



# California ISO

California Independent System Operator Corporation

October 8, 2024

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

**Re: California Independent System Operator Corporation  
Docket No. ER25-\_\_\_\_-000**

## **Tariff Amendment to Enhance the Rules of Conduct**

Dear Secretary Reese:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment to update five parts of Section 37 of the CAISO's tariff, which contains the CAISO's rules of conduct.<sup>1</sup> The rules of conduct 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) create a new penalty for failure to submit demand response monitoring data; (2) streamline the rules of conduct investigative process; (3) update the penalty tolling process when a market participant appeals a penalty to the Commission; (4) create a materiality threshold in assessing penalties for inaccurate meter data submissions; and (5) eliminate a reporting requirement for cases when federal power marketing administrations have rules of conduct violations.

Each set of tariff amendments is discrete, severable, and not interdependent with the other parts of the proposal. Additionally, two aspects of new tariff section 37.8.10 regarding the process of filing a penalty appeal with the

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<sup>1</sup> 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.

Commission,<sup>2</sup> described in more detail below, are severable from the other meter data penalty revisions.<sup>3</sup> The CAISO 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 December 20, 2024. The CAISO is targeting implementation of these provisions on January 1, 2025. However, to provide 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.<sup>4</sup>

## **I. Background**

### **A. History and Purpose of the Rules of Conduct**

The CAISO's rules of conduct establish rules for market participant behavior and define consequences when market participants do not follow those rules.<sup>5</sup> The rules of conduct 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.<sup>6</sup> They first took effect in 2007. Since then, the CAISO has substantively amended the rules of conduct twice. First, in 2009 as part of the CAISO's compliance with Commission Order No. 719, the CAISO amended its tariff to enforce rules only when it could objectively identify

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<sup>2</sup> 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).

<sup>3</sup> The specific provision is the phrase "by submitting a waiver request" in the following sentence: "A Scheduling Coordinator that receives a Sanction, or a Market Participant whose conduct gave rise to the Sanction, may appeal the CAISO's conclusion to FERC by submitting a waiver request." Revised tariff section 37.8.10.

<sup>4</sup> The CAISO has included an effective date of 12/31/9998 as part of the tariff records submitted in this filing. The CAISO will notify the Commission of the actual effective date of these tariff records within five business days of implementation in an eTariff submittal using Type of Filing code 150 – Report. The CAISO also 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.

<sup>5</sup> See existing tariff section 37.1.2.

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

violations.<sup>7</sup> Second, earlier this year, the CAISO filed amendments as part of its Rules of Conduct Enhancements stakeholder initiative.<sup>8</sup>

## **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.<sup>9</sup> 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.<sup>10</sup>

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, going up to \$10,000 for later 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 penalizes inaccurate meter data for a trading day at the lesser of: (a) 30 percent of the value of the inaccurate data for the trading day; and (b) \$1,000. Failure to submit meter data by the initial submission

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<sup>7</sup> 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).

<sup>8</sup> *Cal. Indep. Sys. Operator Corp.*, Letter Order, FERC Docket No. ER24-872-000 (Apr. 2, 2024).

<sup>9</sup> Existing tariff section 37.1.5 (specifying which of the rules of conduct are enforced by the CAISO and which by the Commission).

<sup>10</sup> Initially, the CAISO enforced all ten rules. 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).

deadline is penalized at \$1,000 per trading day, and failure to cure that error by the resubmittal deadline is penalized an additional \$3,000 per trading day (for a total of \$4,000 per trading day).

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.
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.<sup>11</sup>

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.<sup>12</sup>

## 2. Enforcement Process

The tariff creates a defined process for the CAISO to administer the six rules of conduct it enforces. If the CAISO learns of a potential rules of conduct violation it “shall conduct a reasonable investigation seeking available facts, data, and other information relevant to the potential” violation.<sup>13</sup> The CAISO must begin the investigation within 90 days of discovering the events potentially subject to sanction.<sup>14</sup> The investigation must include “notice of the investigation in sufficient detail to allow for a meaningful response”<sup>15</sup> and an opportunity for the market participant “to present any issues of fact or other information relevant to the potential” violation.<sup>16</sup> Based on its investigation, the CAISO must assess any

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<sup>11</sup> These rules are in existing tariff sections 37.4, 37.5, 37.6, and 37.11.

<sup>12</sup> These rules are in existing tariff sections 37.2.1, 37.2.3, 37.2.4, and 37.3.1.1.

<sup>13</sup> Existing tariff section 37.8.3.

<sup>14</sup> Existing tariff section 37.10.1.

<sup>15</sup> Existing tariff section 37.8.4.

<sup>16</sup> Existing tariff section 37.8.5.

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.”<sup>17</sup>

When the CAISO determines a penalty applies, 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.”<sup>18</sup>

### **C. Stakeholder Process for this Tariff Amendment**

The CAISO stakeholder process leading to this filing began with a rules of conduct stakeholder workshop on June 7, 2023. That workshop highlighted many issues that the CAISO identified in the straw proposal for this initiative published on March 28, 2024, followed by a revised straw proposal published on May 24, 2024, and a draft final proposal on July 18, 2024.<sup>19</sup> The CAISO published a redlined and revised draft final proposal on September 9, 2024. The CASIO held stakeholder meetings in connection with each iteration of the policy papers to discuss the documents and provide stakeholders a forum for discussion and feedback. The policy part of the stakeholder process culminated on September 26, 2024, with the CAISO Governing Board and the Western Energy Markets Governing Body jointly approving the policy proposal underlying this filing.<sup>20</sup> On August 15, 2024, the CAISO posted draft tariff language, followed by a stakeholder call on August 22, 2024. The major points of stakeholder feedback are discussed below.

## **II. Proposed Changes**

### **A. Creating New Penalty for Late or Missing Demand Response Monitoring Data**

#### **1. Current Issues with Collecting Demand Response Monitoring Data and Penalizing Missing Data**

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<sup>17</sup> Existing tariff section 37.10.1.

<sup>18</sup> 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.

<sup>19</sup> More information about this stakeholder initiative is available on the CAISO’s website: <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Penalty-enhancements-demand-response-investigation-tolling>.

<sup>20</sup> The CAISO provides the memo from CAISO management to the Board and Governing Body as Attachment D to this filing.

Under tariff section 11.6, most demand response resource types have two information submission requirements. First, all demand response resources have to submit their demand response energy measurements. The demand response energy measurement is the difference between actual consumption during the demand response event and baseline consumption. This differential is what the scheduling coordinator submits as the resource's meter data. The existing meter data penalty rules in section 37.5.2 generally applicable to all scheduling coordinators that submit meter data cover instances of late, inaccurate, or missing meter data from demand response resources.

Second, most demand response resources have a separate duty to submit their baseline calculations and the data underlying those calculations “[f]or monitoring, compliance, and audit purposes . . . .”<sup>21</sup> This demand response monitoring data does not constitute meter data and failures to submit it are not subject to penalty under section 37.5.2. Instead, such failures potentially fall under section 37.6.1.1, which states “all information that is required to be submitted to the CAISO under the CAISO Tariff must be submitted by the specified deadline,” which is “either the deadline established directly in the CAISO Tariff or, where the CAISO Tariff does not establish a specific deadline, by the deadline that the CAISO has authority to establish under the CAISO Tariff.” Violations are subject to a penalty of \$500 for every day the information is late.

For several years the CAISO, particularly the Department of Market Monitoring, has seen demand response providers persistently failing to submit the required monitoring data. The absence of this data hampers the CAISO's ability to monitor demand response resources' self-reported load reduction performance. Because the tariff does not include a specific deadline for submitting the demand response monitoring data, the CAISO must establish a submission deadline before it can penalize missing monitoring data.

In 2022, the CAISO proposed amending the demand response business practice manual to create a clearly-defined submission deadline.<sup>22</sup> Many stakeholders opposed this revision because the penalties under section 37.6.1 would apply on a per-resource basis. Demand response providers explained this would create financially ruinous penalties because the same underlying issue typically will cause all of their resources to have late monitoring data. Further, some stakeholders pointed out that penalties related to meter data, which is the basis of settlement, apply on a per-scheduling coordinator basis, rather than a per-resource basis. Stakeholders also questioned why such high penalties were

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<sup>21</sup> Existing tariff section 11.6.1 and 11.6.7. Under tariff section 11.6.5.1, which has a planned effective date of November 1, 2024, Distributed Curtailment Resources hold the same obligation. See *Cal. Indep. Sys. Operator Corp.*, 179 FERC ¶ 61,197 (2022).

<sup>22</sup> The CAISO submitted the revision as Proposed Revisions Request 1444.

justified for issues with data submitted for monitoring purposes that is not part of the market settlements process. Based on this stakeholder feedback, the CAISO withdrew its proposed business practice manual revision and instead committed to review the proper penalty structure for missing demand response monitoring data and consider potential tariff amendments.

## **2. Creating Demand Response Monitoring Data Penalties**

The CAISO proposes to create a distinct penalty for late and missing demand response monitoring data that matches the general format of existing penalties for late and missing meter data.

The meter data submission deadline is fifty-two business days after the trading day (T+52B), so the CAISO can process data on the recalculation settlement statement published seventy business days after the trading day (T+70B). The CAISO publishes the next recalculation settlement statement after the T+70B statement at eleven months (T+11M). The deadline for submitting new or revised meter data for the T+11M statement is two-hundred fourteen business days (T+214B) following the trading day. A scheduling coordinator that misses submitting data by the T+52B deadline but cures that deficiency by T+214B has late meter data. A scheduling coordinator that misses both deadlines has missing meter data.

Under new section 37.7.1.1, the same ideas would apply to demand response monitoring data. A scheduling coordinator that fails to submit a complete set of demand response monitoring data by T+52B for the trading day on which the demand response event occurred has committed a rules of conduct violation.<sup>23</sup> If the scheduling coordinator submits the previously-missing demand response monitoring data by T+214B, then the scheduling coordinator has late monitoring data. If the scheduling coordinator does not cure the deficiency by T+214B, then the scheduling coordinator has missing monitoring data.

Under new section 37.7.1.2, the CAISO will impose a sanction of \$1,000 for every trading day with late demand response monitoring data and a \$4,000 sanction for every trading day with missing demand response monitoring data. These are the same penalties that apply for late and missing meter data. As with meter data penalties, a trading day can have either late data or missing data, but not both. Also, as with meter data penalties, the demand response monitoring

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<sup>23</sup> The CAISO considers monitoring data penalties a new type of Rules of Conduct sanction and thus titled section 37.7 "Provide Monitoring Data." The demand response monitoring data rules are defined in section 37.7.1 and its subparts. This numbering provides greater flexibility in tariff organization if the CAISO amends its tariff in the future to create additional types of monitoring data penalties.

data penalties will apply on a per-scheduling coordinator basis. If a scheduling coordinator represents multiple demand response resources, all of which have late or missing demand response monitoring data, then the scheduling coordinator will face only a single penalty.<sup>24</sup> As with the penalties for late or missing meter data, the CAISO believes these new penalties for late and missing monitoring data will create appropriate incentives for scheduling coordinators to submit timely data to facilitate CAISO monitoring of demand response resource performance.

One significant difference between the demand response penalties and the meter data penalties is that the CAISO is not proposing a rules of conduct penalty for inaccurate demand response monitoring data because the CAISO does not use such data for settlements purposes; the harm to market processes is less significant if the data proves to be inaccurate as compared to meter data.<sup>25</sup> However, in compliance with the Commission's market behavior rules, the CAISO still expects scheduling coordinators to exercise due diligence to prevent submission of false or inaccurate demand response monitoring data.<sup>26</sup> If the CAISO or its Department of Market Monitoring suspects a market participant did not exercise such due diligence, it may raise those concerns with the Commission's Office of Enforcement.

As part of creating the demand response monitoring data penalties, the CAISO also proposes to create a standardized monitoring data submission obligation. The CAISO tariff permits demand response resources to choose from among several methodologies for calculating their baseline consumption. The baseline data these methodologies rely on can vary in two important respects. First, the baselines generally are calculated based on data from the most recent days similar to the day on which the demand response event occurred (e.g., the five or ten most recent similar days). The number of days' worth of data can vary depending on factors such as the baseline methodology elected and whether the event day was a business day or not. Second, the baseline methodologies outlined in section 4.13.4 have varying lookback windows for calculating the baseline measurement. The maximum lookback window limits how far back the demand response resource needs to search for and assess baseline data. For example, if a resource's baseline methodology requires data from the ten most recent similar days but has only identified six such days within its maximum

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<sup>24</sup> If a scheduling coordinator has late demand response monitoring data for one resource and missing monitoring data for another resource and both resources are under the same SCID, then the CAISO would impose only the missing monitoring data penalty.

<sup>25</sup> In some cases, revisions to the monitoring data could also trigger changes to the baseline data, which is the meter data for demand response. In that case, penalizing inaccurate monitoring data would result in a double penalty because that inaccuracy would also trigger an inaccurate meter data penalty.

<sup>26</sup> 18 CFR §35.41(b).



lookback window, then it would calculate its baseline solely with the data from those six days. Most of the methodologies have a maximum window of 45 days but the control group methodology (section 4.13.4.3) and the weather matching methodology (section 4.13.4.5) have windows of 75 days and 90 days, respectively. This means that if the CAISO required demand response resources to submit all of the underlying data relevant to calculating the baseline, those resources potentially would have a larger dataset to assess and submit to the CAISO. With demand response monitoring data submission obligations varying in these two significant ways, it would be challenging for the CAISO to enforce its new penalties.

For ease of implementation, and to create a standardized obligation to avoid penalties, the CAISO proposes to adjust the substantive obligation in section 11.6 to submit demand response monitoring data. The CAISO proposes to delete from sections 11.6.1, 11.6.5.1, and 11.6.7 references to data submitted for monitoring, compliance, and audit purposes. In place of these references, the CAISO creates a new section 11.6.8 which imposes a duty on all scheduling coordinators for proxy demand resources, reliability demand response resources, and distributed curtailment resources to submit demand response monitoring data by the meter data submission deadline at T+52B. Expanding the monitoring data submission obligation to all demand response resources, regardless of their chosen baseline methodology, will expand the CAISO's visibility over how resources calculate their demand response energy measurements.

The CAISO also proposes to create a new defined term – “Demand Response Monitoring Data” – to more clearly specify the monitoring data that scheduling coordinators for demand response resources must submit. This term is defined as: “The actual underlying consumption or Energy relevant to a Proxy Demand Resource, Reliability Demand Response Resource, or Distributed Curtailment Resource during all hourly intervals for the forty-five days prior to the day on which a Demand Response Event occurred.” Based on this definition, scheduling coordinators must submit a complete set of data for all hours in every day for the 45 days before the trading day for which the resource provided demand response.<sup>27</sup> The CAISO will treat failure to submit data for each hour of each day as a missing demand response data violation. This duty will apply regardless of the baseline lookback period applicable to a chosen methodology and regardless of the number of days within the lookback period needed to calculate the baseline used for the demand response energy measurements. A uniform period will create consistent data that will make analysis easier and makes putting the new penalty rules into practice more feasible. Otherwise, the CAISO would have to configure its enforcement measures based on the individual method each resource chose.

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<sup>27</sup> The CAISO selected 45 days because this is the maximum baseline lookback window applicable to most demand response resources.

Finally, for resources that choose one of the methodologies that includes a baseline lookback window that can be longer than 45 days, the CAISO can request data going back further, up to the maximum potential lookback period for the resource. Compliance with these additional requests is obligatory, but section 11.6.8 states specifically that the data beyond 45 days “does not constitute Demand Response Monitoring Data.”

The demand response monitoring data tariff revisions represent a meaningful improvement over the status quo. With these revisions, the CAISO can create stronger incentives for scheduling coordinators to submit demand response monitoring data. At the same time, these revisions avoid the overly punitive sanctions that would have applied by relying on the “catchall penalties” under section 37.6.1. The CAISO’s experience with the prior meter data penalty design amply shows the administrative burden and disruption caused by the CAISO enforcing overly burdensome penalties.<sup>28</sup> These revisions should avoid that unfortunate outcome by striking a proper balance that meets the CAISO’s needs without creating excessive penalty exposure for market participants.

