

# Comments on Penalty Enhancements: Demand Response, Investigation, and Tolling Straw Proposal

## Department of Market Monitoring

June 14, 2024

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Penalty Enhancements: Demand Response, Investigation, and Tolling Revised Straw Proposal*.<sup>1</sup>

In this initiative, the ISO proposes to establish well-defined due dates and penalties regarding submission of demand response monitoring data, remove upfront payment from the penalty tolling process, simplify the rules of conduct investigative process, and 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. 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.

DMM does not oppose the CAISO's proposal to only require 45 days of historical demand response monitoring data, however DMM recommends the requirement be linked to the baseline methodology used by the resource. DMM utilizes the monitoring data in part to replicate the baselines submitted by stakeholders. The data needed to replicate baselines is entirely dependent on the baseline methodology chosen by the demand response provider (DRP). The majority of DRPs use day-matching methodologies that select a number of similar non-event days from the last 45 days prior to an event. For resources that use more complicated methodologies that DMM may not be able to replicate, 45 days of historical data provides decent enough background for DMM to determine whether or not reported baselines are reasonable. DMM notes that if the CAISO incorporates new methodologies or adjusts the current ones, that the required data submittal should be tied to the baseline methodology used by the resource and more than 45 days of data may be necessary.

The Revised Straw Proposal also includes a new proposal to create 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 strict deadlines and financial penalties for not meeting deadlines. A structure of strict deadlines and financial penalties creates important incentives for market participants to perform the desired behavior by the deadline. Removing the penalty for a particular submission deadline could result in increased non-compliance of that deadline over time.

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<sup>1</sup> *Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Straw Proposal*, California ISO, March 28, 2024: <https://www.caiso.com/initiativeDocuments/StrawProposal-Penalty-enhancements-demand-response-investigation-and-tolling-Mar-28-2024.pdf>