduct escrow account.

After considering the CAISO's request, in April 2021 the Commission granted the waiver.[36] In granting the relief, the Commission also "encourage[d] CAISO to consider proposing modifications to its Tariff to better align its penalty and market adjustment allocation provisions with its stated intent to incentivize

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32 *Cal. Indep. Sys. Operator Corp.*, Request for Waiver, FERC Docket No. ER21-395-000 (Nov. 12, 2020).

33 The total penalty was limited by, among other factors, the three-year limitations period.

34 NV Energy's error had a value of $69,663.86, yielding a 30 percent penalty of $20,899.16 [.3*69,663.86].

35 NV Energy's penalty of $685,000 was 983 percent of the $69,663.86 error [685,000/69,663.86].

36 *Cal. Indep. Sys. Operator Corp.*, 175 FERC ¶ 61,043 (2021).

compliance [and to] help CAISO avoid similar outcomes and the need to request waiver of its Tariff in the future."[37]

Because of the Commission's guidance, the CAISO began preparatory work to start a stakeholder initiative including consideration of how the initiative should be prioritized compared to other initiatives. As that planning work unfolded, additional long-duration/low-value meter data penalty issues similar to those that faced NV Energy continued to arise. To provide comparable treatment to those entities and to provide time to focus in a stakeholder initiative, on April 24, 2023, the CAISO filed a waiver request with the Commission proposing to suspend application of meter data penalties pending completion of a stakeholder process.[38] The Commission denied that request.[39] Following that denial, multiple parties have submitted individualized requests to the Commission for relief from meter data penalties.[40]

D. Stakeholder Process for this Tariff Amendment

The CAISO stakeholder process leading to this filing began with a stakeholder workshop on June 7, 2023 to discuss a potential stakeholder initiative addressing the rules of conduct.[41] This was followed by publication of a straw proposal on July 6, 2023, and the draft final proposal on August 14, 2023. The CAISO accompanied publication of both documents with stakeholder meetings to discuss the documents and provide stakeholders a forum for discussion and feedback. The policy portion of the stakeholder process culminated with the CAISO Governing Board and the WEIM Governing Body jointly approving the policy proposal underlying this filing. On October 19, 2023,

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37 *Id.* at P 30.

38 *Cal. Indep. Sys. Operator Corp.*, Petition for Limited Waiver, FERC Docket No. ER23-1699-000 (Apr. 24, 2023).

39 *Cal. Indep. Sys. Operator Corp.*, 184 FERC ¶ 61,009 (2023).

40 *Tacoma Power v. Cal. Indep. Sys. Operator Corp.,* Complaint Appealing Meter Data Penalties, FERC Docket No. EL24-25-000 (Nov. 21, 2023); *Tucson Elec. Power Co. v. Cal. Indep. Sys. Operator Corp.,* Complaint Appealing Meter Data Penalties, FERC Docket No. EL24-15-000 (Nov. 14, 2023); *Tacoma Power v. Cal. Indep. Sys. Operator Corp.,* Complaint Appealing Meter Data Penalties, FERC Docket No. EL24-14-000 (Nov. 13, 2023); *Direct Energy Business, LLC v. v. Cal. Indep. Sys. Operator Corp.,* Complaint Appealing Meter Data Penalties, FERC Docket No. EL24-11-000 (Nov. 3, 2023); *Tacoma Power v. Cal. Indep. Sys. Operator Corp.*, Complaint Appealing Meter Data Penalties, FERC Docket No. EL23-103-000 (Sep. 27, 2023); *City of Corona, Cal. v. Cal. Indep. Sys. Operator Corp.,* Complaint Appealing Meter Data Penalties, FERC Docket No. EL23-99-000 (Sep. 19, 2023); *Idaho Power Co. v. Cal. Indep. Sys. Operator Corp.,* Complaint Appealing Meter Data Penalties, FERC Docket No. EL23-94-000 (Aug. 29, 2023).

41 More information about this stakeholder initiative is available on the CAISO's website: https://stakeholdercenter.caiso.com/StakeholderInitiatives/Rules-of-conduct-enhancements.

the CAISO posted draft tariff language, followed by a stakeholder call on November 2, 2023. In response to comments on the draft tariff, the CAISO posted revised draft tariff language on November 16, 2023. The major points of stakeholder feedback are discussed below.

II. Proposed Changes

A. Updating Penalty Formulation for Inaccurate Meter Data Submissions and Clarifying Provisions for Late and Missing Meter Data Submissions

1. Revising the Penalty Formula for Inaccurate Meter Data

The CAISO proposes to adjust the penalty for inaccurate meter data to reflect the lower of: (a) 30 percent of the absolute value of the error; or (b) $1,000 per trading day.[42] The CAISO will calculate the value of the error subject to a minimum price of $10. This means that if the price during the period of inaccurate meter data was less than $10, then the CAISO will calculate the value of the error as the product of the MWh difference and $10 (rather than the actual price in that interval). A minimum price of $10 ensures the penalty would not be inappropriately low and avoids complications if the CAISO experienced negative prices during an inaccurate meter data event. This minimum $10 price also matches the existing minimum price for calculating market adjustments.[43] To ensure the CAISO has access to the data to calculate the penalty, the CAISO proposes that scheduling coordinators will be required to "provide reasonable cooperation with the CAISO in providing data needed to calculate the Sanction . . . ."[44]

The CAISO also offers a limitation on meter data penalties for scheduling coordinators with derived load meter data values. Some scheduling coordinators report both generation and load meter data with the load values derived, in part, based on generation meter data values. For these scheduling coordinators any revision to the generation meter data values require an update to the load values to maintain balance and accuracy. To prevent such entities from being penalized twice for a single correction, the CAISO proposes to state the scheduling coordinator will not be penalized for the revision to the load meter data "if the Scheduling Coordinator demonstrates to the CAISO's reasonable satisfaction that the Load Settlement Quality Meter Data is derived from the Generating Unit Settlement Quality Meter Data and that the inaccurate Load Settlement Quality

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42 New tariff section 37.5.2.2.1.