### **3. Stakeholder Feedback**

In the stakeholder process, several stakeholders expressed support for the revision and appreciation for the CAISO’s efforts to tailor a more appropriate penalty. Although not covered in the tariff, the CAISO also agreed to provide scheduling coordinators courtesy notices if their demand response monitoring data is still missing at T+44B, *i.e.*, eight business days before the submission deadline. These notices should help foster compliance and increase the chances the CAISO will receive timely data to permit stronger monitoring of demand response resources.

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<sup>28</sup> The CAISO’s prior meter data penalties were the subject of significant appeals and waivers at the Commission. See, e.g., *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. 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); *Cal. Indep. Sys. Operator Corp.*, Petition for Limited Waiver, FERC Docket No. ER23-1699-000 (Apr. 24, 2023); *Cal. Indep. Sys. Operator Corp.*, Request for Waiver, FERC Docket No. ER21-395-000 (Nov. 12, 2020).

## **B. Streamlining Rules of Conduct Investigative Process**

### **1. Current Issues with the Rules of Conduct Investigative Process**

The CAISO's current rules of conduct investigative process includes multiple back-and-forth steps between the CAISO and the investigated market participant. Section 37.8.4 requires the CAISO to provide the market participant "notice of the investigation in sufficient detail to allow for a meaningful response . . . ." Then under section 37.8.5 the CAISO must also provide the market participant an opportunity "to present any issues of fact or other information relevant to the potential Rules of Conduct violation being investigated." If the CAISO concludes a violation occurred, then, per section 37.8.6, it must provide the market participant an opportunity "to respond to the findings of the CAISO before the CAISO makes a determination of whether a Sanction is required . . . ." Finally, if the CAISO determines a sanction is required, under section 37.8.7, the CAISO must provide the market participant a final written conclusion of its findings.

This back-and-forth process made sense with the CAISO's past authority to assess sanctions for violations that required subjective determinations. For investigations covering complex issues that could require deep analysis of topics, e.g., whether a market participant's operating and maintenance practices prolonged the response time to a major outage,<sup>29</sup> it was sensible to build in heightened procedures. However, with the CAISO's review now limited to narrow questions, such as whether a specific meter data file was or was not submitted by T+52B, there is less need for an extended investigative process.

### **2. Proposed Updates to the Rules of Conduct Investigative Process**

The CAISO proposes to update the investigative process to better reflect the more limited investigations necessary for objectively-determined violations. The key updates to the investigative process are in sections 37.8.3, 37.8.4, and 37.8.5.

Under revised section 37.8.3, the first step of the process is for the CAISO to conduct a preliminary investigation "[u]pon becoming aware of any action or inaction that may constitute a Rules of Conduct violation . . . ." The CAISO would base the preliminary investigation only on information within its possession.

If the preliminary investigation reflects a violation may have occurred, then, per revised section 37.8.4, the CAISO will send a notice of review to the

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<sup>29</sup> See existing tariff section 37.2.3.1.

scheduling coordinator describing the potential violation and letting the scheduling coordinator respond. As is the case today, the CAISO also will contact the relevant market participants if it has “sufficient objective information to identify and verify the role of the Market Participant(s) in the potential Rules of Conduct violation.” The notice of review is intended to be the single opportunity for market participants to respond. However, the CAISO recognizes that even with objectively-determined violations, there may be the need for a more iterative process. To address this possibility, the revisions to section 37.8.4 state that “[d]epending on the response to the notice of review, the CAISO may request additional information or pose clarifying questions to the Scheduling Coordinator and Market Participants.” Based on the response to the notice of review and all other relevant information, the CAISO will then, per revised section 37.8.5, issue a results of review notice providing “the results of the investigation and any applicable Sanctions.”

This more streamlined approach provides several benefits. It eases administrative burden on the CAISO by reducing the volume of written correspondence. Just as important, it poses benefits for market participants. The current process often gives market participants the misimpression that the CAISO may consider extenuating circumstances in investigating a potential violation. The CAISO does not have this discretion. A streamlined process will reinforce to market participants that the CAISO’s scope of review is limited and that the Commission is the party to consider factors that go beyond the narrow question of whether a rule of conduct was violated. A faster process will let market participants lodge their appeal with the Commission more quickly if they feel extenuating circumstances justify relief from paying a sanction.

### **3. Stakeholder Feedback**

Stakeholder feedback largely involved requests for clarification about the new process. For example, one stakeholder asked that a process diagram in the stakeholder documentation be included in a business practice manual to ensure the guidance did not get lost once the initiative is over. The CAISO agreed with that suggestion. Another stakeholder sought reassurance that the new process would provide enough opportunities for communication. In response to this concern, the CAISO included the provision in section 37.8.4 about asking for follow-up information after receiving a response to the notice of review. The CAISO also committed to provide more upfront guidance to market participants on the factors that could result in the CAISO concluding no violation occurred, as opposed to issues that require an appeal to the Commission.

**C. Updating Penalty Tolling Process in Cases of Appeal to the Commission**

**1. Current Issues with Penalty Tolling and Penalty Appeals**

Under existing tariff section 37.8.10, a scheduling coordinator or market participant “may obtain immediate review of the CAISO’s determination [of a violation] by directly appealing to FERC, in accordance with FERC’s rules and procedures.” The scheduling coordinator must also dispute the settlement statement containing the sanction. If the market participant meets these conditions, then the CAISO tolls the penalty pending the Commission’s review. This process has posed several problems.

The chief problem is that the mechanics of the CAISO settlements and invoicing process make true penalty tolling infeasible. To permit a scheduling coordinator to dispute the sanction on a settlement statement, the CAISO must first place that penalty on a settlement statement. Even with an immediate dispute, under normal procedures that charge automatically passes on to the next invoice. The CAISO tariff generally obligates scheduling coordinators to pay invoices regardless of a settlement dispute.<sup>30</sup> If the CAISO grants the settlement dispute, then the CAISO refunds the charge on a subsequent settlement statement/invoice cycle. When the CAISO applies this process to rules of conduct sanctions that qualify for tolling, the result is the scheduling coordinators must pay the penalty and then have it refunded several weeks later. This process ensures the CAISO is not holding the sanction funds for the majority of the time the Commission considers the appeal. Nevertheless, some scheduling coordinators have expressed dissatisfaction at ever having to pay a penalty that should be tolled, even if that penalty is quickly refunded. Charging and collecting the sanction, only to then refund it immediately also poses an unnecessary administrative burden for the CAISO.

Another issue is that requiring the market participant to both file with the Commission *and* dispute the settlement statement to toll the penalty is unnecessary. As long as the CAISO is aware of the filing with the Commission, such as by being served with the filing or receiving a courtesy copy, then that should toll the penalty. The requirement also to dispute the settlement statement creates an additional and unnecessary administrative requirement for market participants.

A third issue is the existing directive that the appeal be filed “in accordance with FERC’s rules and procedures.” The Commission has interpreted this phrase as requiring the participant to file a complaint under

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<sup>30</sup> Existing tariff sections 11.29.8.6; 11.29.11.

section 206 of the Federal Power Act and has rejected appeals filed through other procedural means.<sup>31</sup> To obtain relief under section 206, the applicant must file a complaint against the CAISO and show the CAISO's rules, at least as applied to its particular appeal, are unjust and unreasonable. The CAISO finds it unnecessary, and even inappropriate, to obligate market participants to pursue their appeal in this way. Often the CAISO supports or does not oppose a penalty appeal given the specific circumstances. Having the appeal framed as a section 206 complaint against the CAISO can create the incorrect appearance of an adversarial process between the CAISO and its market participants and places the CAISO in an awkward position in which it may need to defend its tariff rules and their applicability as just and reasonable even when equitable circumstances may otherwise apply in a situation.

A final issue is that the Commission has suggested the penalty tolling deadlines in section 37.8.10 are also a deadline for participants to qualify for any penalty appeal.<sup>32</sup> Section 37.8.10 refers to participants being able to “obtain *immediate review* of the CAISO's determination . . . .” (emphasis added). The reference to an “immediate review” has always suggested to the CAISO that the procedures in section 37.8.10 only referred to one appeal path and that participants could still appeal even after the settlements dispute deadline passed, but without the opportunity for penalty tolling. Still, the Commission's earlier decisions and the absence of discussion in section 37.8.10 regarding a later review process to supplement the “immediate review” has unnecessarily constrained market participant appeals by barring appeals filed after the dispute deadline.

## **2. Revisions to Penalty Tolling and Appeal Process**

The CAISO proposes to update the penalty tolling process and remove the requirement that appellants also file a settlement dispute. Under revised section 37.8.6, the CAISO must wait at least 30 days between issuing a results of review notice and assessing the sanction on a settlement statement. Under revised section 37.8.10, the scheduling coordinator or market participant qualifies for penalty tolling if it files its appeal with the Commission within 30 days of receiving the results of review notice. The market participant must also notify the

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<sup>31</sup> *Hanwha Q-CELLS USA Corp.*, 174 FERC ¶ 61,013, P 9 (2021) (“we recognize that CAISO's Tariff does not explicitly set forth the appropriate ‘rules and procedures’ [but] we interpret this Tariff provision as referring to the Commission's Rules of Practice and Procedure,” including rules 206 and 218). *See also Blue Lake Power, LLC*, 185 FERC ¶ 61,100, P 24 (2023); *Golden Springs Dev. Co., LLC*, 174 FERC ¶ 61,163 (2021); *Mission Solar LLC*, 174 FERC ¶ 61,014 (2021).

<sup>32</sup> *See Blue Lake Power*, 174 FERC ¶ 61,013 at PP 14 & 23 (interpreting an appeal after the dispute deadline as involving an impermissible retroactive waiver of CAISO tariff provisions regarding dispute timeline).

CAISO of the appeal through the methods identified in the business practice manual. Unlike today, there will be no requirement for the market participant to dispute the settlement statement because the window to qualify for tolling will elapse before the CAISO ever includes the sanction on a settlement statement. This change will address concerns that the current penalty tolling process does not permit a complete tolling of the penalty but instead is a pay-and-refund process.

The CAISO also proposes to amend section 37.8.10 to identify a waiver as the procedural vehicle for the appeal.<sup>33</sup> The basis of a section 206 complaint is an allegation that a utility's rate "is unjust, unreasonable, unduly discriminatory or preferential . . . ." This standard does not capture the nature of rules of conduct appeals. The appeals generally have not involved broad allegations the rules of conduct sanctions are inherently unjust and unreasonable. Rather, they involve claims that some specific extenuating circumstance the scheduling coordinator or market participant faced justifies a departure from the generally-applicable penalties. That scenario more closely fits a waiver request, not a Section 206 appeal.<sup>34</sup> Appealing rules of conduct penalties through section 206 complaints is also problematic because of the prospective nature of the refund effective date. On the other hand, a rules of conduct appeal is inherently a backwards-looking review regarding an event or series of events in the past; it is not designed to create prospective changes or remedies. Although the remedy of a granted rules of conduct appeal is retroactive, the CAISO does not view this proposal as creating impermissible retroactive waivers because the right to the appeal would be included directly in the CAISO tariff, and all parties would be on notice that a sanction determination is always subject to further review by the Commission.<sup>35</sup> The CAISO is mindful of the Commission's earlier decisions requiring a section 206 complaint to appeal a rules of conduct sanction.

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<sup>33</sup> Revised section 37.8.10 (participants "may appeal the CAISO's conclusion to FERC by submitting a waiver request").

<sup>34</sup> If a market participant wishes to assert a penalty provision is generally unjust and unreasonable or otherwise wishes to contest a sanction through a section 206 complaint, the proposed tariff revisions would not deprive that entity from its rights to file a section 206 complaint. Such complaint, however, would not be an appeal within the meaning of section 37.8.10 and thus would not qualify for penalty tolling.

<sup>35</sup> The Commission has noted the key factor it considers in evaluating whether a requested waiver "would violate either the filed rate doctrine or the rule against retroactive ratemaking, is whether the ratepayers had sufficient notice that the approved rate was subject to change." *Pac. Gas & Elec. Co.*, 173 FERC ¶ 61,051, P 14 (2020). See also *Sunflower Elec. Power Corp.*, 173 FERC ¶ 61,054, Comm'r Danly dissent at P 7 (2020) ("the Commission is legally barred by the filed rate doctrine and the rule against retroactive ratemaking from granting a retroactive waiver request unless . . . the parties had notice that the tariff provision could be waived retroactively"). The Commission has used this rationale as the basis of permitting rules of conduct penalties in the past. See, e.g., *Tucson Elec. Power Co. v. Cal. Indep. Sys. Operator Corp.*, 188 FERC ¶ 61,207, P 21 (2024).

However, the CAISO believes those earlier rulings were made in the context of the current tariff language and those decisions do not preclude a prospective tariff amendment to identify a waiver as a permissible way to appeal a sanction.<sup>36</sup>

Finally, the CAISO proposes to clarify that the ability to appeal is separate from qualifying for penalty tolling. Specifically, revised section 37.8.10 states that a participant may “file an appeal after [the] 30-day period but such filing does not relieve the Scheduling Coordinator from the obligation to pay the Sanction when it appears on a Settlement Statement, subject to refund based on FERC’s disposition of the appeal.” The CAISO recognizes creating an open-ended appeal window could be problematic. However, the Commission requires waiver applicants to show good faith.<sup>37</sup> Without justification, an entity that files substantially after the date the CAISO assessed a penalty will face a higher bar to show they have acted in good faith.

The proposed use of a waiver as the procedural vehicle for appealing rules of conduct sanctions is not interdependent with the other revisions to the penalty tolling and appeal process. With one exception, any ruling on justness and reasonableness of the proposed use of a waiver does not affect the justness and reasonableness of the other revisions to the tolling and appeal process. The one exception is the proposal to let participants appeal a sanction over 30 days after receiving a results of review notice. An open-ended appeal timeframe unconstrained by the good-faith requirement of a waiver filing could be problematic. Accordingly, the phrase “by submitting a waiver request” and the sentence beginning with “A Scheduling Coordinator or Market Participant is permitted to file an appeal after this 30-day period . . .” in the proposed revisions to section 37.8.10 are severable from the balance of the proposed revisions regarding the penalty tolling and appeal process.

### **3. Stakeholder Feedback**

The CAISO received two sets of stakeholder comments on these changes during the final part of the policy stakeholder process. Both comments supported these changes.

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<sup>36</sup> See, e.g., *Hanwha Q-CELLS*, 174 FERC ¶ 61,013, at P 9.

<sup>37</sup> The four criteria the Commission enforces for waiver requests are: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties. See, e.g., *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,185, at PP 5-8 (2020); *Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,039, at P 31 (2016); *N.Y. Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,061, at P 19 (2014); *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, at P 5 (2014); *ISO New Eng., Inc.*, 134 FERC ¶ 61,182, at P 8 (2011).



**D. Creating a Materiality Threshold for Inaccurate Meter Data Submissions**

**1. Current Issues with Severity of Meter Data Penalties**

The CAISO's tariff filing earlier this year in Docket no. ER24-872-000 substantially reduced scheduling coordinators' exposure to sanctions for relatively small meter data errors.<sup>38</sup> Even with this change, however, some stakeholders continued to view the sanctions as overly punitive for small errors. Specifically, some parties advocated for a materiality threshold under which small errors would not be penalized. The reasoning was that correcting small meter data errors does not disrupt the market settlement process in the same ways a larger error might, and the new 30 percent penalty formula for inaccurate meter data sanctions would always result in a *de minimus* sanction. Stakeholders questioned whether the administrative burden to both the CAISO and scheduling coordinators of invoking the rules of conduct enforcement process was justified for small penalties that apply to conduct that would not meaningfully harm the market or settlement processes.

**2. Proposed Threshold for Meter Data Penalties**

The CAISO considered this perspective and agreed that it need not penalize small errors to incentivize timely and accurate meter data reporting. The CAISO proposes to add a statement in section 37.5.2.1.1 that a scheduling coordinator has not submitted inaccurate meter data "if the net error across the Trading Day is less than the larger of: (a) three percent of the correct total Meter Data values for the Trading Day for the Scheduling Coordinator Metered Entity; and (b) three MWh." The CAISO chose to net the error across the entire day. Meter data penalties also apply to the net error across the day and the CAISO determined it was appropriate to provide parallel treatment in creating the threshold. A meter data inaccuracy within this 3 percent/3 MWh tolerance band would not be a rules of conduct violation and this inaccuracy, on its own, would not make a scheduling coordinator ineligible to receive an allocation of the annual rules of conduct proceeds under section 37.9.4. This tolerance band is just and reasonable because the CAISO is confident meter data corrections this small are unlikely to disrupt the overall market settlements process and there is less need to sanction these meter data inaccuracies.

