

Comments on Penalty Enhancements: Demand Response, Investigation, and Tolling Draft Final Proposal

Department of Market Monitoring

August 8, 2024

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Penalty Enhancements: Demand Response, Investigation, and Tolling Draft Final Proposal*.¹

In this initiative, the ISO proposes to (1) establish well-defined due dates and penalties regarding submission of demand response monitoring data, (2) remove upfront payment from the penalty tolling process, (3) simplify the rules of conduct investigative process, and (4) create an inaccurate meter data penalty materiality threshold.

DMM supports the CAISO's proposal to explicitly require demand response monitoring data to be submitted by T+52B after a demand response event, and levy daily penalties against demand response providers who fail to meet that deadline. DMM does not oppose the other changes proposed in this initiative, but notes some potential issues with removing the penalty for inaccurate meter data submissions below the materiality threshold.

Demand Response

DMM supports the CAISO's proposal to establish explicit deadlines and a well-defined penalty structure regarding the submission of demand response monitoring data. DMM and the ISO need this data to monitor activity of demand response providers – such as submission of inaccurate baselines or potential baseline manipulation. DMM supports a penalty structure that adequately incentivizes demand response providers to provide the necessary monitoring data in a timely matter without being overly punitive. While DMM supports the CAISO's proposed deadline and penalty structure for demand response monitoring data submission, DMM has a number of notes on the specifics of the proposal.

The CAISO proposes to penalize at the scheduling coordinator ID (SCID) level rather than at a resource level, to avoid over-penalizing a single SCID due to the potential large number of demand response resources per SCID. DMM does not oppose this penalty structure, but does note that this penalty structure may not incentivize a scheduling coordinator (SC) to submit all resource data in a timely manner if the SC is having issues providing data for a small number of resources. This is because the SC will be charged the daily penalty unless the required data is submitted for all of the SC's resources. Therefore, if the SC is unable to provide data for a single resource, the SC has little incentive to ensure that data for the remaining resources is submitted until data for all resources is available.²

¹ *Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Draft Final Proposal*, California ISO, July 18, 2024: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Draft-Final-Proposal-Penalty-Enhancements-Demand-Response-Investigation-and-Tolling.pdf>

² *DMM Comments on Penalty Enhancements: Demand Response, Investigation, and Tolling Straw Proposal*, April 19, 2024: <https://www.caiso.com/documents/dmm-comments-on-penalty-enhancements-demand-response-investigation-and-tolling-straw-proposal-apr-19-2024.pdf>

In the draft final proposal, the CAISO clarified that demand response monitoring data is not subject to the same regulations as settlement quality meter data, and thus is not penalized for inaccuracies.³ While DMM appreciates this clarification, DMM notes that demand response monitoring data is necessary for DMM to monitor the accuracy of demand response performance data (DREM), which is settlement quality meter data. DMM suggests the ISO consider additional penalties in the future if the submission of questionable monitoring data increases under the new penalty structure. This could occur because demand response providers may have an incentive to provide any monitoring data, even low quality or inaccurate data, in order to avoid penalties.

Lastly, DMM supports the CAISO's proposal to require demand response providers to provide 45 days of historical load data plus any additional data specified by their registered baseline methodology. The majority of demand response providers use day-matching methodologies that select a number of similar non-event days from the last 45 days prior to an event. DMM supports the clarification that any additional data needed for each baseline methodology selected for use will still be required. This ensures all necessary data is available to DMM regardless of how the definition and utilization of baseline methodologies may change in the future.

Materiality Threshold

The CAISO also proposes to establish an inaccurate meter data penalty materiality threshold. Self-reported inaccuracies less than 3 percent or below 3 MW per day will not be considered a tariff violation nor subject to penalties. While DMM does not oppose this proposal, DMM would like to highlight the importance of timely deadlines and firm financial penalties in order to create strong incentives for compliance. Removing the penalty for small inaccuracies could result in increased inaccuracies of the submitted data over time.⁴

³ *Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Draft Final Proposal*, California ISO, July 18, 2024, pp 4-5: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Draft-Final-Proposal-Penalty-Enhancements-Demand-Response-Investigation-and-Tolling.pdf>

⁴ *DMM Comments on Penalty Enhancements: Demand Response, Investigation, and Tolling Straw Proposal*, June 14, 2024: <https://www.caiso.com/documents/dmm-comments-on-penalty-enhancements-demand-response-investigation-and-tolling-straw-proposal-jun-14-2024.pdf>