43 Existing tariff section 37.11.2.

44 *Id.*

Meter Data was caused by the inaccurate Generating Unit Settlement Quality Meter Data."[45]

The CAISO's proposed revisions to the inaccurate meter data penalties will address the potential for the penalties to be excessive in the type of cases covered in the many recent appeal filings presented to the Commission. The current $1,000 per trading day penalty structure creates excessive penalties in cases of long-duration/low-impact meter data inaccuracies. The proposed penalty formula revision will address that issue by creating sanctions that are more proportional to the impact on market processes and CAISO operations from untimely meter data revisions.

In limiting exposure to penalties for inaccurate meter data, the CAISO reiterates the importance of submitting accurate meter data and the need for the penalties to create incentives for compliance. The hybrid "lower of" formulation for inaccurate meter data penalties will maintain sufficient incentives for compliance by establishing a monetary penalty. At the same time, by mitigating the need for so many penalty appeals, this change should restore the meter data penalty structure to a more self-executing administrative process.

Limiting penalties on inaccurate derived load meter data similarly limits exposure to excessive penalties. Without this limitation, the CAISO effectively would charge a 60 percent penalty, rather than 30 percent, for a scheduling coordinator's inaccuracy with reporting generation meter data because the CAISO would impose the penalty on both generation and load values derived from metered generation. The CAISO will not always know with certainty whether a scheduling coordinator's late corrections to load meter data were triggered by changes in related generation meter data or whether the scheduling coordinator coincidentally needed to make late corrections to both generation and load meter data values. That is why the CAISO proposes to limit the penalties to where the scheduling coordinator can provide objective evidence to support that the inaccurate load meter data arises from inaccuracies in the generation meter data from which the load data is derived.

No stakeholder opposed the new inaccurate meter data penalty formulation. Stakeholders raised the above-noted issue regarding a potential double penalty for cases of derived load meter data. The CAISO adjusted its proposal to account for this concern. Some stakeholders requested broader changes to the meter data penalties. For example, one stakeholder recommended eliminating the meter data penalties altogether and others recommended the CAISO adopt provisions to allow it to waive minor violations. The CAISO has not proposed to eliminate all meter data penalties because there still needs to be some incentive to obtain timely and accurate meter data to

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45 *Id.*

support market settlements. The CAISO has not proposed to reserve discretionary authority to waive small violations because such authority appears inconsistent with the Commission's prior guidance for ISO/RTO "traffic ticket" violations.[46] Also, under the new penalty formulation small violations will now be subject to relatively small penalties, which will prevent a minor revision from triggering disproportionate penalties.

2. Clarifying Existing Meter Data Penalty Provisions

Aside from the primary rule changes to the inaccurate meter data penalties, the CAISO offers several other clarifying changes to the meter data penalty provisions.

The existing tariff mentions inaccurate and late meter data as two types of meter data violations but also includes two levels of penalties for late meter data depending on whether the data is submitted before or after T+214B. Having two forms of a late meter data penalty creates confusion. The current tariff also provides the rules that scheduling coordinators must follow in section 37.5.2 but defines the penalties in section 37.11; other parts of the rules of conduct define the rule and the sanction in the same sub-section. Separating the rules from their penalties has made the rules of conduct less straightforward and more difficult to understand. The CAISO proposes revisions to address these issues.

As further summarized in Table 1, below, the CAISO proposes to define three distinct types of meter data submission violations in section 37.5.2:

1. ***Inaccurate meter data*** – submitting meter data to be used in the CAISO settlements process that later is identified as incomplete and/or erroneous
2. ***Late meter data*** – failing to submit meter data by T+52B but addressing that omission by T+214B
3. ***Missing meter data*** – failing to submit meter data by T+52B and failing to address that omission by T+214B

As specified in new tariff section 37.5.2.1.1, an *inaccurate meter data* violation occurs when a scheduling coordinator submits meter data in time to be used in the CAISO settlements process but that data is incomplete and/or erroneous. Typically, this would occur where a scheduling coordinator timely submits meter data by the T+52B deadline but that data has an error and the scheduling coordinator does not address that error by T+52B. The CAISO also clarifies that a scheduling coordinator has submitted inaccurate meter data when it misses the T+52B deadline, submits meter data for the first time by the T+214B

[46] *See Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,157, P98 (2009) (citing *Market Monitoring Units in Regional Transmission Organizations and Independent System Operators*, 111 FERC ¶ 61,267, P5 (2005)) (CAISO November 2009 Order 719 Compliance Order).

deadline, but the data in place at T+214B is erroneous. The sanction for inaccurate meter data is discussed above in section II.A.1 as the lower of 30 percent of the value of the error or $1,000.

New tariff section 37.5.2.1.2 defines a *late meter data* violation as an instance when a scheduling coordinator misses the T+52B deadline but corrects that error by submitting meter data by T+214B.[47] The CAISO provides in new tariff section 37.5.2.2.2 that the sanction for late meter data "is $1,000 per Trading Day per [scheduling coordinator ID] with late Meter Data." This is the same penalty exposure scheduling coordinators face for this violation today. If the data submitted by T+214B is incomplete or erroneous, the scheduling coordinator has committed two violations – inaccurate meter data and late meter data. The concept of inaccurate meter data is that a scheduling coordinator submits meter data to be used in the settlements process that later is identified as incomplete or incorrect. Because data submitted by T+214B in almost all cases would be used to recalculate settlement statements at T+11M, it is appropriate for a scheduling coordinator with late meter data to also face exposure to inaccurate meter data penalties if the data submitted by T+214B is inaccurate. In such a case, a scheduling coordinator would face a maximum penalty exposure of $2,000 per trading day for the combined violations.[48] To ensure clarity on the potential for both penalties, new tariff section 37.5.2.2.2 states that a "Scheduling Coordinator under a single [scheduling coordinator ID] can face Sanction under this Section 37.5.2.2.2 and Section 37.5.2.2.1 for the same Trading Day."

New tariff section 37.5.2.1.3 defines a *missing meter data* violation as an instance when a scheduling coordinator misses the T+52B deadline and fails to submit meter data by T+214B. The sanction for missing meter data "is $4,000 per Trading Day per Trading Day per [scheduling coordinator ID] with missing SQMD."[49] This is the same total penalty exposure a scheduling coordinator faces today if it submits no meter data by the T+214B deadline. The late meter data and missing meter data violations are defined to be mutually exclusive. The tariff further states "[f]or a given Trading Day, a Scheduling Coordinator under a single [scheduling coordinator ID] cannot be sanctioned for both a missing Meter

[47] The violation occurs when a scheduling coordinator "fails, by [T+52B], either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 but, in either case, corrects the failure by" T+214B. New tariff section 37.5.2.1.2.