To apply this threshold, the CAISO will continue its existing practice of tracking differences in meter data values for scheduling coordinator metered

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<sup>38</sup> The CAISO did this by adjusting the sanction to be the lower of: (a) 30 percent of the absolute value of the error; or (b) \$1,000 per trading day. The previous rule was to impose a flat sanction of \$1,000 per trading day regardless of the magnitude of the error.

entities at T+52B as compared to the value in place at T+214B.<sup>39</sup> Today, the CAISO investigates any difference, regardless of magnitude, as a potential rules of conduct violation. Under this proposal, the CAISO would first analyze the difference in the values between T+52B and T+214B. Under the two-part threshold, there would be no violation (and thus no violation to investigate) if the net difference over the trading day is less than either three percent of the corrected value in place at T+214B or 3 MWh. For example, consider a scheduling coordinator metered entity whose total meter data values in place at T+52B for a trading day is 8 MWh and it submits a correction between T+52B and T+214B that makes the total value for the day 10 MWh. This correction does not meet the first part of the threshold because three percent of the correct value of 10 MWh is .3 MWh. The correction is larger than this three percent value. However, this correction falls under the second part of the threshold because the net difference between T+52B and T+214B is 2 MWh, which is less than the 3 MWh threshold. The result would be this entity would face no rules of conduct sanctions and only would face a potential market adjustment.<sup>40</sup>

To prevent unjust enrichment from errors that fall within the materiality threshold, the CAISO proposes to specify in section 37.5.2.2.4 that the CAISO will apply a market adjustment to meter data inaccuracies that fall within the materiality threshold. The CAISO believes this methodology best balances the goals of supporting self-reporting of small inaccuracies, incentivizing accurate meter data submittal, and creating readily implementable changes. In making this tariff revision, the CAISO still expects scheduling coordinators to report meter data in good faith and to exercise due diligence to prevent submission of false or inaccurate meter data.

### **3. Stakeholder Feedback**

All stakeholders expressing a view supported creating a materiality threshold. The feedback was focused on the specific design. For example, one party suggested a threshold based on a percent of an entity's load. Another party suggested excusing one violation per year for small violations, with large inaccuracies or repeated minor inaccuracies remaining subject to sanction. The CAISO considered the feedback and developed the proposal described above, which it found struck the best balance among competing concerns. Notably, the daily assessment of the materiality threshold was added to the policy based on stakeholder input.

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<sup>39</sup> The CAISO does not process or evaluate meter data revisions submitted after T+52B until the T+214B deadline for submitting revisions to be used on the T+11M settlement statement. Further, per section 10.3.6.4, the CAISO cannot consider meter data submitted after T+214B. That is why the CAISO's process for identifying inaccurate meter data focuses on the meter data values at two points in time (*i.e.*, T+52B and T+214B).

<sup>40</sup> The redlined/revised draft final proposal provides more detailed examples at 17-18.

**E. Eliminating Certain Reporting Requirements for Rules of Conduct Violations by Federal Power Marketing Administrations**

The CAISO has two federal power marketing administrations (PMA) among its market participants. Several years ago, one of those PMAs responded to a late meter data penalty by explaining its view that imposing sanctions would violate the Supremacy Clause of the Constitution and the Anti-Deficiency Act, and the penalties were barred under section 22.9 of the CAISO tariff. The language in this section has been part of the CAISO tariff since the CAISO began operations in April 1998. Specifically, section 22.9(a) 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 agreed with this interpretation and changed its business processes so it logs potential violations by either PMA but does not assess penalties. Because the CAISO treats the PMAs as exempt from rules of conduct sanctions, the CAISO must, per section 22.9(b), report to the United States Secretary of Energy each time one of the PMAs would have been sanctioned but for the exemption provided by section 22.9(a). This provision states if a:

sanction on any person is unenforceable against a federal entity, the CAISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this CAISO Tariff that are not enforceable against the federal entity.

Over the years, the CAISO has sent several reports to the Secretary of Energy in compliance with section 22.9(b). However, based on its experience, the CAISO questions whether section 22.9(b) serves a useful purpose. The CAISO has not received a response from the Secretary of Energy to any of its reports nor has it received any indication actions have been taken within the Department of Energy in response to the reports. Also, the PMAs are part of the Department of Energy and ultimately are answerable to the Secretary of Energy. If the Secretary of Energy or other senior departmental officials want to know about PMAs’ rules of conduct violations, those department officials can ask the PMAs to report it internally. The CAISO believes it is unnecessary for the CAISO to continue providing these reports and inserting itself into the internal workings of the Department of Energy. Preparing the reports under section 22.9(b) also creates administrative burden for the CAISO and consumes staff resources that could be deployed better elsewhere. Accordingly, the CAISO proposes to delete section 22.9(b). Removing this language would defer to Department of Energy leadership on how PMAs should internally report on rules of conduct violations

immune to sanction. The CAISO received no stakeholder feedback on this proposed change to the reporting obligations.

#### **F. Miscellaneous and Conforming Tariff Clarifications**

In addition to the substantive amendments outlined above, the CAISO proposes several clarifying amendments to section 37. The amendments and their rationale is in the chart below. In some cases, the amendments noted in the chart are unrelated to the substantive amendments described above in section II.A through II.E. Others are conforming changes driven by the substantive amendments described above. For those conforming edits, the chart notes the section to which the conforming edit relates. The conforming edit should be considered interdependent with, and not severable from, the substantive amendments to which it relates. The Commission should accept these ministerial amendments because they merely clarify tariff rules for market participants and implement no substantive changes.

<b>Section Amended</b>	<b>Rationale</b>
10.3.6.3	Updating tariff cross-reference for section 37.5, as amended in Docket No. ER24-872
10.3.6.4	Updating tariff cross-reference for section 37.5, as amended in Docket No. ER24-872
37.1.5	Adding cross-reference to new section 37.7  Interdependent with section II.A (demand response monitoring data penalties)
37.6.1.1	Clarifying that specific rules of conduct violations dealing with information submission do not separately expose scheduling coordinators to the general penalty in section 37.6.1
37.8.1	Adding cross-reference to new section 37.7  Interdependent with section II.A (demand response monitoring data penalties)
37.8.9	Conforming change to CAISO document preservation obligations needed to account for new appeal and penalty tolling approach  Interdependent with section II.B (streamlining investigative process) and section II.C (penalty tolling process update)
37.9.1	Adding cross-reference to new section 37.7  Interdependent with section II.A (demand response monitoring data penalties)
37.9.3.2	Deleting cross-reference to section 37.8.10 due to changes in penalty tolling procedures  Interdependent with section II.C (penalty tolling process update)
37.9.4	Clarifying that CAISO only needs to request information about grid management charges paid during the year from scheduling coordinators with a rules of conduct violation
37.10.1	Clarifying that issuing a notice of review is the event that meets the 90-day period to begin an investigation; specifies CAISO will add guidance in the BPM as to determining discovery date of potential violations  Interdependent with section II.B (streamlining investigative process)
Appendix A–Rules of Conduct	Adding cross-reference to new section 37.7  Interdependent with section II.A (demand response monitoring data penalties)
Appendix P–section 11.1.3	Adding cross-reference to new section 37.7  Interdependent with section II.A (demand response monitoring data penalties)

### **III. Effective Date**

The CAISO respectfully requests the Commission issue an order accepting the tariff revisions by December 20, 2024. A Commission order by that date will provide regulatory certainty for the CAISO, its market participants, and stakeholders before the planned January 1, 2025 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.

Under section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, 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 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, deviation from the planned January 1, 2025, effective date could require Commission approval and impose uncertainty on the CAISO and its market participants.

### **IV. Communications**

Under Rule 203(b)(3),<sup>41</sup> the CAISO respectfully requests that all correspondence and other communications about this filing be served upon:

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Lead Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7222  
Email: [dzlotlow@caiso.com](mailto:dzlotlow@caiso.com)

### **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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<sup>41</sup> 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	Revised/Redline Draft Final Proposal
Attachment D	Memo to CAISO Board of Governors and Western Energy Markets Governing Body

**VII. Conclusion**

The CAISO respectfully requests that the Commission issue an order accepting the tariff revisions in this filing by December 20, 2024, effective as of the dates specified. Approval of the tariff revisions will strengthen monitoring of demand response performance, improve meter data penalties, and enhance several parts of the rules of conduct investigative and enforcement process.

Respectfully submitted,

**/s/ David S. Zlotlow**

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**Attachment A – Clean Tariff**

**Tariff Amendment – Rules of Conduct**

**California Independent System Operator Corporation**

**October 8, 2024**



## **10. Metering**

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### **10.3 Metering For Scheduling Coordinator Metered Entities**

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#### **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.

##### **10.3.6.1 [Not Used]**

##### **10.3.6.2 Timing of SQMD Submission for Calculation of Initial Settlement Statement T+9B**

Scheduling Coordinators must submit Actual Settlement Quality Meter Data or Estimated Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO no later than 10:00am on the seventh (7) Business Day after the Trading Day (T+7B) for the Initial Settlement Statement T+9B calculation. Scheduling Coordinators can submit Estimated Settlement Quality Meter Data for Demand Response Resources.

- (a) In the absence of Actual Settlement Quality Meter Data, Scheduling Coordinators may submit Scheduling Coordinator Estimated Settlement Quality Meter Data using interval metering when available, sound estimation practices, and other available information including, but not limited to bids, schedules, forecasts, temperature data, operating logs,

recorders, and historical data. Scheduling Coordinator Estimated Settlement Quality Meter Data must be a good faith estimate that reasonably represents Demand and/or Generation quantities for each Settlement Period.

- (b) When Actual Settlement Quality Meter Data or Scheduling Coordinator Estimated Settlement Quality Meter Data is not received by the CAISO for a Scheduling Coordinator Metered Entity within seven (7) Business Days from the Trading Day (T+7B), the CAISO will estimate the entity's Settlement Quality Meter Data for any outstanding metered Demand and/or Generation, including Demand Response Resources, for use in the Initial Settlement Statement T+9B calculation, as provided in Section 11.29.7.1.

#### **10.3.6.3 Timing of SQMD Submission for Recalculation Settlement Statement T+70B**

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. A Scheduling Coordinator that timely submits Actual Settlement Quality Meter Data for the Initial Settlement Statement T+9B pursuant to Section 10.3.6.2 may submit revised Actual Settlement Quality Meter Data for the Recalculation Settlement Statement T+70B no later than the fifty-second (52) Business Day after the Trading Day pursuant to this Section.

- (a) When Actual Settlement Quality Meter Data is not received by the CAISO for a Scheduling Coordinator Metered Entity by fifty-two (52) Business Days after the Trading Day (T+52B), the Scheduling Coordinator has failed to submit complete and accurate meter data and is subject to Sanction as further specified in Section 37.5.2.
- (b) Any Scheduling Coordinator Estimated Settlement Quality Meter Data submitted by a Scheduling Coordinator on behalf of the Scheduling Coordinator Metered Entities it represents that is not replaced with Actual Settlement Quality Meter Data by fifty-two (52) Business Days after the Trading Day (T+52B) has failed to submit complete and accurate meter data and is subject to Sanction as further specified in Section 37.5.2. In the absence of Actual Settlement Quality Meter Data, Scheduling Coordinator Estimated Settlement Quality Meter Data will be used in the Recalculation Settlement Statements.

- (c) The CAISO will not estimate a Scheduling Coordinator Metered Entity's Settlement Quality Meter Data for any outstanding metered Demand and/or Generation for use in a Recalculation Settlement Statement T+70B calculation. Any previous CAISO Estimated Settlement Quality Meter Data that the Scheduling Coordinator does not replace with Actual Settlement Quality Meter Data by fifty-two (52) Business Days after the Trading Day (T+52B) will be set to zero. A Scheduling Coordinator that fails to replace CAISO Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data by fifty-two (52) Business Days after the Trading Day (T+52B) has failed to provide complete and accurate Settlement Quality Meter Data and is subject to Sanction as further specified in Section 37.5.2.

#### **10.3.6.4 Timing of SQMD Submission for Recalculation Settlement Statement T+11M**

Scheduling Coordinators may submit Actual Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO for use in Recalculation Settlement Statement T+11M up to two hundred and fourteen Business Days after the Trading Day (T+214B). 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 and are subject to Sanction as further specified in Section 37.5.2. 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.

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## **11. CAISO Settlements and Billing**

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### **11.6 PDRs, RDRRs, Distributed Energy Resource Aggregations, Non-Generator Resources**

#### **11.6.1 Settlement of Energy Transactions Involving PDRs or RDRRs Using Customer Load Baseline Methodology**

Settlements for Energy provided by Demand Response Providers from Proxy Demand Resources or

Reliability Demand Response Resources shall be based on the Demand Response Energy Measurement for the Proxy Demand Resources or Reliability Demand Response Resources. The Demand Response Energy Measurement for a Proxy Demand Resource or Reliability Demand Response Resource shall be the quantity of Energy equal to the difference between the (i) Customer Load Baseline for the Proxy Demand Resource or Reliability Demand Response Resource and (ii) either the actual underlying consumption or the quantity of Energy calculated pursuant to Section 10.1.7 for the Proxy Demand Resource or Reliability Demand Response Resource for a Demand Response Event. Scheduling Coordinators will be responsible for calculating and submitting Demand Response Energy Measurements in 5-minute intervals. For such Proxy Demand Resources or Reliability Demand Response Resources, the Scheduling Coordinator will calculate the relevant Customer Load Baseline as set forth in Section 4.13.4. If the Proxy Demand Resource or Reliability Demand Response uses behind-the-meter generation to offset Demand, and has elected to always provide Meter Data consisting of its total gross consumption, the Demand Response Energy Measurement shall be the quantity of Energy equal to the difference between (i) the Customer Load Baseline, which derives from the gross consumption independent of offsetting Energy from behind-the-meter generation for the Proxy Demand Resource or Reliability Demand Response Resource, and (ii) the gross underlying consumption, independent of offsetting Energy from the behind-the-meter generation. Demand Response Energy Measurements for Proxy Demand Resources and Reliability Demand Response Resources will only be settled in intervals where their total Expected Energy is above zero. Scheduling Coordinators may not submit Demand Response Energy Measurements in Settlement Intervals where the total Expected Energy did not exceed zero.

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#### **11.6.5 Settlement of Distributed Energy Resource Aggregations**

Settlements for Energy provided by a Distributed Energy Resource Provider from a Distributed Energy Resource Aggregation shall be based on the applicable PNode or Aggregated PNode of the Distributed Energy Resource Aggregation. For Distributed Energy Resource Aggregations comprising a single PNode, settlement for Energy transactions would reflect the LMP at that PNode. For Distributed Energy

Resource Aggregations comprising multiple PNodes settlement for Energy transactions would be the weighted average LMP of the PNode(s) based on the applicable Generation Distribution Factors submitted through the Distributed Energy Resource Aggregation's Bid or as registered in the Master File. Consistent with the provisions of Section 11.5.2, the CAISO will impose UIE on a Distributed Energy Resource Provider if the Distributed Energy Resource Provider's Distributed Energy Resource Aggregation does not follow a Dispatch Instruction.

#### **11.6.5.1 Settlement of Distributed Energy Resource Aggregations with Demand Curtailment**

Settlements for Energy and Demand curtailment provided by a Distributed Energy Resource Provider from a Distributed Energy Resource Aggregation that includes Distributed Curtailment Resources will be consistent with Section 11.6.5. The CAISO will settle such Distributed Energy Resource Aggregations based on the sum of (1) the net Energy provided by the Distributed Energy Resources, if any, accounting for any Load and any negative Energy from energy storage resources, and (2) the Demand curtailment provided by the Distributed Curtailment Resources, represented as positive Supply. The Scheduling Coordinator for such Distributed Energy Resource Aggregation must submit its Settlement Quality Meter Data in the Settlement Quality Meter Data Systems, which consists of data reflecting:

- (1) the net injection or withdrawal of Energy from any Distributed Energy Resources that are not Distributed Curtailment Resources; and
- (2) the Demand curtailment provided by the Distributed Curtailment Resources, calculated consistent with the requirements of Section 11.6.1.

