

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corporation))	Docket No. ER25-54-000
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**ANSWER TO COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) respectfully submits its answer to the comments filed by the CAISO Department of Market Monitoring (DMM) in the above-noted docket.¹

This docket involves the CAISO's October 8, 2024 proposal to update five parts of Section 37 of the CAISO's tariff, which contains the CAISO's rules of conduct. Two parties – DMM and the Power and Water Resources Pooling Authority (PWRPA) – filed comments in response to the CAISO proposal. PWRPA's comments express unqualified support for the CAISO proposal and ask the Commission to approve the tariff amendments. DMM likewise expresses support for the CAISO filing and offers several observations about the CAISO proposal.² The CAISO offers this answer to respond to the points DMM raises and ensure the record is sufficient to accept the CAISO's tariff changes without modification.³

¹ The CAISO submits this answer pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO tariff.

² DMM comments, at 3 ("While DMM supports the CAISO's proposed deadline and penalty structure for demand response monitoring data submission, DMM notes a few points on the specifics of the proposal.").

³ DMM has styled its filing as comments and not a protest. To the extent the Commission considers DMM's comments to be a protest, the CAISO requests the Commission grant a waiver

I. Answer

A. Applying Demand Response Monitoring Penalties at the Scheduling Coordinator Level is Appropriate

The CAISO proposes to create a distinct penalty for scheduling coordinators that do not make timely submissions of historical load data of demand response resources (demand response monitoring data). The new penalties match the general format of existing penalties for late and missing meter data. DMM states it does not oppose the CAISO proposal to assess the new demand response monitoring data penalty at the scheduling coordinator level.⁴ But DMM also notes this choice could create the perverse result of delaying monitoring data submission because once a scheduling coordinator knows it will be late in submitting monitoring data for one of the resources it represents, the scheduling coordinator no longer has an incentive to make a timely submission of monitoring data for the other demand response resources it represents. The scheduling coordinator will be penalized even if it makes a timely submission for its other resources.

This is not a basis for rejecting the proposed penalty, nor does DMM suggest it is. Application of the demand response monitoring penalties at the scheduling coordinator level is modeled on the existing meter data penalties, which also apply at the scheduling coordinator level. The CAISO is unaware of

of Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. 385.213. Good cause for any necessary waiver exists because this answer will aid the Commission in understanding the issues in the proceeding, inform the Commission in the decision-making process, provide clarification, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250 at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023 at P 16 (2010); *Xcel Energy Servs., Inc.*, 124 FERC ¶ 61,011 at P 20 (2008).

⁴ DMM comments, at 3.

cases where a scheduling coordinator responsible for reporting meter data for multiple meters or multiple scheduling coordinator metered entities chose to report the data under its portfolio late merely because it knew it could not make a timely submission for one meter or entity.

Moreover, if a scheduling coordinator engaged in this activity, it would harm the interests of the other demand response resources it represents.⁵ The rules of conduct penalties collected during a calendar year are distributed to market participants without a violation in that year. Where a scheduling coordinator represents multiple resources, the late submission of monitoring data for a single resource generally would only make that resource owner ineligible for an allocation in that year. However, if the scheduling coordinator then intentionally withholds submission of data from all the demand response resources in its portfolio, it would make those resources ineligible even if they made their data available to their scheduling coordinator in time for the CAISO deadline.

Concern about potential adverse incentives from penalizing at the scheduling coordinator level also must be considered given the alternative. As the CAISO explained in the October 8 filing, the existing tariff creates the ability to impose penalties for failure to submit demand response monitoring data at the resource level.⁶ However, based on stakeholder feedback, the CAISO concluded resource-level penalties would be unduly burdensome.⁷ The major

⁵ October 8 filing, Attachment D, at 6.

⁶ October 8 filing, at 6-7.

⁷ *Id.*

impetus for the stakeholder initiative underlying this docket was to find a just and reasonable, and practical, alternative to applying resource-level penalties.

B. Nothing Suggests Standalone Penalties for Inaccurate Demand Response Monitoring Data are Necessary and they Could Create Duplicative Penalties

DMM recommends the CAISO consider adding penalties for inaccurate monitoring data in addition to the proposed penalties for late monitoring data.⁸ DMM notes that the new penalties for late submission of monitoring data may incentivize scheduling coordinators to submit low quality or inaccurate data to make the deadline. A degradation in quality of the demand response monitoring data would make it harder for DMM to use the monitoring data to gain an accurate picture of demand response performance.

These potential penalties go beyond the CAISO's Section 205 filing and are inappropriate for consideration here.⁹ Further, standalone penalties for inaccurate demand response monitoring data do not appear necessary or appropriate at the present time. The October 8 filing noted that the Commission's market behavior rules impose on participants a duty to exercise due diligence in submitting accurate data.¹⁰ The CAISO views that as a meaningful deterrent to submitting systematically inaccurate monitoring data.