[48] This total is $1,000 for the late meter data violation plus the lower of: (a) $1,000; or (b) 30 percent of the value of error, for the inaccurate meter data violation.

[49] New tariff section 37.5.2.2.3.

Data violation and either an inaccurate Meter Data violation or a late Meter Data violation."[50]

This additional statement means that inaccurate meter data violations would not "stack" on top of a missing meter data violation. For example, if a scheduling coordinator has missing meter data, provides the meter data to calculate the market adjustment two-hundred-twenty business days after the trade date (T+220B), but then notifies the CAISO three-hundred business days after the trade date (T+300B) that the data provided a T+220B was incomplete, the nature of the violation does not change. The scheduling coordinator still has only missing meter data. The only additional consequence for the correction at T+300B would be a recalculated market adjustment if the new data showed an error even more in favor of the scheduling coordinator. For example, if the meter data submitted at T+220B showed one level of load and the data at T+300B showed the scheduling coordinator actually had higher load, then the CAISO would recalculate the market adjustment to more accurately capture the unjust enrichment the scheduling coordinator received from its failure to provide meter data in time to be included in the CAISO settlements process.

Table 1

	Violation	**Sanction per Trading Day per Scheduling Coordinator ID (SCID)**	**Overlap with Other Meter Data Violations**
1. Inaccurate Meter Data	Submit erroneous meter data for either T+52B or T+214B	Lower of: (a) $1,000; or (b) 30 percent of the value of error	Same SCID can face sanction for late meter data, but not missing meter data, on same trading day
2. Late Meter Data	Miss T+52B but submit by T+214B	$1,000	Same SCID can face sanction for inaccurate meter data, but not missing meter data, on same trading day
3. Missing Meter Data	Miss both T+52B and T+214B	$4,000	Same SCID cannot face sanction on same trading day for inaccurate or late meter data; in case of overlap SCID only penalized for missing meter data

Allowing late meter data violations to stack on inaccurate meter data violations but not have missing meter data violations (which are more serious

50 *Id.*

than late meter data violation) similarly stack on inaccurate meter data violations is just and reasonable.

Stacking inaccurate meter data penalties on missing meter data penalties is appropriate to establish proper incentives. A scheduling coordinator that missed submitting meter data at T+52B and is unsure coming to T+214B if its meter data is accurate might think it is more advantageous to forego submitting any meter data at T+214B to reduce the risk of facing two violations for the trading day. The scheduling coordinator may think it is better to face the single missing meter data violation rather than both a late meter data and inaccurate meter data violation for that trading day. The CAISO would not want to create an incentive for this scheduling coordinator to forego submitting its data at T+214B. The level of penalties involved with the three types of violations eliminate any such incentive. The maximum penalty exposure on a trading day for combined late meter data and inaccurate meter data violations is $2,000, whereas the penalty for missing meter data is $4,000 per trading day. This means there would be no incentive for a market participant to choose a penalty of $4,000 over a maximum of $2,000. The total penalty exposure still reflects that having missing meter data is much more serious of a violation that having both late meter data and inaccurate meter data.

On the other hand, stacking inaccurate meter data penalties on missing meter data penalties would not be appropriate based on the timing of the CAISO settlements process. The concept of inaccurate meter data covers a scenario where a scheduling coordinator submits meter data to be used in the regular settlements process that later is identified as inaccurate. However, the tariff does not permit data submitted after T+214B to ever be used in the settlements process.[51] Because meter data associated with a missing meter data violation could never be used in the CAISO settlements process, penalizing a meter data submission made after T+214B for being erroneous would impose an additional penalty when there was not necessarily any additional market harm.

The CAISO proposes one further tariff clarification relevant to late meter data and missing meter data. Existing tariff section 10.3.6 creates a general obligation for scheduling coordinators representing SCMEs to submit meter data "for each Settlement Period in an Operating Day . . . ." This obligation is the basis of the meter data penalties further defined in section 37. Over time, the CAISO and scheduling coordinators have faced whether the obligation to submit meter data extends to intervals where the SCME had no market schedule and no meter data to report. In response to stakeholder input, the CAISO proposes to

[51] Current tariff section 10.3.6.4 ("Any Actual Settlement Quality Meter Data that is submitted by a Scheduling Coordinator after T+214B, will be rejected by the CAISO and not used in settlement calculations").

clarify section 10.3.6 to state a scheduling coordinator for a SCME need not submit meter data in intervals where the total of its expected energy is zero.[52] Because of this amendment, a scheduling coordinator will not face penalties for late or missing meter data for failure to submit meter data in intervals where its total expected energy is zero.

In response to the clarifying edits to the meter data penalties, stakeholders largely sought confirmation that the edits did not create unexpected substantive changes to the rules of conduct. Through its stakeholder process, the CAISO clarified that the missing meter data and late meter data violations are mutually exclusive so a scheduling coordinator would face either a $1,000 or $4,000 per trading day penalty for missing the T+52B meter data submission deadline. The CAISO also clarified that a scheduling coordinator could face sanctions for inaccurate meter data and late meter data for the same trading day.

B. Clarifying Market Adjustment Calculation

The CAISO proposes to update the tariff provisions on market adjustments to clarify the CAISO will not calculate a market adjustment if the scheduling coordinator ID (SCID) with the meter data violation is the only SCID in the utility service area where the meter data issue occurred.[53] This change will avoid the need to calculate a market adjustment that the market immediately refunds back to the party charged. The purpose of the market adjustment is to approximate the financial impact of the meter data issue on the market.[54] When the error affects no other party but the one charged, the market adjustment is unnecessary. The CAISO is limiting the scope of this exception to cases where the market adjustment charge and payment would be to the same SCID and not more broadly to cases where the same scheduling coordinator is on both sides of the charge and payment under different SCIDs. Extending the rule across multiple SCIDs used by the same scheduling coordinator might create unintended retail rate impacts if, for example, the CAISO imposed a market adjustment charge against an unregulated affiliate and paid it to a regulated load serving entity. There, it is conceivable that failure to charge the market adjustment ultimately could affect how funds flow under the retail rate design of a

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[52] Expected Energy is defined in Appendix A of the tariff as: "The total Energy that is expected to be generated or consumed by a resource, based on the Dispatch of that resource, as calculated by the Real-Time Market (RTM), and as finally modified by any applicable Dispatch Operating Point corrections" and "is used as the basis for Settlements."