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#### **11.6.7 Settlement of Proxy Demand Resources using the Load-Shift Methodology**

The CAISO will settle separately the consumption Resource ID and curtailment Resource ID of a Proxy Demand Resource using the load-shift methodology. The Demand Response Energy Measurement for the consumption Resource ID will be the quantity of Energy equal to the difference between (i) its Customer Load Baseline calculated pursuant to Section 4.13.4.7 and (ii) its actual underlying negative

Energy for a Demand Response Event. The Demand Response Energy Measurement for the curtailment Resource ID will be the quantity of Energy from the behind-the-meter energy storage equal to the difference between (i) its Generator Output Baseline calculated pursuant to Section 4.13.4.7 and (ii) its actual underlying production for a Demand Response Event. If the Proxy Demand Resource elects to curtail local onsite Demand independent of the behind-the-meter energy storage, the Scheduling Coordinator will add the Demand Response Energy Measurement calculated for the onsite Load pursuant to this Section 11.6 to the Demand Response Energy Measurement of the curtailment Resource ID. Scheduling Coordinators will be responsible for calculating and submitting Demand Response Energy Measurements in 5-minute intervals. Demand Response Energy Measurements for Proxy Demand Resources will only be settled in intervals where their total Expected Energy is above zero. The CAISO will calculate the respective bid cost recoveries for each Resource ID consistent with Section 11.8. The consumption Resource ID will not recover Start-Up Costs, Minimum Load Costs, Pumping Costs, Pump Shut-Down Costs, or Transition Costs, but may recover Energy Bid Costs.

#### **11.6.8 Submission of Demand Response Monitoring Data**

Scheduling Coordinators for Proxy Demand Resources, Reliability Demand Response Resources, and Distributed Curtailment Resources must submit a complete set of Demand Response Monitoring Data in the Settlement Quality Meter Data Systems by the SQMD submission deadline defined in section 10.3.6.3 for the Trading Day on which a Demand Response Event occurred. However, only Demand Response Energy Measurements will be considered Settlement Quality Meter Data. Failure to timely submit Demand Response Monitoring Data is subject to Sanction under Section 37.7.1. To the extent a Proxy Demand Resource, Reliability Demand Response Resource, or Distributed Curtailment Resource has elected a performance evaluation methodology under Section 4.13.4 that includes a baseline lookback window that can exceed forty-five days, upon CAISO request, the resource's Scheduling Coordinator must submit additional days' worth of underlying hourly consumption or Energy data, up to the maximum baseline lookback period. Such additional data does not constitute Demand Response Monitoring Data.

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## **22. Miscellaneous**

\* \* \* \* \*

### **22.9 Consistency with Federal Laws and Regulations**

- (a) Nothing in the CAISO Tariff shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this CAISO Tariff is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. 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; provided, however, that such person or federal entity shall use its best efforts to comply with the CAISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.
- (b) [Not Used]
- (c) To the extent that the CAISO suffers any loss as a result of being unable to enforce any indemnity as a result of such enforcement being in violation of federal laws or regulations to which it is entitled under the CAISO Tariff under this Section or otherwise, it shall be entitled to recover such loss through the Grid Management Charge.

\* \* \* \* \*

## **37. Rules of Conduct**

### **37.1 Objectives, Definitions, and Scope**

\* \* \* \* \*

### **37.1.5 Administration**

The CAISO shall administer the following Rules of Conduct specified herein: Section 37.4.1, Section 37.4.2, Section 37.5.2, Section 37.6.1, Section 37.6.2, Section 37.6.3, and Section 37.7. FERC shall administer the following Rules of Conduct specified herein: Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1.

\* \* \* \* \*

## **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. Provided, however, the CAISO applies a materiality threshold such that a Scheduling Coordinator has not violated this Section 37.5.2 if the net error across the Trading Day is less than the larger of: (a) three percent of the correct total Meter Data values for the Trading Day for the Scheduling Coordinator Metered Entity; and (b) three MWh.

\* \* \* \* \*

#### **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 CAISO additionally charges a market adjustment in instances where, but for the materiality threshold specified in Section 37.5.2.1.1, there would have been an inaccurate Meter Data violation and a market adjustment would have applied to that violation.

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.

## **37.6 Provide Information Required by CAISO Tariff**

### **37.6.1 Required Information Generally**

#### **37.6.1.1 Expected Conduct**

Except as provided below in Section 37.6.4 (Review by FERC), all information that is required to be submitted to the CAISO under the CAISO Tariff must be submitted by the specified deadline. Provided, however, a violation of Sections 37.4.1, 37.5, or 37.7 is not separately a violation of this Section 37.6.1.1. For the purposes of this Section 37.6.1.1, the specified deadline is either the deadline established directly in the CAISO Tariff or, where the CAISO Tariff does not establish a specific deadline, by the deadline that the CAISO has authority to establish under the CAISO Tariff.

\* \* \* \* \*

## **37.7 Provide Monitoring Data**

### **37.7.1 Demand Response Monitoring Data**

#### **37.7.1.1 Expected Conduct**

Failure to submit a complete set of Demand Response Monitoring Data as specified in Section 11.6.8 is a violation of this Section 37.7.1.

For the purposes of this Section 37.7.1, a Scheduling Coordinator has late Demand Response Monitoring Data if it fails to submit Demand Response Monitoring Data by the SQMD submission deadline defined in Section 10.3.6.3 for the Trading Day on which the Demand Response Event occurred but submits such data by the SQMD submission deadline defined in Section 10.3.6.4.

For the purposes of this Section 37.7.1, a Scheduling Coordinator has missing Demand Response Monitoring Data if it fails to submit Demand Response Monitoring Data by the SQMD submission deadline defined in section 10.3.6.4 for the Trading Day on which the Demand Response Event occurred.

#### **37.7.1.2 Sanctions**

The Sanction for late Demand Response Monitoring Data is \$1,000. The Sanction applies per Trading

Day per SCID with late Demand Response Monitoring Data.

The Sanction for missing Demand Response Monitoring Data is \$4,000. The Sanction applies per Trading Day per SCID with missing Demand Response Monitoring Data.

A Scheduling Coordinator with a late Demand Response Monitoring Data violation and a separate missing Demand Response Monitoring Data violation for the same Trading Day under the same SCID is only assessed the missing Demand Response Monitoring Data Sanction.

## **37.8 Process for Investigation and Enforcement**

### **37.8.1 Purpose; Scope**

The provisions of this Section 37.8 set forth the procedures by which the CAISO will independently investigate potential violations of the Rules of Conduct and administer enforcement activities. Except as hereinafter provided the provisions of this section apply to the Rules of Conduct set forth in Sections 37.2 through 37.7.

### **37.8.2 Referrals to FERC**

Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1 shall be enforced by FERC, in accordance with FERC's rules and procedures. Pursuant to Section 11 of Appendix P, DMM shall refer suspected violations of Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1 to FERC. For violations of this Section 37 that are enforced by FERC, Section 37.8.3, Section 37.8.4, Section 37.8.5, Section 37.8.6, Section 37.8.7, Section 37.8.8, Section 37.8.9, and Section 37.8.10 shall not apply to any investigation DMM may conduct prior to submitting a referral to FERC.

### **37.8.3 Preliminary Investigation**

Upon becoming aware of any action or inaction that may constitute a Rules of Conduct violation, the CAISO conducts a preliminary investigation of the potential violation based on facts, data, and other information within its possession.

### **37.8.4 Notice of Review**

If the CAISO's preliminary investigation indicates a violation may have occurred, the CAISO provides a notice of review to the Scheduling Coordinator. The CAISO also provides the notice of review to all Market Participants the Scheduling Coordinator represents that are the subject(s) of the investigation if the CAISO has sufficient objective information to identify and verify the role of the Market Participant(s) in

the potential Rules of Conduct violation. Such Market Participant(s) will likely have an existing contractual relationship with the CAISO (e.g., UDC, MSS, CAISO Metered Entity, Participating Transmission Owner, Participating Generator, Participating Load, Distributed Energy Resource Provider, or Demand Response Provider).

The notice of review provides the Scheduling Coordinator and Market Participants, as applicable, a description of the potential violation and provides an opportunity to respond to the CAISO with any issues of fact or other information relevant to the potential Rules of Conduct violation being investigated. The description in the notice of review must provide sufficient detail to allow for a meaningful response from the parties receiving the notice of review. Depending on the response to the notice of review, the CAISO may request additional information or pose clarifying questions to the Scheduling Coordinator and Market Participants. A response to the notice of review is optional.

#### **37.8.5 Results of Review**

After reviewing any information provided in response to a notice of review and all other relevant information, the CAISO concludes its investigation and provides the Scheduling Coordinator and Market Participant, as applicable, a results of review notice. The results of review notice notifies the parties of the results of the investigation and any applicable Sanctions.

#### **37.8.6 Assessment of Sanctions**

The CAISO assesses Sanctions on a Settlement Statement no sooner than 30 days after providing the results of review notice.

#### **37.8.7 [Not Used]**

#### **37.8.8 [Not Used]**

#### **37.8.9 Record of Investigation**

Where the CAISO issues a results of review notice concluding a Rules of Conduct violation occurred and a Sanction is not tolled pursuant to Section 37.8.10, then the CAISO must maintain a record of the investigation until at least the timeline for raising disputes specified in Section 11.29.8 has elapsed for the Settlement Statement on which the Sanction is assessed. Where the CAISO issues a results of review notice concluding a Rules of Conduct violation occurred and a Sanction is tolled pursuant to Section 37.8.10, the CAISO must maintain a record of the investigation until at least FERC's disposition of the

appeal.

### **37.8.10 Review of Determination**

A Scheduling Coordinator that receives a results of review notice concluding a Rules of Conduct violation occurred, or a Market Participant whose conduct gave rise to the results of review notice, may appeal the CAISO's conclusion to FERC by submitting a waiver request. The obligation to pay any Sanctions is tolled until FERC renders its decision on the appeal if the Scheduling Coordinator or Market Participant within 30 days of receiving the results of review notice: (a) files its appeal with FERC; and (b) provides the CAISO with notice of the appeal following the procedures established in the Business Practice Manual. A Scheduling Coordinator or Market Participant is permitted to file an appeal after this 30-day period but such filing does not relieve the Scheduling Coordinator from the obligation to pay the Sanction when it appears on a Settlement Statement, subject to refund based on FERC's disposition of the appeal. The disposition by FERC of such appeal shall be final, and no separate dispute of such Sanction may be initiated under Section 13. For the purpose of applying the time limitations set forth in Section 37.10.1, a Sanction is assessed when it is included on a Settlement Statement or, in the case of a Sanction that is tolled pursuant to this Section 37.8.10, when a Sanctions appeal is filed with FERC.

## **37.9 Administration of Sanctions**

### **37.9.1 Assessment, Waivers and Adjustments**

Penalty amounts for violation of these Rules of Conduct shall be calculated as specified in Section 37.4.1.2, Section 37.4.2.2, Section 37.4.4, Section 37.5.2.2, Section 37.6.1.2, Section 37.6.2.2, Section 37.6.3.2, and Section 37.7.1.2.

### **37.9.2 [Not Used]**

\* \* \* \* \*

### **37.9.3 Settlement**

\* \* \* \* \*

#### **37.9.3.2 Payment**

Except as provided in Section 37.9.3.3 below, the Scheduling Coordinator shall be obligated to pay all penalty amounts reflected on Settlement Statements to the CAISO pursuant to the CAISO's Settlement process, as set forth in Section 11.

\* \* \* \* \*

#### **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 is an ineligible Market Participant or that represented an ineligible Market Participant 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 Sanction on a Settlement Statement during the calendar year and the Sanction was never tolled pursuant to Section 37.8.10; (2) filed a Sanctions appeal during the calendar year that qualified for tolling pursuant to Section 37.8.10 and FERC's decision of the appeal did not overturn the CAISO's conclusion that a violation of Section 37 occurred;; or (3) 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. 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.

## **37.10 Miscellaneous**

### **37.10.1 Time Limitation**

Sanctions may only be assessed if the CAISO issues a notice of review, as specified in Section 37.8.4, within ninety (90) days of discovery of the events that are potentially subject to Sanction. The CAISO's methodology for assessing the discovery date for Rules of Conduct violations is established in the Business Practice Manual.

Sanctions may be assessed under this Section 37 up to one year after discovery of the events constituting the violation, but no later than three years after the date of the violation. Nothing in this section shall limit the rights or liabilities of any party under any other provision of applicable laws, regulations or tariff provisions.

\* \* \* \* \*

## **Appendix A**

### **Master Definition Supplement**

\* \* \* \* \*

**- Demand Response Monitoring Data**

The actual underlying consumption or Energy relevant to a Proxy Demand Resource, Reliability Demand Response Resource, or Distributed Curtailment Resource during all hourly intervals for the forty-five days prior to the day on which a Demand Response Event occurred.

\* \* \* \* \*

**- Rules of Conduct**

The rules set forth in Sections 37.2 through 37.7.

\* \* \* \* \*

**Appendix P**

**CAISO Department of Market Monitoring**

\* \* \* \* \*

**11.1.3** Section 11.1 of this Appendix P notwithstanding, DMM shall not refer to FERC a suspected violation of the following provisions of Section 37 of this CAISO Tariff: 37.4.1, 37.4.2, 37.5.2, 37.6.1, 37.6.2, 37.6.3, and 37.7. Where conduct also constitutes a Market Violation that DMM shall not refer to FERC and DMM has reason to believe that the same conduct represents a Market Violation other than a Market Violation that, per this Section 11.1.3, DMM shall not refer to FERC, then DMM shall make a non-public referral to FERC only of the Market Violation that it is not prohibited from referring to FERC.

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**Attachment B – Marked Tariff**

**Tariff Amendment – Rules of Conduct**

**California Independent System Operator Corporation**

**October 8, 2024**

## **10. Metering**

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### **10.3 Metering For Scheduling Coordinator Metered Entities**

\* \* \* \* \*

#### **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.

##### **10.3.6.1 [Not Used]**

##### **10.3.6.2 Timing of SQMD Submission for Calculation of Initial Settlement Statement T+9B**

Scheduling Coordinators must submit Actual Settlement Quality Meter Data or Estimated Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO no later than 10:00am on the seventh (7) Business Day after the Trading Day (T+7B) for the Initial Settlement Statement T+9B calculation. Scheduling Coordinators can submit Estimated Settlement Quality Meter Data for Demand Response Resources.

- (a) In the absence of Actual Settlement Quality Meter Data, Scheduling Coordinators may submit Scheduling Coordinator Estimated Settlement Quality Meter Data using interval metering when available, sound estimation practices, and other available information including, but not limited to bids, schedules, forecasts, temperature data, operating logs,

recorders, and historical data. Scheduling Coordinator Estimated Settlement Quality Meter Data must be a good faith estimate that reasonably represents Demand and/or Generation quantities for each Settlement Period.

- (b) When Actual Settlement Quality Meter Data or Scheduling Coordinator Estimated Settlement Quality Meter Data is not received by the CAISO for a Scheduling Coordinator Metered Entity within seven (7) Business Days from the Trading Day (T+7B), the CAISO will estimate the entity's Settlement Quality Meter Data for any outstanding metered Demand and/or Generation, including Demand Response Resources, for use in the Initial Settlement Statement T+9B calculation, as provided in Section 11.29.7.1.

### **10.3.6.3 Timing of SQMD Submission for Recalculation Settlement Statement T+70B**

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. A Scheduling Coordinator that timely submits Actual Settlement Quality Meter Data for the Initial Settlement Statement T+9B pursuant to Section 10.3.6.2 may submit revised Actual Settlement Quality Meter Data for the Recalculation Settlement Statement T+70B no later than the fifty-second (52) Business Day after the Trading Day pursuant to this Section.

