



California ISO

WESTERN ENERGY MARKETS

Decision on Penalty Enhancements - Demand Response, Investigation, and Tolling

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Joint ISO Board of Governors and WEM Governing Body meeting

General Session

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Background on the rules of conduct

- The rules of conduct govern ISO market participant behavior and stipulate sanctions for rule violations
- The rules of conduct apply penalties for market participant tariff non-compliance, including data submittal failures

Current rules create unnecessary administrative burden and fail to incentivize necessary demand response monitoring data submittal

- De minimis meter data inaccuracies that do not substantially impact settlement outcomes unnecessarily trigger a full investigation because they potentially violate the tariff
- Scheduling coordinators lack sufficient incentive to submit demand response baseline data necessary for monitoring behavior
- Certain administrative requirements impose unnecessary burden to scheduling coordinators and the ISO

Idaho Power remarks on penalty enhancement initiative

Idaho Power will share:

1. An example of current penalty structure impact
2. Issues addressed by the stakeholder process
3. Their overall perspective of the initiative

Management proposes introducing a materiality threshold for inaccurate meter data penalties

- Establish materiality threshold for inaccurate meter data penalty
 - Inaccuracies less than 3% or 3MWh will not be penalized
 - Threshold applies to inaccuracies netted over the day
- Small meter data corrections do not warrant a penalty or the need for a costly, unnecessary investigation

Management proposes new penalties to incentivize timely demand response monitoring data submittal

- Create demand response baseline monitoring data penalty structure aligned with settlement meter data submittal

| | Structure | | |
|-------------|---|---|---|
| | Meter Data | Current Monitoring Data | Proposed Monitoring Data |
| Penalty Fee | Late: Flat \$1,000 per trading day Missing: Flat \$3,000 per trading day | No penalty since no deadline. If deadline is provided, then \$500 per resource per day per file | Late: Flat \$1,000 per trading day Missing: Flat \$3,000 per trading day |
| Deadline | Due T+52B, accepted with late penalty until T+214B. Missing penalty applied after | No submission timeline | Due T+52B, accepted with late penalty until T+214B. Missing penalty applied after |

Management's proposed penalty submission deadline is appropriate and beneficial

- Without penalties, DMM has observed significant and ongoing problems with timely monitoring data submittal
- Monitoring data is submitted alongside meter data and validates performance calculations, so it is appropriate to align monitoring data penalties with meter data penalties

Management proposes alleviating administrative burden for processing settlement of penalties and investigating potential violations

- Introduce a 30-day period for scheduling coordinator to submit FERC appeal and notify ISO prior to a penalty settlement
- Reduce three letter investigative process to two letters, with a window for scheduling coordinator appeal
- Eliminate report sent to the Secretary of Energy for rules of conduct violation from power marketing administrations

Stakeholders broadly support Management's proposal which adopted their recommendations

- Incorporated feedback from three stakeholder meetings and three opportunities for written comment
- Management's proposal addresses stakeholder concerns
 - Introduced materiality threshold for inaccurate meter data penalty
 - Courtesy warning ahead of potential exposure to monitoring data penalties
 - Reduced historical monitoring data penalty from 90 days to 45 days

Management recommends approval of the proposed changes to the Rules of Conduct

- Removes de minimis penalties for small meter data inaccuracies
- Creates demand response monitoring data submittal timeline and penalty structure
- Alleviates rules of conduct administrative burden for both market participants and the ISO
- Broadly supported by stakeholders