[53] New tariff section 37.5.2.2.4 ("Provided, however, that the CAISO does not charge a market adjustment if . . . the Scheduling Coordinator, under a single SCID, is the only Scheduling Coordinator in the utility Service Area during the period of inaccurate, late, or missing Meter Data. ." An organization that serves as a scheduling coordinator can operate under several SCIDs to align with the clients for which they serve as scheduling coordinator or for regulatory reasons.

[54] Existing tariff section 37.11.2 ("The market adjustment approximates the financial impact on the market").

jurisdiction because, for example, the market adjustment charge might be paid for out of potential profits from the unregulated affiliate whereas the market adjustment refund might be allocated to retail customers. Here, the market adjustment might have identifiable consequences so the CAISO limits the new exception to cases where the funds would be charged and allocated to the same SCID.

The CAISO also proposes to delete existing section 37.5.2.3 because it is no longer necessary. This section states the CAISO distributes market adjustment funds "first to those parties affected by the conduct" and then "excess amounts shall be disposed of" in the same manner as the rules of conduct penalty proceeds. The current "parties affected by the conduct" standard is vague and potentially raises issues of subjective judgment as to which parties were affected. Instead, the CAISO proposes to add a more concrete statement that market adjustment charges will be allocated "to Scheduling Coordinators in proportion to their charges for Unaccounted for Energy (UFE) in the utility Service Area . . . ." This direct statement of pro-rata allocation by UFE eliminates the possibility of "excess amounts."[55]

The CAISO did not receive significant stakeholder feedback on its proposed changes to the market adjustment provisions. No stakeholders opposed the proposed changes.

C. Eliminating Annual Penalty Distribution Filing

The CAISO proposes to remove the current requirement in section 37.9.4 that the CAISO must "obtain FERC's approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds" before the CAISO allocates the penalty proceeds. The current requirement requires the CAISO to file significant information under seal, which imposes burdens on CAISO and Commission staff. The filing requirement also delays market participants from receiving an allocation of penalty proceeds. The penalty allocation is a basic pro-rata allocation simpler than countless other settlement calculations the CAISO performs. The methodology, which is in the tariff, has remained consistent since 2007 and the CAISO does not propose to change the basic approach. The proposed removal of the requirement to secure Commission approval before distributing the funds will relieve administrative burden for the CAISO and the Commission and increase the speed with which eligible entities receive payment.

The CAISO appreciates that market participants and interested stakeholders may find benefit from the annual filing because it provides

[55] New tariff section 37.5.2.2.4.

information about overall rules of conduct penalty activity over the year. In place of the filing with the Commission, the CAISO proposes to post an informational report with the same information historically included in the public version of its annual penalty distribution filing.[56] This informational report will meet this interest in transparency over rules of conduct enforcement activities in a less burdensome fashion.

To provide further flexibility and help ensure eligible market participants receive their allocation as soon as feasible, the CAISO also proposes to clarify in the tariff it may make the distribution in several steps if there is an outstanding penalty appeal pending with the Commission that would not impact the *pro rata* allocation.[57] If a scheduling coordinator had a single rules of conduct violation in a year and appeals the penalty to the Commission, the Commission's determination of the appeal could affect both the total pool of funds to allocate and that entity's status as an eligible market participant. With that status unresolved, the CAISO cannot distribute any of the rules of conduct proceeds for the year because the appeal will influence the entire *pro rata* allocations. But if that scheduling coordinator was already an ineligible market participant for that year because it had a penalty it did not appeal, then the Commission's resolution of the appeal will determine the total penalty funds to allocate. But it would not impact which parties are eligible or ineligible, and thus the *pro rata* percentages would not change. Table 2 and Table 3 provide examples of how this issue materializes.

Table 2

Scheduling Coordinator	**GMC Paid**	**Allocation--SC1 eligible**	**Allocation--SC1 ineligible**
SC1--appeal $1 million penalty	$5,000,000	33.3%	0.0%
SC2	$8,000,000	53.3%	80.0%
SC3	$2,000,000	13.3%	20.0%
SC4--pay $1 million penalty	$3,000,000	0.0%	0.0%
		100%	100%

56 Revised tariff section 37.9.4.

57 Revised tariff section 37.9.4 ("The CAISO distributes the penalty funds after the end of each calendar year and once no more appeals to FERC are pending that could impact an entity's status as an eligible Market Participant for the calendar year. The CAISO may distribute the penalty funds through an initial allocation followed by supplemental allocations if an appeal to FERC is pending that would not impact an entity's status as an eligible Market Participant for the calendar year but could impact the total pool of funds to distribute.").

The example in table 2 reflects the CAISO has four scheduling coordinators in a year (SC1 through SC4), with each paying grid management charge over the year in the amount listed under the “GMC Paid” column. SC1 and SC4 both received single penalties of $1 million during the year. SC1 appealed its penalty to the Commission and SC4 did not. Because SC4 did not appeal its penalty it is already an ineligible market participant. But because SC1 has appealed its only penalty, its status as an ineligible market participant is unclear. The Commission’s ruling will determine whether the CAISO allocates $1 million or $2 million in penalties and determine whether SC1 is an eligible market participant. This creates three permutations for the penalty distribution.

1. *Commission denies SC1’s appeal* – SC2 and SC3 share a $2 million penalty pool based on their *pro rata* share of $10 million paid in grid management charge, as reflected in the column labeled “Allocation--SC1 ineligible.”

2. *Commission grants SC1’s appeal on basis of no tariff violation* – SC1, SC2, and SC3 share a $1 million penalty pool based on their *pro rata* share of $15 million paid in grid management charge, as reflected in the column labeled “Allocation--SC1 eligible.”

3. *Commission grants SC1’s appeal on other basis* – SC2 and SC3 share a $1 million penalty pool based on their *pro rata* share of $10 million paid in grid management charge, as reflected in the column labeled “Allocation--SC1 ineligible.”