- (a) When Actual Settlement Quality Meter Data is not received by the CAISO for a Scheduling Coordinator Metered Entity by fifty-two (52) Business Days after the Trading Day (T+52B), the Scheduling Coordinator has failed to submit complete and accurate meter data and is subject to Sanction as further specified in Section 37.5.2~~as required by Section 37.5.2.1 and will be subject to monetary penalty pursuant to Section 37.5.2.2.~~
- (b) Any Scheduling Coordinator Estimated Settlement Quality Meter Data submitted by a Scheduling Coordinator on behalf of the Scheduling Coordinator Metered Entities it represents that is not replaced with Actual Settlement Quality Meter Data by fifty-two (52) Business Days after the Trading Day (T+52B) has failed to submit complete and accurate meter data and is subject to Sanction as further specified in Section 37.5.2~~as required by Section 37.5.2.1 and will be subject to monetary penalty pursuant to Section 37.5.2.2.~~ In

the absence of Actual Settlement Quality Meter Data, Scheduling Coordinator Estimated Settlement Quality Meter Data will be used in the Recalculation Settlement Statements.

- (c) The CAISO will not estimate a Scheduling Coordinator Metered Entity's Settlement Quality Meter Data for any outstanding metered Demand and/or Generation for use in a Recalculation Settlement Statement T+70B calculation. Any previous CAISO Estimated Settlement Quality Meter Data that the Scheduling Coordinator does not replace with Actual Settlement Quality Meter Data by fifty-two (52) Business Days after the Trading Day (T+52B) will be set to zero. A Scheduling Coordinator that fails to replace CAISO Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data by fifty-two (52) Business Days after the Trading Day (T+52B) has failed to provide complete and accurate Settlement Quality Meter Data and is subject to Sanction as further specified in Section 37.5.2as required by Section 37.5.2.1 and will be subject to monetary penalty pursuant to Section 37.5.2.2.

#### **10.3.6.4 Timing of SQMD Submission for Recalculation Settlement Statement T+11M**

Scheduling Coordinators may submit Actual Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO for use in Recalculation Settlement Statement T+11M up to two hundred and fourteen Business Days after the Trading Day (T+214B). 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 and are subject to Sanction as further specified in Section 37.5.2as required by Section 37.5.2.1 and will be subject to monetary penalty pursuant to Section 37.5.2.2. 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.

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## **11. CAISO Settlements and Billing**

\* \* \* \* \*

## **11.6 PDRs, RDRRs, Distributed Energy Resource Aggregations, Non-Generator Resources**

### **11.6.1 Settlement of Energy Transactions Involving PDRs or RDRRs Using Customer Load**

#### **Baseline Methodology**

Settlements for Energy provided by Demand Response Providers from Proxy Demand Resources or Reliability Demand Response Resources shall be based on the Demand Response Energy Measurement for the Proxy Demand Resources or Reliability Demand Response Resources. The Demand Response Energy Measurement for a Proxy Demand Resource or Reliability Demand Response Resource shall be the quantity of Energy equal to the difference between the (i) Customer Load Baseline for the Proxy Demand Resource or Reliability Demand Response Resource and (ii) either the actual underlying consumption or the quantity of Energy calculated pursuant to Section 10.1.7 for the Proxy Demand Resource or Reliability Demand Response Resource for a Demand Response Event. Scheduling Coordinators will be responsible for calculating and submitting Demand Response Energy Measurements in 5-minute intervals. ~~For monitoring, compliance, and audit purposes, Scheduling Coordinators must submit in the Settlement Quality Meter Data Systems the Customer Load Baseline, as applicable, and the actual underlying consumption or Energy during all hourly intervals for the calendar days for which the Meter Data was collected to develop the Customer Load Baseline pursuant to Section 4.13.4. Only Demand Response Energy Measurements will be considered Settlement Quality Meter Data.~~ For such Proxy Demand Resources or Reliability Demand Response Resources, the Scheduling Coordinator will calculate the relevant Customer Load Baseline as set forth in Section 4.13.4. If the Proxy Demand Resource or Reliability Demand Response uses behind-the-meter generation to offset Demand, and has elected to always provide Meter Data consisting of its total gross consumption, the Demand Response Energy Measurement shall be the quantity of Energy equal to the difference between (i) the Customer Load Baseline, which derives from the gross consumption independent of offsetting Energy from behind-the-meter generation for the Proxy Demand Resource or Reliability Demand Response Resource, and (ii) the gross underlying consumption, independent of offsetting Energy from the behind-the-meter generation. Demand Response Energy Measurements for Proxy Demand Resources and Reliability Demand Response Resources will only be settled in intervals where their total Expected Energy is above zero. Scheduling Coordinators may not submit Demand Response Energy Measurements in Settlement

Intervals where the total Expected Energy did not exceed zero.

\* \* \* \* \*

#### **11.6.5 Settlement of Distributed Energy Resource Aggregations**

Settlements for Energy provided by a Distributed Energy Resource Provider from a Distributed Energy Resource Aggregation shall be based on the applicable PNode or Aggregated PNode of the Distributed Energy Resource Aggregation. For Distributed Energy Resource Aggregations comprising a single PNode, settlement for Energy transactions would reflect the LMP at that PNode. For Distributed Energy Resource Aggregations comprising multiple PNodes settlement for Energy transactions would be the weighted average LMP of the PNode(s) based on the applicable Generation Distribution Factors submitted through the Distributed Energy Resource Aggregation's Bid or as registered in the Master File. Consistent with the provisions of Section 11.5.2, the CAISO will impose UIE on a Distributed Energy Resource Provider if the Distributed Energy Resource Provider's Distributed Energy Resource Aggregation does not follow a Dispatch Instruction.

##### **11.6.5.1 Settlement of Distributed Energy Resource Aggregations with Demand Curtailment**

Settlements for Energy and Demand curtailment provided by a Distributed Energy Resource Provider from a Distributed Energy Resource Aggregation that includes Distributed Curtailment Resources will be consistent with Section 11.6.5. The CAISO will settle such Distributed Energy Resource Aggregations based on the sum of (1) the net Energy provided by the Distributed Energy Resources, if any, accounting for any Load and any negative Energy from energy storage resources, and (2) the Demand curtailment provided by the Distributed Curtailment Resources, represented as positive Supply. ~~For settlement, monitoring, compliance, and audit purposes, the~~ The Scheduling Coordinator for such Distributed Energy Resource Aggregation must submit its Settlement Quality Meter Data in the Settlement Quality Meter Data Systems, which consists of data reflecting:

- (1) the net injection or withdrawal of Energy from any Distributed Energy Resources that are not Distributed Curtailment Resources; and
- (2) the Demand curtailment provided by the Distributed Curtailment Resources, calculated consistent with the requirements of Section 11.6.1. ~~7~~

~~(3) the Customer Load Baseline or Generator Output Baseline used to calculate the Demand curtailment for the Distributed Curtailment Resources, calculated consistent with the requirements of Section 4.13.4; and~~

~~(4) the actual underlying consumption or Energy during all hourly intervals for the calendar days for which the Meter Data was collected to develop the baseline.~~

~~Only the net injection of Energy and the Demand curtailment will be considered Settlement Quality Meter Data.~~

\* \* \* \* \*

#### **11.6.7 Settlement of Proxy Demand Resources using the Load-Shift Methodology**

The CAISO will settle separately the consumption Resource ID and curtailment Resource ID of a Proxy Demand Resource using the load-shift methodology. The Demand Response Energy Measurement for the consumption Resource ID will be the quantity of Energy equal to the difference between (i) its Customer Load Baseline calculated pursuant to Section 4.13.4.7 and (ii) its actual underlying negative Energy for a Demand Response Event. The Demand Response Energy Measurement for the curtailment Resource ID will be the quantity of Energy from the behind-the-meter energy storage equal to the difference between (i) its Generator Output Baseline calculated pursuant to Section 4.13.4.7 and (ii) its actual underlying production for a Demand Response Event. If the Proxy Demand Resource elects to curtail local onsite Demand independent of the behind-the-meter energy storage, the Scheduling Coordinator will add the Demand Response Energy Measurement calculated for the onsite Load pursuant to this Section 11.6 to the Demand Response Energy Measurement of the curtailment Resource ID. Scheduling Coordinators will be responsible for calculating and submitting Demand Response Energy Measurements in 5-minute intervals. ~~For monitoring, compliance, and audit purposes, Scheduling Coordinators must submit in the Settlement Quality Meter Data Systems the Generator Output and Customer Load Baselines, as applicable, and the actual underlying consumption or Energy during all hourly intervals for the calendar days for which the Meter Data was collected to develop them pursuant to Section 4.13.4. Only Demand Response Energy Measurements will be considered Settlement Quality~~

~~Meter Data.~~ Demand Response Energy Measurements for Proxy Demand Resources will only be settled in intervals where their total Expected Energy is above zero. The CAISO will calculate the respective bid cost recoveries for each Resource ID consistent with Section 11.8. The consumption Resource ID will not recover Start-Up Costs, Minimum Load Costs, Pumping Costs, Pump Shut-Down Costs, or Transition Costs, but may recover Energy Bid Costs.

#### **11.6.8 Submission of Demand Response Monitoring Data**

Scheduling Coordinators for Proxy Demand Resources, Reliability Demand Response Resources, and Distributed Curtailment Resources must submit a complete set of Demand Response Monitoring Data in the Settlement Quality Meter Data Systems by the SQMD submission deadline defined in section 10.3.6.3 for the Trading Day on which a Demand Response Event occurred. However, only Demand Response Energy Measurements will be considered Settlement Quality Meter Data. Failure to timely submit Demand Response Monitoring Data is subject to Sanction under Section 37.7.1. To the extent a Proxy Demand Resource, Reliability Demand Response Resource, or Distributed Curtailment Resource has elected a performance evaluation methodology under Section 4.13.4 that includes a baseline lookback window that can exceed forty-five days, upon CAISO request, the resource's Scheduling Coordinator must submit additional days' worth of underlying hourly consumption or Energy data, up to the maximum baseline lookback period. Such additional data does not constitute Demand Response Monitoring Data.

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## **22. Miscellaneous**

\* \* \* \* \*

### **22.9 Consistency with Federal Laws and Regulations**

- (a) Nothing in the CAISO Tariff shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this CAISO Tariff is inconsistent with



any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. 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; provided, however, that such person or federal entity shall use its best efforts to comply with the CAISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

(b) ~~If any provision of this CAISO Tariff requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the CAISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this CAISO Tariff that are not enforceable against the federal entity.~~[Not Used]

(c) To the extent that the CAISO suffers any loss as a result of being unable to enforce any indemnity as a result of such enforcement being in violation of federal laws or regulations to which it is entitled under the CAISO Tariff under this Section or otherwise, it shall be entitled to recover such loss through the Grid Management Charge.

\* \* \* \* \*

## **37. Rules of Conduct**

### **37.1 Objectives, Definitions, and Scope**

\* \* \* \* \*

### **37.1.5 Administration**

The CAISO shall administer the following Rules of Conduct specified herein: Section 37.4.1, Section 37.4.2, Section 37.5.2, Section 37.6.1, Section 37.6.2, ~~and~~ Section 37.6.3, and Section 37.7. FERC shall administer the following Rules of Conduct specified herein: Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1.

\* \* \* \* \*

## **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. Provided, however, the CAISO applies a materiality threshold such that a Scheduling Coordinator has not violated this Section 37.5.2 if the net error across the Trading Day is less than the larger of: (a) three percent of the correct total Meter Data values for the Trading Day for the Scheduling Coordinator Metered Entity; and (b) three MWh.

\* \* \* \* \*

#### **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 CAISO additionally charges a market adjustment in instances where, but for the materiality threshold specified in Section 37.5.2.1.1, there would have been an inaccurate Meter Data violation and a market adjustment would have applied to that violation.

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.

## **37.6 Provide Information Required by CAISO Tariff**

### **37.6.1 Required Information Generally**

#### **37.6.1.1 Expected Conduct**

Except as provided below in Section 37.6.4 (Review by FERC), all information that is required to be submitted to the CAISO under the CAISO Tariff must be submitted by the specified deadline. Provided, however, a violation of Sections 37.4.1, 37.5, or 37.7 is not separately a violation of this Section 37.6.1.1. For the purposes of this Section 37.6.1.1, the specified deadline is either the deadline established directly in the CAISO Tariff or, where the CAISO Tariff does not establish a specific deadline, by the deadline that the CAISO has authority to establish under the CAISO Tariff.

\* \* \* \* \*

## **37.7 ~~[Not Used]~~ Provide Monitoring Data**

### **37.7.1 Demand Response Monitoring Data**

#### **37.7.1.1 Expected Conduct**

Failure to submit a complete set of Demand Response Monitoring Data as specified in Section 11.6.8 is a violation of this Section 37.7.1.

For the purposes of this Section 37.7.1, a Scheduling Coordinator has late Demand Response Monitoring Data if it fails to submit Demand Response Monitoring Data by the SQMD submission deadline defined in Section 10.3.6.3 for the Trading Day on which the Demand Response Event occurred but submits such data by the SQMD submission deadline defined in Section 10.3.6.4.

For the purposes of this Section 37.7.1, a Scheduling Coordinator has missing Demand Response Monitoring Data if it fails to submit Demand Response Monitoring Data by the SQMD submission deadline defined in section 10.3.6.4 for the Trading Day on which the Demand Response Event occurred.

#### **37.7.1.2 Sanctions**

The Sanction for late Demand Response Monitoring Data is \$1,000. The Sanction applies per Trading Day per SCID with late Demand Response Monitoring Data.

The Sanction for missing Demand Response Monitoring Data is \$4,000. The Sanction applies per Trading Day per SCID with missing Demand Response Monitoring Data.

A Scheduling Coordinator with a late Demand Response Monitoring Data violation and a separate missing Demand Response Monitoring Data violation for the same Trading Day under the same SCID is only assessed the missing Demand Response Monitoring Data Sanction.

## **37.8 Process for Investigation and Enforcement**

### **37.8.1 Purpose; Scope**

The provisions of this Section 37.8 set forth the procedures by which the CAISO will independently investigate potential violations of the Rules of Conduct and administer enforcement activities. Except as hereinafter provided the provisions of this section apply to the Rules of Conduct set forth in Sections 37.2 through ~~37.6~~37.7.

### **37.8.2 Referrals to FERC**

Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1 shall be enforced by FERC, in accordance with FERC's rules and procedures. Pursuant to Section 11 of Appendix P, DMM shall refer suspected violations of Section 37.2.1, Section 37.2.3, Section 37.2.4, and Section 37.3.1 to FERC. For violations of this Section 37 that are enforced by FERC, Section 37.8.3, Section 37.8.4, Section 37.8.5, Section 37.8.6, Section 37.8.7, Section 37.8.8, Section 37.8.9, and Section 37.8.10 shall not apply to any investigation DMM may conduct prior to submitting a referral to FERC.

### **37.8.3 Preliminary Investigation**

Upon becoming aware of any action or inaction that may constitute a Rules of Conduct violation, the CAISO conducts a preliminary investigation of the potential violation based on facts, data, and other information within its possession.

~~The CAISO shall conduct a reasonable investigation seeking available facts, data, and other information relevant to the potential Rules of Conduct violation.~~

### **37.8.4 Notice of Review**

If the CAISO's preliminary investigation indicates a violation may have occurred, the CAISO provides a notice of review to the Scheduling Coordinator. The CAISO also provides the notice of review to all

Market Participants the Scheduling Coordinator represents that are the subject(s) of the investigation  
if~~The CAISO shall contact the Market Participant(s) that may be involved, so long as the CAISO has~~  
~~sufficient objective information to identify and verify the role of the Market Participant(s) in the potential~~  
~~Rules of Conduct violation. Such Market Participant(s) will likely have an existing contractual relationship~~  
~~with the CAISO (e.g., UDC, MSS, CAISO Metered Entity, Participating Transmission Owner, Participating~~  
~~Generator, Participating Load, Distributed Energy Resource Provider, or Demand Response Provider).~~

The notice of review provides the Scheduling Coordinator and Market Participants, as applicable, a  
description of the potential violation and provides an opportunity to respond to the CAISO with any issues  
of fact or other information relevant to the potential Rules of Conduct violation being investigated. The  
description in the notice of review must provide sufficient detail to allow for a meaningful response from  
the parties receiving the notice of review. Depending on the response to the notice of review, the CAISO  
may request additional information or pose clarifying questions to the Scheduling Coordinator and Market  
Participants. A response to the notice of review is optional.