Creating objective rules to penalize inaccuracies in the monitoring data would also be challenging because the monitoring data covers 45 days' of data,

⁸ DMM comments, at 3-4.

⁹ *NRG Power Marketing LLC v. FERC*, 862 F. 3d 108 (D.C. Cir. 2017).

¹⁰ October 8 filing, at 8.

whereas meter data penalties involve a single day of data. With monitoring data, a single inaccuracy over 45 days could trigger penalties even if that error did not affect market settlements. The CAISO views that scenario as creating excessive penalty exposure because each trade date with a demand response event could trigger inaccurate monitoring data penalties if any one of the 45 days of monitoring data had an issue. Theoretically, the CAISO could consider a materiality threshold for monitoring data inaccuracies the way it has now proposed such a threshold for meter data inaccuracies. However, the CAISO has many years of experience with the meter data submission process and has high confidence the meter data materiality threshold it has proposed is appropriate and will not pose unacceptable risks to the market settlement process. The CAISO does not have similar experience with the monitoring data submission process. In fact, this proceeding proposes significant changes to that process.

Developing the policy behind a materiality threshold for monitoring data inaccuracies would require CAISO and stakeholder attention. Implementing and administering such a threshold also would call on CAISO resources in terms of staff time and system updates. There is no indication such an investment is warranted at this time. This situation reflects the reality that the rules of conduct cannot be crafted to cover every conceivable scenario. The rules of conduct can only address objectively identifiable conduct. For more complicated scenarios, the CAISO must rely on DMM's monitoring efforts backed by the Commission's Office of Enforcement.

Standalone penalties for inaccurate monitoring data also risk creating duplicative penalties.¹¹ An inaccuracy in the underlying load data that affects the baseline measurements used in measuring the demand response resource's performance on the event day feeds into the resource's meter data values. This inaccuracy will be penalized under the meter data penalties. Where the error in the monitoring data is for a trade date used in calculating the performance baseline, the CAISO would then levy a penalty twice for the same error.

C. The Materiality Threshold Should Not Increase the Overall Inaccuracy of the Market Settlement Process and May Even Increase the Accuracy

DMM states it does not oppose the CAISO's proposed materiality threshold for inaccurate meter data penalties but expresses concern that "[r]emoving the penalty for small inaccuracies could result in increased inaccuracies of the submitted data over time."¹²

Applying a materiality threshold should not create greater inaccuracies in the CAISO settlements process. The materiality threshold is based on corrected data reported to the CAISO by scheduling coordinators. The CAISO will still get corrected data from scheduling coordinators and will apply the market adjustment when the error was to the scheduling coordinator's benefit. There is no reason to believe the ultimate outcome of the CAISO's settlement process is more likely to

¹¹ See Memorandum to the CASIO Board of Governors and WEM Governing Body explaining that a standalone penalty for inaccurate monitoring data risk creating a duplicative penalty structure. October 8 filing, Attachment D, at 4.

¹² DMM comments, at 4.

be inaccurate. The CAISO acknowledges that because of this tariff change the magnitude of difference in settlement values observed between the T+70B and T+11M settlement statements (on average) could increase slightly if scheduling coordinators begin using less care in submitting their meter data used for the T+70B settlement statement. The premise of creating the materiality threshold is this is an acceptable trade-off for providing penalty relief to scheduling coordinators for small meter data errors.

Contrary to DMM's concerns, there is reason to believe the materiality threshold may lead to more accurate market settlements. The CAISO recognizes it is possible today that some scheduling coordinators do not self-report small meter data inaccuracies, rationalizing that the CAISO rules of conduct enforcement process creates excessive burdens for a violation that creates minimal market harm that the CAISO is otherwise unlikely to identify. This approach is inappropriate, likely violates the Commission's behavioral rules, and is not condoned by the CAISO. Still, the possibility exists that some scheduling coordinators have approached small meter data errors with this mentality. The materiality threshold eliminates the temptation for scheduling coordinators to approach meter data reporting in this way. There will no longer be a reason for scheduling coordinators to withhold small meter data corrections; thus, the CAISO may see scheduling coordinators more readily submit corrections. Here, the CAISO may see greater differences in settlement values between the T+70B and T+11M settlement statements. But those differences

may actually reflect that the materiality threshold has created a more accurate overall settlement process.

II. Conclusion

For the reasons explained above and in the October 8 filing, the CAISO respectfully requests that the Commission accept the proposed tariff revisions as filed.

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Dated: November 7, 2024

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 7th day of November, 2024.

/s/ Jacqueline Meredith

Jacqueline Meredith
An employee of the California ISO