The nature of the possibilities means that even though the $1 million collected from SC4 is not at issue in the appeal, the CAISO still cannot reliably allocate those funds while the appeal is outstanding because it would not know, for example, whether SC2 should receive 53.3 percent or 80 percent of that $1 million. The CAISO would need to wait until the unrelated appeal is resolved.

Table 3

Scheduling Coordinator	**GMC Paid**	**Allocation**
SC1--appeal $1 million penalty; pay $500,000 penalty	$5,000,000	0.0%
SC2	$8,000,000	80.0%
SC3	$2,000,000	20.0%
SC4--pay $1 million penalty	$3,000,000	0.0%
		100%

The example in table 3 reflects a different scenario where SC1 is appealing a $1 million penalty but already paid a $500,000 penalty for that year and did not appeal the lower penalty. Here, SC1's appeal will determine whether the CAISO will have $2.5 million or $1.5 million to distribute. But in this example, the Commission's ruling on the appeal will not impact the percentage allocations because the eligibility of each scheduling coordinator is already established. For example, in this scenario, the only question for SC3 is whether it will receive $500,000 (*i.e.*, 20 percent of $2.5 million) or $300,000 (*i.e.*, 20 percent of $1.5 million).

The CAISO proposal is that in the scenario covered under table 3, where the Commission's ruling on an appeal will not alter the percentage allocations, the CAISO should have the discretion to allocate the funds not impacted by the appeal as soon as it can. If the Commission later denies the appeal and upholds the penalty, the CAISO can then make a supplemental allocation using the previously-calculated percentage allocations with the penalty funds at issue in the appeal. So in the scenario covered under table 3, the CAISO would distribute the first $1.5 million, with 80 percent going to SC2 and 20 percent going to SC3 as soon as feasible. Once the Commission rules on SC1's appeal of its $1 million penalty, the CAISO, if necessary, could then make a supplemental allocation of those funds using the same percentage allocations it used to allocate the initial $1.5 million.

The CAISO did not receive significant stakeholder feedback on this element of the proposal. One stakeholder requested the CAISO consider filing an informational report with the Commission after making the distribution. This approach does not address the existing administrative burden of the requirement to make a filing with the Commission. Another stakeholder was concerned about the sensitivity of the data the CAISO proposed to include in the public report. The CAISO explained the informational report would include the same information currently included in the public version of its annual filing with the Commission.

D. Clarifying Eligible Market Participant Standard for Penalty Proceeds Eligibility

1. Clarifying Definition of Eligible vs. Ineligible Market Participants

The CAISO proposes to clarify the definition of ineligible market participants by stating that entities exempt from penalties due to sovereign immunity are by default deemed "ineligible market participants" for annual penalty distribution purposes.[58] Additionally, parties penalized and then excused

[58] Revised tariff section 37.9.4.

for paying the penalty based on a Commission appeal will remain ineligible unless the Commission finds that no violation occurred. Where the Commission excuses the penalty as being excessive or otherwise inappropriate, the scheduling coordinator will be ineligible.

Entities exempt from paying penalties should not receive an allocation of penalty proceeds. A key benefit of distributing the rules of conduct proceeds to entities without a violation is to create additional incentives for compliance. Receiving a portion of the penalty distribution does not incentivize PMAs to comply with the CAISO tariff because these entities do not face penalties that would make them ineligible to receive a penalty distribution. Therefore, allocating penalty proceeds to these entities does not incentivize compliance. On this basis, the CAISO excluded both PMAs operating in its markets from receiving an allocation in its proposed distribution of the penalty proceeds for 2020, 2021, and 2022.[59] With the removal of the annual penalty proceeds filing, it is important for the tariff to state directly that these entities are not eligible for an allocation of the penalty proceeds.

Similarly, an entity whose penalty appeal was granted should not be an eligible market participant unless the Commission determines that no violation occurred. Where the Commission grants a penalty appeal because it finds the penalties were excessive, given the specific facts and circumstances of a matter, the violation nonetheless still occurred. That market participant should not be rewarded for its violation by receiving a share of penalties paid into the escrow account by other entities that similarly violated the rules of conduct during the year. Again, without an annual filing with the Commission, it is important for the tariff to address this issue directly.

Only one stakeholder expressed concern about the CAISO's existing approach or its clarifications. This entity suggested the CAISO assess eligibility on a daily, rather than yearly, basis. Assessing eligibility daily over-complicates administration of the rules of conduct. Penalties are relatively infrequent and not a daily occurrence. Allowing a party to be eligible for an allocation on all days of the year they were not subject to penalties also would degrade the "eligible market participant" standard to where market participants would virtually never be ineligible for a distribution. Further, no party has demonstrated the current annual eligibility approach is unjust and unreasonable, and the Commission need not consider alternative designs if the CAISO proposal is just and reasonable.[60]

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[59] *See, e.g.*, *Petition of the California Independent System Operator Corporation for Approval of Disposition of Penalty Assessment Proceeds and Non-Refundable Interconnection Financial Security*, FERC Docket No. ER20-2604-000 (Aug. 3, 2020).

[60] *See, e.g., New Eng. Power Co.*, 52 FERC ¶ 61,090, at 61,336 (1990), *aff'd sub nom. Town of Norwood v. FERC*, 962 F.2d 20 (D.C. Cir. 1992) (proposed rate design need not be

2. Process Clarifications on Applying the Eligible Market Participant Standard

The CAISO also proposes two clarifications to determine whether market participants are eligible or ineligible to receive an allocation of penalty proceeds.

First, the CAISO proposes to clarify in section 37.9.4 it will use SCIDs to assess eligibility. An organization that serves as a scheduling coordinator can operate under several SCIDs to align with the clients for which they serve as scheduling coordinator or for regulatory reasons.

Second, when a scheduling coordinator appeals a sanction to the Commission, the CAISO proposes to clarify that the sanction is assessed "in the calendar year that the Sanction is first assessed." This means that if an entity appeals a penalty in 2024 and the Commission denies the appeal in 2025, then the market participant will be considered ineligible for 2024. That penalty will not impact its status for 2025 even if it ultimately pays the penalty in 2025.