~~The CAISO shall provide notice of the investigation in sufficient detail to allow for a meaningful response~~  
~~to the Scheduling Coordinator and, as limited below, to all Market Participants the Scheduling Coordinator~~  
~~represents that are the subject(s) of the investigation. The CAISO shall contact the Market Participant(s)~~  
~~that may be involved, so long as the CAISO has sufficient objective information to identify and verify the~~  
~~role of the Market Participant(s) in the potential Rules of Conduct violation. Such Market Participant(s)~~  
~~will likely have an existing contractual relationship with the CAISO (e.g., UDC, MSS, CAISO Metered~~  
~~Entity, Participating Transmission Owner, Participating Generator, Participating Load, Distributed Energy~~  
~~Resource Provider, or Demand Response Provider).~~

### **37.8.5 Opportunity to Present EvidenceResults of Review**

~~The CAISO shall provide an opportunity to the Market Participant(s) that are the subject(s) of the~~  
~~investigation to present any issues of fact or other information relevant to the potential Rules of Conduct~~  
~~violation being investigated. The CAISO shall consider all such information or data presented.~~  
After reviewing any information provided in response to a notice of review and all other relevant  
information, the CAISO concludes its investigation and provides the Scheduling Coordinator and Market  
Participant, as applicable, a results of review notice. The results of review notice notifies the parties of

the results of the investigation and any applicable Sanctions.

#### **37.8.6 ~~Results of Investigation~~Assessment of Sanctions**

The CAISO assesses Sanctions on a Settlement Statement no sooner than 30 days after providing the results of review notice.

~~The CAISO shall notify the Market Participant(s) that are the subject(s) of the investigation of the results of the investigation. The Market Participant(s) shall have thirty (30) days to respond to the findings of the CAISO before the CAISO makes a determination of whether a Sanction is required by this CAISO Tariff.~~

#### **37.8.7 ~~Statement of Findings and Conclusions~~[Not Used]**

~~Where the investigation results in a Sanction, the CAISO shall state its findings and conclusions in writing, and will make such writing available to the Scheduling Coordinator and, as provided in Section 37.8.4, to the Market Participant(s) that are the subject(s) of the investigation.~~

#### **37.8.8 [Not Used]**

#### **37.8.9 Record of Investigation**

Where the CAISO issues a results of review notice concluding a Rules of Conduct violation occurred and a Sanction is not tolled pursuant to Section 37.8.10, then ~~Where an investigation results in a Sanction, the CAISO will~~must ~~maintain a record of the investigation until~~ at least the timeline for raising disputes specified in Section 11.29.8 has elapsed for the Settlement Statement on which the Sanction is assessed.

Where the CAISO issues a results of review notice concluding a Rules of Conduct violation occurred and a Sanction is tolled pursuant to Section 37.8.10, the CAISO must maintain a record of the investigation until at least FERC's disposition of the appeal.

~~its decision has been finally reviewed, if review is sought, or until the period for seeking review has expired.~~

#### **37.8.10 Review of Determination**

A Scheduling Coordinator that receives a results of review notice concluding a Rules of Conduct violation occurred~~receives a Sanction~~, or a Market Participant whose conduct gave rise to the results of review notice~~Sanction~~, may ~~obtain immediate review of the CAISO's determination by directly appealing to FERC~~appeal the CAISO's conclusion to FERC by submitting a waiver request. The obligation to pay any Sanctions is tolled until FERC renders its decision on the appeal if the Scheduling Coordinator or Market

Participant within 30 days of receiving the results of review notice: (a) files its appeal with FERC; and (b) provides the CAISO with notice of the appeal following the procedures established in the Business Practice Manual. A Scheduling Coordinator or Market Participant is permitted to file an appeal after this 30-day period but such filing does not relieve the Scheduling Coordinator from the obligation to pay the Sanction when it appears on a Settlement Statement, subject to refund based on FERC's disposition of the appeal. ,in accordance with FERC's rules and procedures. In such case, the applicable Scheduling Coordinator shall also dispute the Settlement Statement containing the financial penalty, in accordance with Section 11. The Settlement Statement dispute and appeal to FERC must be made in accordance with the timeline for raising disputes specified in Section 11.29.8. The penalty will be tolled until FERC renders its decision on the appeal.—The disposition by FERC of such appeal shall be final, and no separate dispute of such Sanction may be initiated under Section 13. For the purpose of applying the time limitations set forth in Section 37.10.1, a Sanction ~~will be considered~~is assessed when it is included on a Settlement Statement or, in the case of a Sanction that is tolled pursuant to this Section 37.8.10, when a Sanctions appeal is filed with FERC. ,whether or not the CAISO accepts a Scheduling Coordinator's dispute of such Settlement Statement pending resolution of an appeal to FERC in accordance with this section or Section 37.9.3.3.

## **37.9 Administration of Sanctions**

### **37.9.1 Assessment, Waivers and Adjustments**

Penalty amounts for violation of these Rules of Conduct shall be calculated as specified in Section 37.4.1.2, Section 37.4.2.2, Section 37.4.4, Section 37.5.2.2, Section 37.6.1.2, Section 37.6.2.2, ~~and~~ Section 37.6.3.2, and Section 37.7.1.2.

\* \* \* \* \*

### **37.9.3 Settlement**

\* \* \* \* \*

#### **37.9.3.2 Payment**



Except as provided in ~~Section 37.8.10 or~~ Section 37.9.3.3 below, the Scheduling Coordinator shall be obligated to pay all penalty amounts reflected on Settlement Statements to the CAISO pursuant to the CAISO's Settlement process, as set forth in Section 11.

\* \* \* \* \*

#### **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 ~~is an ineligible Market Participant or that represented an ineligible Market Participant 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 Sanction on a Settlement Statement during the calendar year and the Sanction was never tolled pursuant to Section 37.8.10; (2) filed a Sanctions appeal during the calendar year that qualified for tolling pursuant to Section 37.8.10 and FERC's decision of the appeal did not overturn the CAISO's conclusion that a violation of Section 37 occurred;

~~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 (23)~~ 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.

### **37.10 Miscellaneous**

#### **37.10.1 Time Limitation**

Sanctions may only be assessed if the CAISO issues a notice of review, as specified in Section 37.8.4.  
~~An investigation of events potentially subject to Sanction by the CAISO under this Section 37 must be commenced~~ within ninety (90) days of discovery of the events that are potentially subject to Sanction.  
The CAISO's methodology for assessing the discovery date for Rules of Conduct violations is established in the Business Practice Manual.

Sanctions may be assessed under this Section 37 up to one year after discovery of the events constituting the violation, but no later than three years after the date of the violation. Nothing in this

section shall limit the rights or liabilities of any party under any other provision of applicable laws, regulations or tariff provisions.

\* \* \* \* \*

## **Appendix A**

### **Master Definition Supplement**

\* \* \* \* \*

#### **- Demand Response Monitoring Data**

The actual underlying consumption or Energy relevant to a Proxy Demand Resource, Reliability Demand Response Resource, or Distributed Curtailment Resource during all hourly intervals for the forty-five days prior to the day on which a Demand Response Event occurred.

\* \* \* \* \*

#### **- Rules of Conduct**

The rules set forth in Sections 37.2 through 37.~~6~~7.

\* \* \* \* \*

## **Appendix P**

### **CAISO Department of Market Monitoring**

\* \* \* \* \*

**11.1.3** Section 11.1 of this Appendix P notwithstanding, DMM shall not refer to FERC a suspected violation of the following provisions of Section 37 of this CAISO Tariff: 37.4.1, 37.4.2, ~~37.4.3~~, 37.5.2, 37.6.1, 37.6.2, ~~and 37.6.3~~, and 37.7. Where conduct also constitutes a Market Violation that DMM shall not refer to FERC and DMM has reason to believe that the same conduct

represents a Market Violation other than a Market Violation that, per this Section 11.1.3, DMM shall not refer to FERC, then DMM shall make a non-public referral to FERC only of the Market Violation that it is not prohibited from referring to FERC.

\* \* \* \* \*

**Attachment C – Revised/Redline Draft Final Proposal**

**Tariff Amendment – Rules of Conduct**

**California Independent System Operator Corporation**

**October 8, 2024**



# **Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Draft Final Proposal**

July 18, 2024

Redline: September 9, 2024

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

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)**  
**Draft Final Proposal**

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**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)**  
**Draft Final Proposal**

## 1. Executive Summary

The California Independent System Operator's 2023-2025 Policy Initiatives Roadmap, presented to the ISO Board of Governors and the Western Energy Imbalance Market (WEIM) Governing Body in May 2023, included a proposed initiative titled "Rules of Conduct Changes to Address Metering Penalty Issues." In response to internal and external input, the ISO expanded the scope of this effort to create the "Rules of Conduct Enhancements" (ROCE) initiative and a follow-up, "Penalty Enhancements: Demand Response, Investigation, and Tolling" (PEDRIT).

ROCE focused on meter data penalties, with three additional procedural topics.<sup>1</sup> On September 20, 2023, the ISO Board of Governors and the WEIM Governing Body approved the initiative enhancements. The ISO filed the proposed ROCE tariff amendments with FERC on January 12, 2024. On March 22, 2024, FERC accepted the proposed tariff amendments.<sup>2</sup> The ISO implemented ROCE on April 1, 2024.

### **The PEDRIT initiative proposes to:**

1. Set the due date for demand response (DR) monitoring data<sup>3</sup> submission at 52 business days after the trade date (T+52B).<sup>4</sup> Late data would be penalized \$1000 per trading day per scheduling coordinator identification code (SCID). Data missing past 214 business days after the trade date (T+214B) would be penalized an additional \$3000 per trading day per SCID, yielding a total penalty of \$4000 per trading day. Provide a pre-deadline courtesy notice for missing DR monitoring data.
2. Remove upfront payment from the penalty tolling process. Market participants would have 30 days to appeal to FERC and provide the FERC filing docket number to the ISO before penalty collection.
3. Simplify the Rules of Conduct investigative process from three letters to two, increase guidance surrounding contestation submittal, and centralize investigation documentation to one CIDI ticket.<sup>5</sup>
4. Create an inaccurate meter data penalty materiality threshold. Self-reported inaccuracies less than 3% or below 3MWh per day will not be considered a tariff violation nor subject to penalties.
5. Removes the ISO reporting requirement for federal entity Rules of Conduct violations.

The ISO plans to present the final PEDRIT proposal to the ~~WEIM~~-Western Energy Markets (WEM) Governing Body and ISO Board of Governors on September 26, 2024. Each chapter is informed by stakeholder input received through the workshop (June 7, 2023), ten subsequent sets of written comments, the straw proposal stakeholder meeting (April 3, 2024), seven subsequent sets of written comments, the revised straw proposal stakeholder meeting (June 3, 2024), and six subsequent sets of written comments. Stakeholders are encouraged to provide feedback at the draft final proposal stakeholder meeting on July 25, 2024 and via written comments due August 8, 2024.

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<sup>1</sup> The three procedural topics were clarifying eligibility for penalty distribution, eliminating the annual penalty distribution FERC filing, and clarifying application of market adjustment provision in the context of WEIM entities.

<sup>2</sup> [Letter Order Accepting Rules of Conduct Enhancements Phase 1 Tariff Amendment](#)

<sup>3</sup> DR monitoring data includes underlying load data for customer load baseline, actual load data for treatment group comparison, and calculated customer load baseline values for performance. [BPM for DR, Appendix B](#)

<sup>4</sup> "T" refers to trade date, e.g. T+52B is the trade date + 52 business days

<sup>5</sup> The three letters sent in the investigative process are the Notice of Review, Results of Review, and Description of Penalty. The ISO proposes merging the Results of Review and Description of Penalty.



## 2. Changes from Revised Straw Proposal and Responses to Stakeholder Feedback

The ISO published the PEDRIT revised straw proposal on May 24, 2024. The ISO held a virtual meeting to discuss the straw proposal on June 3, 2024, with written comments due June 14, 2024. Stakeholder feedback is the foundation for the modifications and clarifications in the draft final proposal, which builds on the revised straw proposal by:

- **Introducing a courtesy notice for monitoring data penalties.** Stakeholders expressed support for a courtesy notice for missing DR monitoring data at T+44B prior to the proposed monitoring data submission requirement at T+52B. With PEDRIT implementation, the ISO proposes sending courtesy notices via email until an automated self-serve courtesy solution is completed by 2026.
- **Eliminating the ISO reporting requirement for federal entities.** Due to limitations in statutory authority, the ISO cannot impose Rules of Conduct sanctions on federal entities. If a federal entity violates the Rules of Conduct, the ISO is required to send a report to the United States Secretary of Energy or other appropriate Department Secretary outlining the incident. Federal entities already receive notice in the Rules of Conduct investigative process, including letters outlining investigations and subsequent findings. Sending an additional report to the Secretary of Energy may be redundant and is an administrative burden for both the ISO and the Energy Department. Therefore, the ISO proposes removing tariff section 22.9b.
- **Increasing guidance on Rules of Conduct investigation contestations.** In response to a stakeholder request for enhanced communication, the proposal includes increased upfront stakeholder guidance on what contestations lead to no penalty or violation during the investigation, versus what falls under FERC jurisdiction. The ISO envisions additional training, examples, and a template guide to support market participants in deciding whether their contestation falls under ISO purview (“issues of fact”) or FERC purview (all other issues). The ISO believes fewer, higher relevance contestations would be submitted, reducing administrative burden for both the ISO and market participants. Additionally, per stakeholder request, the ISO commits to including Exhibit 2 of the draft final proposal or an equivalent figure in the Business Practice Manual (BPM).
- **Outlining a new ~~business~~ process for a single CIDI ticket per investigation.** In response to stakeholder feedback, the ISO proposes a new process for investigation documentation. The ISO will open a CIDI ticket when the Rules of Conduct investigation is started. This CIDI ticket will host all investigation letters and can be used by market participants ~~via scheduling coordinator~~ to provide responses. The CIDI ticket will stay open until either the investigation closes or a settlement invoice is issued after the FERC penalty tolling period.
- **Clarifying the DR monitoring data penalty structure.** Since the DR monitoring data penalty structure contains no penalty for on-time inaccurate submission with corrections after the submission deadline, a materiality threshold similar to inaccurate meter data penalties would be redundant. Under the proposal, all “inaccurate” monitoring data submittals are already exempt from penalties, unlike meter data. Note: Market participants are still obligated under FERC’s

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)**  
**Draft Final Proposal**

market behavior rules (18 CFR §35.41(b)) to exercise due diligence to prevent submission of false/inaccurate information to an ISO or RTO. Second, the submission deadline for monitoring data is based on the applicable trade date. For example, trade date 6/13/2024's T+52B deadline is 8/26/2024. By 8/26/2024, 45 days of baseline monitoring data is required (not sooner). Note: The submission deadline for all historical monitoring data follows the same timeline as settlement quality meter data (T+52B: 52 days after the trade date the DR program was active).

- **Clarifying the materiality threshold for inaccurate meter data penalties.** The ISO's proposal determines the total inaccuracy by comparing the overall trading day's inaccurate submittal to the trading day's accurate, post-T+52B submittal for both the percentage and megawatt **hour** thresholds. "Percentage off" is calculated by the number of megawatts **hours** inaccurate divided by the actual megawatt **hour** quantity, multiplied by 100. The materiality threshold is based on total MW**h** quantity, rather than frequency or severity of inaccuracies. Second, the materiality threshold for inaccurate meter data penalties is added to the current approved penalty for inaccurate meter data. The current inaccurate meter data penalty was updated in Rules of Conduct Enhancement as the lower of \$1000 or 30% of the value of the error per trading day.

### 3. Initiative Background

The ISO Rules of Conduct are guiding principles for ISO market participants and are intended to provide fair notice to market participants of expected conduct; foster an environment in which all parties may participate in the market on a fair and equal basis; redress instances of market manipulation and anti-competitive behavior; and increase the confidence of market participants, ratepayers, and the general public in the proper functioning of the ISO markets.<sup>6</sup>

The ISO tariff establishes data submission deadlines and informational requirements to support market administration, timely market settlement, and identification of potential market manipulation and anti-competitive behavior. In the event of non-compliance, the ISO investigates and administers prescribed sanctions for pre-determined objective violations of the Rules of Conduct. Ultimate authority surrounding the Rules of Conduct, however, rests with FERC. FERC adjudicates Rules of Conduct issues if the ISO cannot objectively determine either if an entity violated the Rules of Conduct or what the sanction should be. Entities also have the right to appeal ISO Rules of Conduct decisions to FERC.