Both clarifications align the tariff with existing CAISO practices. As with the other changes regarding the "eligible market participant" standard, the CAISO addressed these matters in the CAISO's penalty distribution filings presented for Commission approval. Without specific Commission approval of annual penalty distributions going forward, the CAISO tariff should address these issues directly.

III. Effective Date

The CAISO respectfully requests that the Commission issue an order accepting the tariff revisions by March 22, 2024. A Commission order by that date will provide regulatory certainty for the CAISO, its market participants, and stakeholders before the planned April 1, 2024 implementation. The CAISO requests these tariff revisions take effect subject to the CAISO filing a notice with the Commission within 5 days of the actual effective date.

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perfect, it merely needs to be just and reasonable); *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (*City of Bethany*) (finding that, when determining whether a proposed rate was "just and reasonable" as required by the FPA, the Commission properly did not consider "whether a proposed rate schedule is more or less reasonable than the alternative rate designs"); *Louisville Gas & Elec. Co.*, 114 FERC ¶ 61,282, at P 29 (2006) (the just and reasonable standard under the FPA is not so rigid as to limit rates to a "best rate" or "most efficient rate" standard, but rather a range of different approaches often may be just and reasonable).

Under section 35.11 of the Commission's regulations,[61] the CAISO respectfully requests the Commission grant waiver of the notice requirement of section 35.3(a)(1) of the Commission's regulations,[62] to permit a potential effective date over 120 days after this filing. Good cause exists to grant this waiver because it will permit the CAISO and its market participants beneficial flexibility with the implementation date without facing the administrative burden of further filings with the Commission to adjust the implementation date. Without a waiver, any deviation from the planned April 1, 2024, effective date would require Commission approval and impose uncertainty on the CAISO and its market participants.

IV. Communications

Under Rule 203(b)(3),[63] the CAISO respectfully requests that all correspondence and other communications about this filing be served upon:

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V. Service

The CAISO has served copies of this filing on the CPUC, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

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[61] 18 C.F.R. § 35.11.

[62] 18 C.F.R. § 35.3(a)(1).

[63] 18 C.F.R. § 385.203(b)(3).

VI. Contents of this filing

Besides this transmittal letter, this filing includes these attachments:

Attachment A	Clean CAISO tariff sheets
Attachment B	Redlined CAISO tariff sheets
Attachment C	Final Proposal
Attachment D	Board of Governors Memo

VII. Conclusion

For the reasons in this filing, the CAISO respectfully requests that the Commission issue an order accepting the tariff revisions in this filing by March 22, 2024, effective as of the dates specified.

Respectfully submitted,

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Attachment A – Clean Tariff

Tariff Amendment – Rules of Conduct

California Independent System Operator Corporation

January 12, 2024

10.3.6 Settlement Quality Meter Data Submission

Scheduling Coordinators shall submit to the CAISO Actual Settlement Quality Meter Data or Scheduling Coordinator Estimated Settlement Quality Meter Data, as provided in Section 10.3.6.2(a), for Scheduling Coordinator Metered Entities they represent for each Settlement Period in an Operating Day if the total Expected Energy for the Scheduling Coordinator Metered Entity is not zero for a Settlement Period. Scheduling Coordinators must submit the Settlement Quality Meter Data according to the timelines established in Section 10.3.6.2 and the CAISO Payments Calendar and as provided in the applicable Business Practice Manual. Scheduling Coordinators must also submit Settlement Quality Meter Data (actual and Scheduling Coordinator estimated) on demand as provided in the applicable Business Practice Manual.

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37.5 Provide Factually Accurate Information

37.5.1 [Not Used]

37.5.2 Accurate and Timely 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 the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3. Failure by a Scheduling Coordinator 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.

37.5.2.1.1 Inaccurate Meter Data

For the purposes of this Section 37.5.2, a Scheduling Coordinator has submitted inaccurate Meter Data and violated this Section 37.5.2 if it timely submits Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 but the Actual Settlement

Quality Meter Data is erroneous and the Scheduling Coordinator does not correct the error(s) by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3. Additionally, where a Scheduling Coordinator submits late Meter Data as defined in Section 37.5.2.1.2 and the Actual Settlement Quality Meter Data submitted by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4 is erroneous, then the Scheduling Coordinator has submitted inaccurate Meter Data in addition to late Meter Data.

37.5.2.1.2 Late Meter Data

For the purposes of this Section 37.5.2, a Scheduling Coordinator has submitted late Meter Data and violated this Section 37.5.2 if it fails, by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3, either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 but, in either case, corrects the failure by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4.

37.5.2.1.3 Missing Meter Data

For the purposes of this Section 37.5.2 a Scheduling Coordinator has missing Meter Data and has violated this Section 37.5.2 if it fails, by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3, either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 and, in either case, does not correct the failure by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4.

37.5.2.2 Sanctions and Market Adjustment

37.5.2.2.1 Sanction for Inaccurate Meter Data

The Sanction for inaccurate Meter Data is the lower of: (a) 30 percent of the value of the error; or (b) $1,000. For purposes of calculating the inaccurate Meter Data Sanction, the value of the error is calculated based on a minimum price of $10/MWh. The Sanction applies per Trading Day per SCID with inaccurate Meter Data. A Scheduling Coordinator under a single SCID can face Sanction under this

Section 37.5.2.2.1 and Section 37.5.2.2.2 for the same Trading Day.

A Scheduling Coordinator must provide reasonable cooperation with the CAISO in providing data needed to calculate the Sanction for inaccurate Meter Data.

Where a Scheduling Coordinator (under the same SCID or different SCIDs) submits inaccurate Meter Data for both a Generating Unit and Load for the same Trading Day, the CAISO does not consider the inaccurate Load Settlement Quality Meter Data for purposes of assessing Sanctions under this Section 37.5.2.2.1 if the Scheduling Coordinator demonstrates to the CAISO's reasonable satisfaction that the Load Settlement Quality Meter Data is derived from the Generating Unit Settlement Quality Meter Data and that the inaccurate Load Settlement Quality Meter Data was caused by the inaccurate Generating Unit Settlement Quality Meter Data. In such cases, the CAISO considers the inaccurate Load Settlement Quality Meter Data in calculating any applicable market adjustment pursuant to Section 37.5.2.2.4.

37.5.2.2.2 Sanction for Late Meter Data

The Sanction for submitting late Meter Data as defined in Section 37.5.2.1.2 is $1,000 per Trading Day per SCID with late Meter Data. A Scheduling Coordinator under a single SCID can face Sanction under this Section 37.5.2.2.2 and Section 37.5.2.2.1 for the same Trading Day.

37.5.2.2.3 Sanction for Missing Meter Data

The Sanction for missing Meter Data as defined in Section 37.5.2.1.3 is $4,000 per Trading Day per SCID with missing Meter Data. For a given Trading Day, a Scheduling Coordinator under a single SCID cannot be sanctioned for both a missing Meter Data violation and either an inaccurate Meter Data violation or a late Meter Data violation. If a Scheduling Coordinator under a single SCID has missing Meter Data and inaccurate Meter Data or late Meter Data on the same Trading Day, then the CAISO only assesses a Sanction for the missing Meter Data.

37.5.2.2.4 Market Adjustment

The CAISO charges a Scheduling Coordinator a market adjustment if a Scheduling Coordinator violates Sections 37.5.2.1.1, 37.5.2.1.2, or 37.5.2.1.3, and the accurate or previously unsubmitted Meter Data is not reflected on the T+11M Recalculation Settlement Statement either because the Scheduling Coordinator provides the CAISO with the correct Actual Meter Data after the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4 or because the CAISO does not issue a

Recalculation Settlement Statement T+11M for the relevant Trading Day. The market adjustment is the value of the error calculated based on a minimum price of $10/MWh and the CAISO calculates the market adjustment for each hour with inaccurate, late, or missing data in addition to the financial Sanctions specified in either Sections 37.5.2.2.1, 37.5.2.2.2, or 37.5.2.2.3. Provided, however, that the CAISO does not charge a market adjustment if: (a) the initially inaccurate, missing, or late Meter Data was to the Scheduling Coordinator's detriment; or (b) the Scheduling Coordinator, under a single SCID, is the only Scheduling Coordinator in the utility Service Area during the period of inaccurate, late, or missing Meter Data.

A Scheduling Coordinator must provide reasonable cooperation with the CAISO in providing data needed to calculate the market adjustment.

The CAISO allocates the market adjustment charge to Scheduling Coordinators in proportion to their charges for Unaccounted for Energy (UFE) in the utility Service Area during the total period of the inaccurate, late, or missing Meter Data event.

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37.9 Administration of Sanctions

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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. The CAISO shall distribute the penalty amounts together with interest earned through payments to Scheduling Coordinators as provided herein. 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.

For the purpose of distributing the penalty funds and associated interest, ineligible Market Participants are Market Participants that: (1) were assessed a financial Sanction during the calendar year, unless the financial Sanction was excused by FERC on appeal in accordance with the procedures outlined in Section 37.8.10 and the excusal was based on a determination that no violation of Section 37 occurred; or (2) are exempt from financial Sanctions pursuant to Section 22.9. The CAISO determines if a Scheduling Coordinator is an ineligible Market Participant at the SCID level. For the purposes of applying part (1), a Sanction that initially is assessed on a Settlement Statement and then appealed to FERC is deemed assessed in the calendar year that the Sanction is first assessed. A Market Participant that is not deemed an ineligible Market Participant is an eligible Market Participant for purposes of this Section 37.9.4.

If the total amount in the trust account to be 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.

The CAISO distributes the penalty funds after the end of each calendar year and once no more appeals to FERC are pending that could impact an entity's status as an eligible Market Participant for the calendar year. The CAISO may distribute the penalty funds through an initial allocation followed by supplemental allocations if an appeal to FERC is pending that would not impact an entity's status as an eligible Market Participant for the calendar year but could impact the total pool of funds to distribute.

After allocating the penalty proceeds, the CAISO posts an informational report to the CAISO Website providing information about the financial Sanctions assessed for the calendar year, including the number of violations and total financial Sanctions assessed for each category of violation, and issues a Market Notice informing Scheduling Coordinators and Market Participants of the availability of the report.

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37.11 [Not Used]

37.11.1 [Not Used]

37.11.2 [Not Used]

Attachment B – Marked Tariff

Tariff Amendment – Rules of Conduct

California Independent System Operator Corporation

January 12, 2024

10.3.6 Settlement Quality Meter Data Submission

Scheduling Coordinators shall submit to the CAISO Actual Settlement Quality Meter Data or Scheduling Coordinator Estimated Settlement Quality Meter Data, as provided in Section 10.3.6.2(a), for Scheduling Coordinator Metered Entities they represent for each Settlement Period in an Operating Day if the total Expected Energy for the Scheduling Coordinator Metered Entity is not zero for a Settlement Period. Scheduling Coordinators must submit the Settlement Quality Meter Data according to the timelines established in Section 10.3.6.2 and the CAISO Payments Calendar and as provided in the applicable Business Practice Manual. Scheduling Coordinators must also submit Settlement Quality Meter Data (actual and Scheduling Coordinator estimated) on demand as provided in the applicable Business Practice Manual.

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37.5 Provide Factually Accurate Information

37.5.1 [Not Used]

37.5.2 Accurate and Timely 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 the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3. Failure by a Scheduling Coordinator 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.

~~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 fifty-two (52) Business Days after the Trading Day (T+52B). 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+52B 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 fifty-two (52) Business Days after the Trading Day (T+52B) 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.~~

37.5.2.1.1 Inaccurate Meter Data

For the purposes of this Section 37.5.2, a Scheduling Coordinator has submitted inaccurate Meter Data and violated this Section 37.5.2 if it timely submits Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 but the Actual Settlement Quality Meter Data is erroneous and the Scheduling Coordinator does not correct the error(s) by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3. Additionally, where a Scheduling Coordinator submits late Meter Data as defined in Section 37.5.2.1.2 and the Actual Settlement Quality Meter Data submitted by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4 is erroneous, then the Scheduling Coordinator has submitted inaccurate Meter Data in addition to late Meter Data.

37.5.2.1.2 Late Meter Data

For the purposes of this Section 37.5.2, a Scheduling Coordinator has submitted late Meter Data and violated this Section 37.5.2 if it fails, by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3, either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 but, in either case, corrects the failure by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4.

37.5.2.1.3 Missing Meter Data

For the purposes of this Section 37.5.2 a Scheduling Coordinator has missing Meter Data and has violated this Section 37.5.2 if it fails, by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3, either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 and, in either case, does not correct the failure by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4.