The 2023-2025 Policy Initiatives Roadmap<sup>7</sup>, as presented to the ISO Board of Governors and the Western Energy Imbalance Market Governing Body in May 2023, included "Rules of Conduct Changes to Address Metering Penalty Issues" as a topic. This initiative was included in the Policy Roadmap in response to stakeholder requests and subsequent FERC waiver requests that argued meter data penalties were disproportionately high for small, long-term meter data inaccuracies. After identifying additional

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<sup>6</sup> [Tariff § 37](#).

<sup>7</sup> [Final 2023-2025 Policy Initiatives Roadmap](#)

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potential enhancements to the Rules of Conduct, the ISO expanded the initiative’s scope and renamed it the “Rules of Conduct Enhancements” (ROCE) initiative. ROCE remained focused on the original scope of addressing the meter data penalty topic while PEDRIT focuses on addressing additional topics.

Stakeholder input received through the workshop (June 7, 2023), ten subsequent sets of written comments, the straw proposal stakeholder meeting (April 3, 2024), seven subsequent sets of written comments, the revised straw proposal stakeholder meeting (June 3, 2024), and six subsequent sets of written comments were considered in developing the proposal. Stakeholders are encouraged to provide feedback at the draft final proposal stakeholder meeting on July 25, 2024 and via written comments due August 8, 2024. Stakeholder feedback is fundamental to good policy development. The ISO thanks each stakeholder who shared their perspective in verbal and written comments. We look forward to continuing to engage with stakeholders through a transparent, respectful, and inclusive stakeholder process.

## 4. Initiative Scope and Schedule

PEDRIT addresses five scope items for potential Rules of Conduct penalty and process enhancements (Table 1). The ISO plans to present the final PEDRIT proposal to the ~~WEIM~~ WEM Governing Body and the ISO Board of Governors for approval on September 26, 2024 (Table 2).

*Table 1: Rules of Conduct Enhancements – Summary of Topics*

Topics	Chapter:	PEDRIT Joint Board Decision: Sept 2024	ROCE Joint Board Approval: Sept 2023
<b>Define submission requirements and penalty structure for DR monitoring data</b> <ul style="list-style-type: none"> <li>Set submission requirement for DR monitoring data at T+52B, aligning with settlement quality meter data submission process.</li> <li>Data submitted between T+52B and T+214B would be penalized at \$1000 per trade date per SCID.</li> <li>Data missing past T+214B would be penalized an additional \$3000 per trade date per SCID.</li> <li>Penalties will apply per SCID, rather than per resource</li> <li>Penalties will be equivalent for missing one or multiple streams of DR monitoring data.</li> <li><b>DR monitoring data</b> penalties apply for not submitting minimum 45 days of historical data (reduced from 90 days). <del>Any additional data detailed per specific baseline methodology remains required with non-submittal subject to listed penalties: \$1000 per trade date for</del></li> </ul>	5	✓	

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<p><del>submittal after T+52B; \$3000 additional per trade date for submittal after T+214B.</del> The ISO retains the right to request additional data for monitoring purposes. Failure to provide that additional data when requested may be subject to penalties under Section 37.6.1.</p> <ul style="list-style-type: none"> <li>Extend T+44B courtesy notice for missing monitoring data with PEDRIT implementation. Move to automated self-serve courtesy solution by 2026.</li> </ul>			
<p><b>Streamline Rules of Conduct investigative process</b></p> <ul style="list-style-type: none"> <li>Two-letter process: Notice of Review, 30 day period for scheduling coordinator (SC) response, Results of Review including penalty description if applicable.</li> <li>After Results of Review, stakeholders may appeal penalty case to FERC.</li> <li>Additional training, examples, and template guide to support Market Participants in deciding whether contestations fall under ISO jurisdiction (“issues of fact”) or FERC jurisdiction prior to submittal.</li> <li>Single CIDI ticket to host all investigation letters. May be used by market participants <b>via scheduling coordinator</b> to provide responses</li> </ul>	6	✓	
<p><b>Update penalty tolling process</b></p> <ul style="list-style-type: none"> <li>Provide penalized entities 30 days to appeal to FERC before penalty collection.</li> <li>Entities must provide evidence to the ISO of their filing via FERC filing docket number.</li> <li>Eliminate current process of upfront ISO penalty collection and then penalty return when an entity appeals to FERC</li> </ul>	7	✓	
<p><b>Inaccurate Meter Data Penalty Materiality Threshold</b></p> <ul style="list-style-type: none"> <li>3% and 3 MWh threshold: Meter data inaccuracies under 3% of the actual meter data or under 3MWh per day would not be considered a tariff violation.</li> <li>No Rules of Conduct investigation and no penalty</li> <li>No effect on disposition of proceeds standing</li> <li>Market adjustment continues to apply</li> </ul>	8	✓	
<p><b>Eliminates ISO reporting requirement for federal entities:</b></p> <ul style="list-style-type: none"> <li>Remove ISO requirement to send report to the Secretary of Energy for any federal entity Rules of Conduct violation</li> </ul>	9	✓	
<p><b>Meter data penalties</b></p> <ul style="list-style-type: none"> <li>Redesigned penalty for inaccurate meter data submissions: Lower of: (a) 30% of error value (min. interval locational marginal price of \$10); or (b) \$1,000/trading day.</li> <li>Retain late meter data penalty (post T+52B) at \$1,000/trading day.</li> </ul>			✓

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<ul style="list-style-type: none"> <li>• Retain “missing” meter data penalty (post T+214B) at additional \$3,000/trading day.</li> <li>• Establish that non-submittal of settlement quality meter data will be penalized only when a resource has non-zero total expected energy for a settlement interval.</li> <li>• Extend T+44B (pre-deadline) internal automatic notice for missing meter data to applicable scheduling coordinators as a courtesy.</li> </ul>			
<b>Clarify eligibility for penalty distribution</b> <ul style="list-style-type: none"> <li>• In addition to entities that have received a penalty, by default, entities that have received a penalty waiver or are exempt from penalties in a given year are ineligible for that year’s penalty distribution unless FERC rules that no violation occurred.</li> </ul>			✓
<b>Eliminate annual penalty distribution filing</b> <ul style="list-style-type: none"> <li>• Remove FERC approval requirement for distribution of Rules of Conduct proceeds. Post informational report on the ISO website.</li> </ul>			✓
<b>Clarify application of market adjustment provision in the context of WEIM entities</b> <ul style="list-style-type: none"> <li>• The ISO will not apply a market adjustment if there are no additional scheduling coordinator IDs in a given utility distribution company area.</li> </ul>			✓

**Table 2: Penalty Enhancements: Demand Response, Investigation, and Tolling – Initiative Schedule<sup>8</sup>**

Date	Milestone
June 7, 2023	Stakeholder workshop: scope and tracks
March 28, 2024	Straw proposal posted
April 3, 2024	Stakeholder meeting to discuss straw proposal
April 19, 2024	Due date for stakeholder comments on straw proposal
May 24, 2024	Revised straw proposal posted
June 3, 2024	Stakeholder meeting to discuss revised straw proposal
June 14, 2024	Due date for stakeholder comments on revised straw proposal
July 18, 2024	Draft final proposal posted
July 25, 2024	Stakeholder meeting to discuss draft final proposal
August 8, 2024	Due date for stakeholder comments on draft final proposal
September 26, 2024	ISO Board of Governors and WEIM Governing Body joint decision on PEDRIT

<sup>8</sup> This timeline is tentative. Milestone dates are not finalized until the ISO issues a market notice.

## 5. Define submission requirements and penalty structure for DR monitoring data (Sections 11.6.1 & 37.6.1)

### Background and objectives

Demand response resources have two distinct information submission requirements. Under Tariff Section 11.6.1, demand response resources submit demand response energy measurements (DREM), which constitute settlement quality meter data (SQMD). Tariff Section 11.6.1 separately requires the submittal of customer load baseline (BASE), load data used for developing the customer load baseline (CBL), and treatment load data (TMNT) for “monitoring, compliance, and audit purposes [...]”<sup>9</sup>

Under existing processes and Tariff Section 37.5, the current SQMD penalties for inaccurate and untimely submittal of DREM apply on a per-scheduling coordinator basis. For example, a single SC that submits late DREM for multiple resources for the same trade date would face a single \$1,000 penalty. Since DR monitoring data is not SQMD, late submission of monitoring data could be subject to penalties under the “catch all” Tariff Sections 37.6.1.1 and 37.6.1.2. These sections establish that failure to submit required information on time in accordance to tariff and BPM-specified timelines can be subject to a \$500/day penalty.<sup>10</sup> Importantly, late or missing monitoring data penalties would be applied per resource, per additional day late, and per data file.<sup>11</sup> These requirement could create excessive and multiplicitous penalty exposure for a single incident.

In 2022, the ISO submitted but later withdrew Proposed Revision Request (PRR) 1444<sup>12</sup> to define when sanctions would be applicable for late/missing DR monitoring data submissions. PRR 1444 proposed a monitoring data submission deadline at T+52B, which would allow the ISO to penalize late submissions.

The ISO received comments from DR providers that current provisions would expose them to excessive and duplicate penalties per trade day. A single application failure could affect multiple monitoring data files over many resources, resulting in multiplying penalties. For example, one stakeholder indicated that with over 60 resources in their DR portfolio, late submission of two required monitoring data files

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<sup>9</sup> Scheduling coordinators must submit the customer load baseline into the settlement quality meter data systems, as applicable. Additionally, SCs must submit actual underlying consumption or energy during all hourly intervals for the calendar days for which the meter data was collected to develop the customer load baseline pursuant to Section 4.13.4. ([Tariff § 11.6.1](#))

<sup>10</sup> CAISO Tariff § 37.6.2.1 and 37.6.2.2 further delineate the sanctions for non-submission of information in accordance with established deadlines to support the investigation.

<sup>11</sup> MRI-S Data Submittal Requirements for demand response are detailed in Appendix B of [the BPM for Demand Response](#) which identifies that submission of multiple measurement types constitute Customer Load Baseline data requirements.

<sup>12</sup> [PRR 1444](#)



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(CBL and BASE)<sup>13</sup> would result in a \$60,000 penalty/day. Additionally, the penalty could accumulate rapidly if multiple days were needed to resolve the issue. Commenters also noted that while the \$1,000/trading day penalty for SQMD deters errors that require a full market resettlement, the customer load baseline data submitted for monitoring purposes is not used in settlements and has a different impact to the market if it is late or initially inaccurate.

Based on this stakeholder feedback, the ISO withdrew PRR 1444 to review the appropriate penalty structure for DR monitoring data. In PEDRIT, the ISO proposes the following DR monitoring data submittal timeline and penalty design to deter non-compliance of DR monitoring data submission requirements, as called for in Section 11.6.1.

Under the status quo, the Department of Market Monitoring (DMM) has observed significant and ongoing problems with some demand response providers ever submitting required data. This failure to submit hampers the ability of the DMM and the ISO to monitor DR resources' self-reported load reduction performance. The ISO believes penalties on data submittal non-compliance will incentivize timely DR monitoring data submission

### PEDRIT Proposal

#### Monitoring Data Submission Timeline

- Current Rule: The ISO requires DR monitoring data submission after a DR event.
- Proposed: The ISO requires DR monitoring data submission by T+52B after a DR event. The ISO will accept late DR monitoring data submission until T+214B, after which the data will be subject to an additional missing DR monitoring data penalty.

#### Monitoring Data Penalties

- Current Rule: Failure to submit required information in accordance to tariff and BPM-specified timelines is subject to a \$500/day/resource penalty.
- Proposed: Data submitted after T+52B would be penalized at \$1000 per trading day. Data missing past T+214B would be penalized an additional \$3000 per trading day. Penalties will accrue per SCID, rather than by Resource ID. Penalties will be equivalent for missing one or multiple streams of DR monitoring data. For example, if both BASE and TMNT data files are submitted late for one trade date, the penalty would be \$1000.
  - DR monitoring data penalties ~~will~~ apply for not submitting a minimum of 45 days of historical load data used in the customer load baseline calculation for all baseline methods (instead of the current 90). ~~Any additional data detailed per specific baseline methodology remains required~~ The ISO retains the right to request

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<sup>13</sup> Customer Baseline (CBL) measurement type is the underlying load data used in the customer load baseline calculation for all baseline methods. Currently, 90 days of historical data prior to the day of the event is required. Baseline (BASE) measurement type is the calculated customer load baseline (CLB) values used to derive the Demand Response Energy Measurement (DREM) submitted as a GEN measurement type for SQMD.

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additional data for monitoring purposes. Failure to provide that additional data when requested may be subject to penalties under Section 37.6.1

- The ISO proposes a courtesy notice for missing DR monitoring data. With PEDRIT implementation, the ISO proposes sending courtesy notices via email on T+44B prior to the proposed monitoring data submission requirement at T+52B, mirroring the meter data courtesy notice. The process would continue until an automated self-serve courtesy solution is completed by 2026.
- Currently, the ISO sends a notice at T+53B if an entity misses the T+52B deadline. With the proposal for a “per trade date” penalty instead of a penalty based on the number of days late, no additional penalties apply until the T+214B deadline. The ISO believes this proposal properly incentivizes monitoring data submission and gives market participants sufficient time to comply before additional penalties.

Monitoring Data Penalties Examples

Example 1: Late BASE and TMNT monitoring data submittal

Scheduling Coordinator X submits Base and TMNT data files for ten demand response resources on T+55B, three days after the T+52B submission deadline. The proposed penalty would be \$1000, since Scheduling Coordinator X submitted late DR monitoring data for one trading day.

Example 2: Late submission of CBL historical load data for multiple resources

Scheduling Coordinator Y submits CBL data files for five demand response resources which received a dispatch on a specific trade date. However, the SC fails to submit the minimum 45 days of CBL data for two of the five resources at T+52B. The SC is notified of the late CBL data files for the two resources but fails to respond with the remaining resource data by T+214B. The proposed penalty would be \$1000 for missing the T+52B submittal deadline and an additional \$3000 for missing the T+214B submittal deadline resulting in a total penalty of \$4000.

Example 3: Late submission of minimum 45 days CBL historical load data for single resource

Scheduling Coordinator Z submits CBL data files prior to the T+52B submission deadline but only includes 30 days of historical load data for a demand response resource which received a dispatch on a specific trade date. The proposed penalty would be \$1000 for not submitting the minimum 45 days of historical load data prior to the T+52B submittal deadline. After notification from the ISO of the missing data at T+53B, SC Z submits the remaining 15 days of historical load data on T+65B. No additional penalties would be applied.

**Stakeholder comments**

Of the seven stakeholders who submitted written comments, four stakeholders provided comments on defining submission requirements and penalty structure for DR monitoring data. Two stakeholders expressed support for and two stakeholders expressed appreciation for the



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proposal, with clarifications requested. No stakeholders were opposed to the direction outlined.

Two stakeholders requested that the proposed inaccurate meter data penalty materiality threshold be applied to DR monitoring data. Since the DR monitoring data penalty structure contains no penalty for on-time inaccurate ~~on-time~~ DR monitoring data submission with corrections after the submission deadline, a materiality threshold similar to inaccurate meter data penalties would be redundant. Under the current proposal, all “inaccurate” monitoring data submittals are already exempt from penalties.

One stakeholder requested clarification regarding submission deadlines for monitoring data. Under the current proposal, the submission deadline for monitoring data is based on the trade date it is applicable for. For example, trade date 6/13/2024’s T+52B deadline is 8/26/2024. By 8/26/2024, a minimum of 45 days of baseline monitoring data is required, assuming the baseline methodology used does not require additional data. Note: the submission deadline for all monitoring data follows the same timeline as settlement quality meter data (T+52B).