37.5.2.2 Sanctions and Market Adjustment

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

37.5.2.2.1 Sanction for Inaccurate Meter Data

The Sanction for inaccurate Meter Data is the lower of: (a) 30 percent of the value of the error; or (b) $1,000. For purposes of calculating the inaccurate Meter Data Sanction, the value of the error is calculated based on a minimum price of $10/MWh. The Sanction applies per Trading Day per SCID with inaccurate Meter Data. A Scheduling Coordinator under a single SCID can face Sanction under this Section 37.5.2.2.1 and Section 37.5.2.2.2 for the same Trading Day.

A Scheduling Coordinator must provide reasonable cooperation with the CAISO in providing data needed to calculate the Sanction for inaccurate Meter Data.

Where a Scheduling Coordinator (under the same SCID or different SCIDs) submits inaccurate Meter Data for both a Generating Unit and Load for the same Trading Day, the CAISO does not consider the inaccurate Load Settlement Quality Meter Data for purposes of assessing Sanctions under this Section 37.5.2.2.1 if the Scheduling Coordinator demonstrates to the CAISO's reasonable satisfaction that the Load Settlement Quality Meter Data is derived from the Generating Unit Settlement Quality Meter Data and that the inaccurate Load Settlement Quality Meter Data was caused by the inaccurate Generating Unit Settlement Quality Meter Data. In such cases, the CAISO considers the inaccurate Load Settlement Quality Meter Data in calculating any applicable market adjustment pursuant to Section 37.5.2.2.4.

37.5.2.2.2 Sanction for Late Meter Data

The Sanction for submitting late Meter Data as defined in Section 37.5.2.1.2 is $1,000 per Trading Day per SCID with late Meter Data. A Scheduling Coordinator under a single SCID can face Sanction under this Section 37.5.2.2.2 and Section 37.5.2.2.1 for the same Trading Day.

37.5.2.2.3 Sanction for Missing Meter Data

The Sanction for missing Meter Data as defined in Section 37.5.2.1.3 is $4,000 per Trading Day per SCID with missing Meter Data. For a given Trading Day, a Scheduling Coordinator under a single SCID cannot be sanctioned for both a missing Meter Data violation and either an inaccurate Meter Data violation or a late Meter Data violation. If a Scheduling Coordinator under a single SCID has missing Meter Data and inaccurate Meter Data or late Meter Data on the same Trading Day, then the CAISO only assesses a Sanction for the missing Meter Data.

37.5.2.2.4 Market Adjustment

The CAISO charges a Scheduling Coordinator a market adjustment if a Scheduling Coordinator violates Sections 37.5.2.1.1, 37.5.2.1.2, or 37.5.2.1.3, and the accurate or previously unsubmitted Meter Data is not reflected on the T+11M Recalculation Settlement Statement either because the Scheduling Coordinator provides the CAISO with the correct Actual Meter Data after the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4 or because the CAISO does not issue a Recalculation Settlement Statement T+11M for the relevant Trading Day. The market adjustment is the value of the error calculated based on a minimum price of $10/MWh and the CAISO calculates the market adjustment for each hour with inaccurate, late, or missing data in addition to the financial Sanctions specified in either Sections 37.5.2.2.1, 37.5.2.2.2, or 37.5.2.2.3. Provided, however, that the CAISO does not charge a market adjustment if: (a) the initially inaccurate, missing, or late Meter Data was to the Scheduling Coordinator's detriment; or (b) the Scheduling Coordinator, under a single SCID, is the only Scheduling Coordinator in the utility Service Area during the period of inaccurate, late, or missing Meter Data.

A Scheduling Coordinator must provide reasonable cooperation with the CAISO in providing data needed to calculate the market adjustment.

The CAISO allocates the market adjustment charge to Scheduling Coordinators in proportion to their charges for Unaccounted for Energy (UFE) in the utility Service Area during the total period of the inaccurate, late, or missing Meter Data event.

~~**37.5.2.3 Disposition of Sanction Proceeds**~~

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

~~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.~~

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37.9 Administration of Sanctions

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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~~ 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.

For the purpose of distributing the penalty funds and associated interest, ineligible Market Participants are Market Participants that: (1) were assessed a financial Sanction during the calendar year, unless the financial Sanction was excused by FERC on appeal in accordance with the procedures outlined in Section 37.8.10 and the excusal was based on a determination that no violation of Section 37 occurred; or (2) are exempt from financial Sanctions pursuant to Section 22.9. The CAISO determines if a Scheduling Coordinator is an ineligible Market Participant at the SCID level. For the purposes of applying part (1), a Sanction that initially is assessed on a Settlement Statement and then appealed to FERC is deemed assessed in the calendar year that the Sanction is first assessed. A Market Participant that is not deemed an ineligible Market Participant is an eligible Market Participant for purposes of this Section 37.9.4. ~~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.

The CAISO distributes the penalty funds after the end of each calendar year and once no more appeals to FERC are pending that could impact an entity's status as an eligible Market Participant for the calendar year. The CAISO may distribute the penalty funds through an initial allocation followed by supplemental allocations if an appeal to FERC is pending that would not impact an entity's status as an eligible Market Participant for the calendar year but could impact the total pool of funds to distribute.

After allocating the penalty proceeds, the CAISO posts an informational report to the CAISO Website providing information about the financial Sanctions assessed for the calendar year, including the number of violations and total financial Sanctions assessed for each category of violation, and issues a Market Notice informing Scheduling Coordinators and Market Participants of the availability of the report.

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37.11 ~~Method for Calculating Penalties~~[Not Used]

37.11.1 ~~Inaccurate or Late Actual SQMD Penalty~~[Not Used]

~~There is no Sanction for the submission of inaccurate or late Actual Settlement Quality Meter Data used for Initial Settlement Statement T+9B. 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 fifty-two (52) Business Days after the Trading Day (T+52B) 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 by the Meter Data Resubmittal Deadline of T+214B for Recalculation Settlement Statement T+11M. 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+52B 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 by the Meter Data Resubmittal Deadline of T+214B for Recalculation Settlement Statement T+11M, 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+52B shall constitute inaccurate Actual 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~~ [Not Used]

~~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.~~