## 6. Streamline Rules of Conduct investigative process (Section 37.8.3-37.8.7)

### Background and objectives

The ISO employs a three-letter Rules of Conduct investigative process for potential Rules of Conduct violations. The ISO notifies the scheduling coordinator/market participant’s (SC/MP) pre-designated contact(s) of the event (Notice of Review), findings (Results of Review), and conclusions (Description of Penalty). The Notice of Review must be provided by the ISO to the SC/MP’s pre-designated contact(s) within 90 days of the ISO discovering a Rules of Conduct event. Though responses are optional, SCs have 30 days from the date of the notice to respond by opening a CIDI case. If the ISO receives a violation concession or no response within 30 days, the Results of Review letter is sent. Typically, the ISO will send the Results of Review within two weeks after concession or conclusion of the CIDI case. SCs have 30 days to respond to the Results of Review by opening a CIDI case. After concession or conclusion of the review, the Description of Penalty letter may be sent.

### PEDRIT proposal

#### Two-Notice Process in one CIDI Ticket

- Current Rule: The ISO employs the three-letter process described in the background section.
- Proposed Rule: The ISO employs a two-letter process. The ISO provides a Notice of Review to the SC (and other market participants that are subject(s) of the investigation, if applicable) within 90 days of the ISO discovering a potential Rules of Conduct violation. Scheduling coordinators ~~or on behalf of~~ market participants may respond with relevant information via

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CIDI. When the ISO concludes its investigation (receives a violation concession, receives no response within 30 days, or receives factual information that proves or disproves the validity of the violation) the Results of Review letter is provided, including determination and penalty description, if applicable.

## Stakeholder comments

Of the seven stakeholders who submitted written comments in response to the revised straw proposal, three stakeholders provided comments regarding streamlining the Rules of Conduct investigative process. Two stakeholder expressed support for the topic. One stakeholder expressed support with stipulations. This stakeholder requested that the ISO includes Exhibit 2 or an equivalent figure in the BPM. The ISO appreciates feedback that Exhibit 2 was helpful in clarifying the proposal and commits to including the process flowchart or an equivalent figure in the BPM. This stakeholder also requested that the ISO enhance its communication and commits to having open dialogue between the ISO and the SC/listed generator when trying to resolve a potential Rules of Conduct violation.

In response, the proposal introduces increased upfront stakeholder support for what contestations lead to no penalty or violation during the investigation. The ISO envisions additional training, examples, and template guidance would support Market Participants in deciding whether their contestation falls under the ISO's purview ("issues of fact") or FERC's purview. The ISO believes fewer, higher relevance contestations would be submitted, reducing administrative burden for both the ISO and market participants.

The existing tariff requires the ISO to provide investigated market participants an opportunity "to present any issues of fact or other information relevant to the potential Rules of Conduct violation" and the ISO must "consider all such information or data presented." If the ISO needs to ask the market participant follow-up questions about the presented information, the ISO does so before communicating the results of the investigation. This process of resolving factual disputes remains in place under the ISO's proposal.

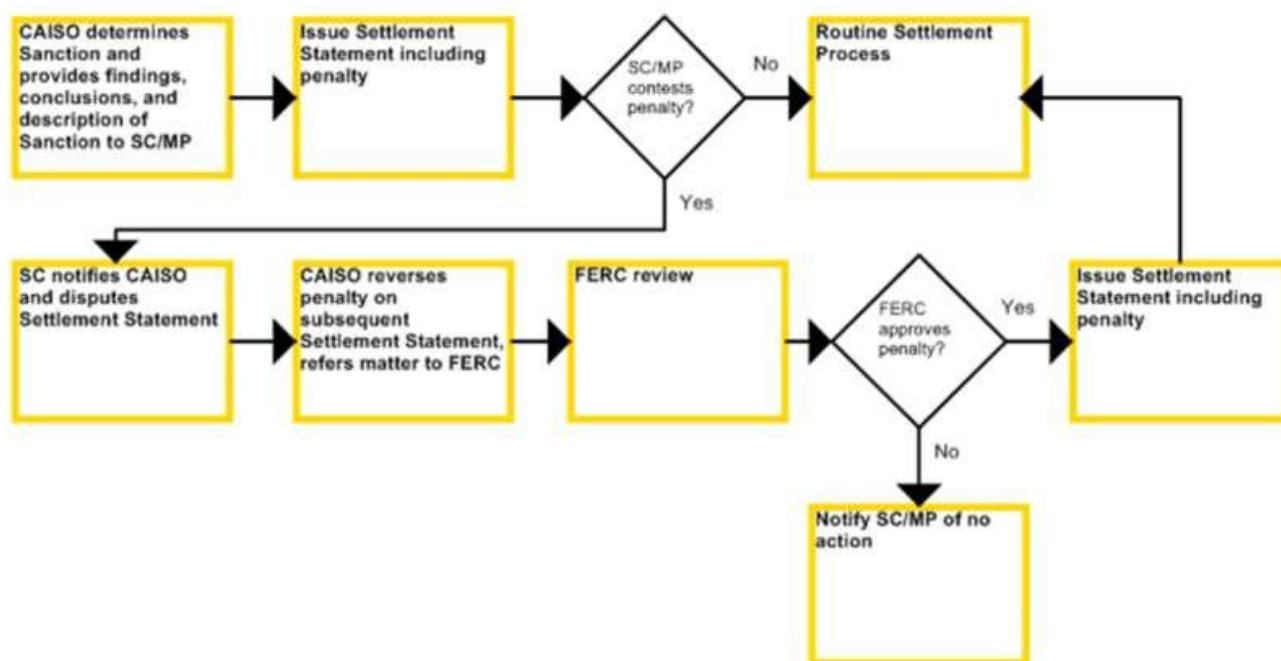
One stakeholder suggested that the ISO consider having one CIDI ticket associated with a single issue. The ISO appreciates the suggestion, especially the commenter's Option 2. The ISO proposes opening a CIDI ticket when a Rules of Conduct investigation is started. This CIDI ticket would host all investigation letters and can be used by market participants **via scheduling coordinator** to provide responses. The CIDI ticket would stay open until the latter of: investigation closure or settlement invoice after the FERC penalty tolling period.

## 7. Update Penalty Tolling Process (Section 37.8.10)

### Background

Exhibit 1 illustrates the ISO process after identifying a Rules of Conduct violation. Sanctions with financial penalties are subsequently invoiced through the ISO settlement process and timeline. After the ISO issues the settlement statement, the penalty may be contested at FERC. If the penalty is disputed with the ISO and the penalty is appealed to FERC by the dispute deadline,<sup>14</sup> the ISO temporarily tolls the penalty settlement pending FERC's ruling on the appeal. Tolling includes returning any collected penalty money. The ISO must follow FERC's subsequent order.

*Exhibit 1: Current ISO Administration after Rules of Conduct Violation*



### PEDRIT proposal

Remove initial penalty collection and reversal with FERC appeal:

- Current Rule: After sanction determination, the ISO collects the penalty via a settlement statement. If the penalty is disputed with the ISO and the penalty is appealed to FERC by the dispute deadline, the ISO returns the penalty collection until FERC's appeal ruling.
- Proposed Rule: SC/MP has 30 calendar days after the Results of Review to provide the ISO with a FERC docket number outlining their appeal. If no FERC appeal is provided, the ISO will include

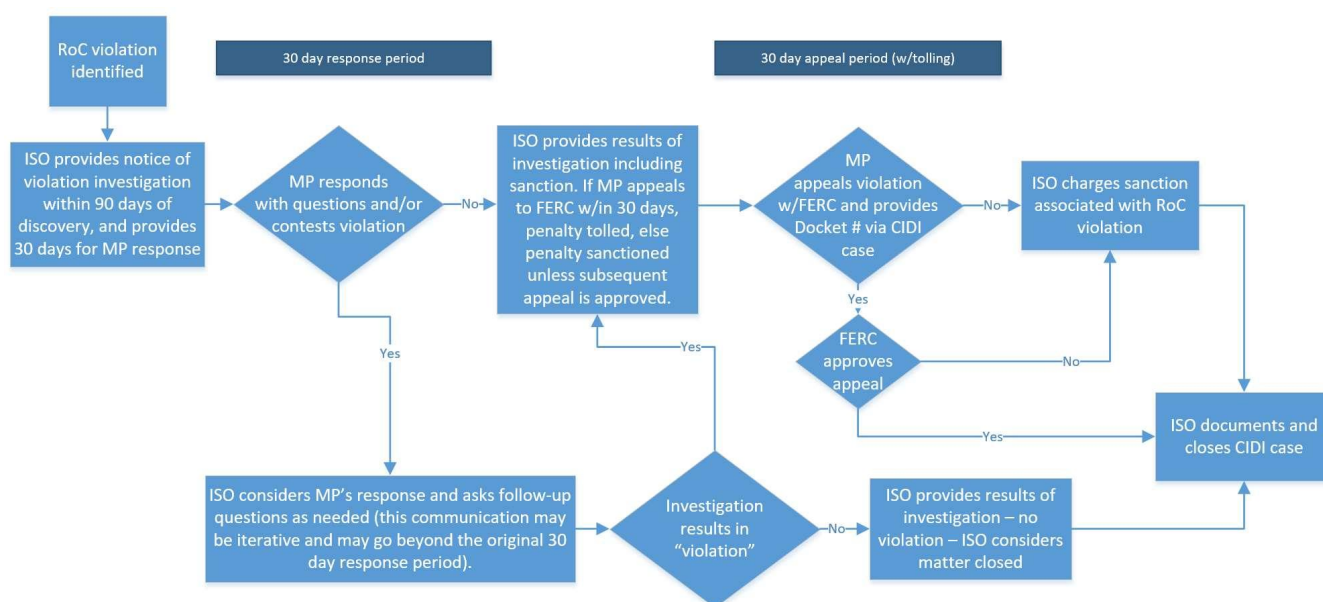
<sup>14</sup> Currently, the dispute deadline is the statement publication date plus 22 business days.

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the penalty on a Settlement Statement. The SC/MP may still appeal to FERC after the 30 calendar days, with the penalty refunded if the appeal is successful.

- The proposal would not change the process for filing at FERC. The new step would be to communicate the appeal docket number to the ISO via CIDI case. In response to stakeholder feedback, market participants will be able to provide the appeal docket number in the same CIDI ticket as the original case.
- Exhibit 2 displays the full proposed Rules of Conduct investigative process and tolling. The ISO is committed to working with stakeholders to make sure the proposal and steps are abundantly clear. Implementation details not clarified in the proposal will have further clarification in the Business Practice Manual update process.

*Exhibit 2: Proposed Rules of Conduct Investigation, Penalty Tolling, and Sanction Flow Chart*



## Stakeholder Comments

Of the seven stakeholders who submitted written comments, two stakeholder provided supportive comments regarding updating the penalty tolling process. No stakeholders were opposed to the direction outlined.

## 8. Inaccurate Meter Data Penalty Materiality Threshold or Waiver (Section 37.5.2):

### Stakeholder Discussion

In written comments, three general designs were proposed. Idaho Power suggested setting a daily error threshold based on a percentage of load. For example if the meter error was 1 MWh and the participant had 2,000 MWh of load, the total error would be .05%. The City of Corona recommended the ISO allow first-offense waivers when the entity has self-reported and the error is minor. PG&E supported the concept that a meter data inaccuracy below a certain percentage or MWh value should not be considered an ISO tariff violation. Stakeholders in favor supported exploration of different options for a materiality threshold/waiver.

The ISO's Department of Market Monitoring did not oppose discussions, but highlighted that 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.

Based on the stakeholder discussion, the ISO proposed a threshold with a percentage and MWh value design in the revised straw proposal. The ISO believes this methodology best balances supporting self-reporting of small inaccuracies, incentivizing accurate meter data submittal, and ease of implementation. The ISO incorporated a stakeholder suggestion that the threshold should be applied daily, consistent with the assessment of a penalty.

### PEDRIT proposal

#### Establish an inaccurate meter data penalty materiality threshold:

- Current Rule: Inaccurate meter data submitted after T+52B is subject to the lower of \$1000 per trading day or 30% of the value of the inaccuracy.
- Proposed Rule: ~~Self-reported~~ Inaccuracies below 3% or 3MWh of the day's actual data will not be considered a tariff violation and therefore will not be subject to penalties.
  - Inaccuracies below the threshold would not trigger a Rules of Conduct investigation.
  - Inaccuracies below the threshold would not affect disposition of proceeds standing.
  - Market adjustments would continue to apply to all inaccuracies, including inaccuracies for which the materiality threshold applies.
  - Regardless of the materiality threshold, the ISO expects market participants to report their meter data in good faith. Market participants remain obligated under FERC's market behavior rules to exercise due diligence to prevent submission of false/inaccurate information to an ISO or RTO.<sup>15</sup>

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<sup>15</sup> [18 CFR § 35.41\(b\)](#)

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Examples:

**Example 1:** Generator A submits an initial settlement quality meter data amount of 15 MWh total for the trade date (24 hours) on T+45B, prior to the T+52B deadline. On T+63B, Generator A realizes the actual settlement quality meter data amount was 10 MWh total for the trade date. Generator A resubmits the meter data upon discovery.

Test: Inaccuracy less than 3 MWh or 3% of actual meter data?

- 5 MWh change.  $5\text{MWh} > 3\text{MWh}$  threshold ☒
- $5\text{MWh}/10\text{MWh} = 50\%$ .  $50\% > 3\%$  threshold ☒<sup>16</sup>

Generator A's meter data inaccuracy is larger than 3 MWh for the trade date. Additionally, the inaccuracy was greater than 3% of the actual meter data. Therefore, Generator A's inaccuracy is referred to the Rules of Conduct investigative process for potential tariff violation and penalties.

**Example 2:** Load B submits 9,900 MWh for their load meter data on T+48B. On T+70B, Load B realizes that the day's actual meter data was 10,000 MWh. Load B resubmits this data, self-reporting the error.

Test: Inaccuracy less than 3 MWh or 3% of actual meter data?

- 100 MWh change.  $100\text{MWh} > 3\text{MWh}$  threshold ☒
- $100\text{MWh}/10000\text{MWh} = 1\%$ .  $1\% < 3\%$  threshold ☑

Result: Although the meter data inaccuracy is larger than 3 MWh, the percentage inaccuracy from the actual data is less than 3%. Therefore, this inaccuracy would not be considered a tariff violation under the inaccurate meter data materiality threshold proposal. Load B's inaccurate submittal would not be subject to a Rules of Conduct investigation or penalties.

**Example 3:** Generator C reports meter data of 3 MWh on T+46B. On T+53B, Generator C realizes that the actual meter data was 5 MWh. Generator C resubmits the data on T+55B.

Test: Inaccuracy less than 3 MWh or 3% of actual meter data?

- 2 MWh change.  $2\text{MWh} < 3\text{MWh}$  threshold ☑
- $2\text{MWh}/5\text{MWh} = 40\%$ .  $40\% > 3\%$  threshold ☒

Result: Although the meter data inaccuracy is larger than 3%, the total MWh inaccuracy for the day is less than 3 MWh. Therefore, this inaccuracy would not be considered a tariff violation under the inaccurate meter data materiality threshold proposal. Generator C's inaccurate submittal would not be subject to a Rules of Conduct investigation or penalties.

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<sup>16</sup> ☒ = not below the materiality threshold  
☑ = below the materiality threshold

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**Example 4:** Generator D reports meter data totaling 51 MWh on T+43B. On T+211B, Generator D realizes that the actual meter data totaled 50 MWh for the day and resubmits the meter data to the ISO.

Test: Inaccuracy less than 3 MWh or 3% of actual meter data?

- 1 MWh change.  $1\text{MWh} < 3\text{MWh}$  threshold ☒
- $1\text{MWh}/50\text{MWh} = 2\%$ .  $2\% < 3\%$  threshold ☒

Result: The total MWh change for the day is under 3MWh and the meter data percentage inaccuracy is less than 3%. Therefore, Generator D's inaccuracy would not be considered a tariff violation under the inaccurate meter data materiality threshold proposal. Generator D's inaccurate submittal would not be subject to a Rules of Conduct investigation or penalties.

## Stakeholder Comments

Of the seven stakeholders who submitted written comments, five stakeholders provided supportive comments and one stakeholder was not opposed to the inaccurate meter data penalty materiality threshold or waiver proposal. No stakeholders were opposed to the direction outlined.

Two stakeholders requested clarification on how the threshold would be calculated. The ISO's proposal determines the total inaccuracy by comparing the overall trading day's inaccurate submittal to the trading day's accurate, post T+52B submittal for both the percentage and megawatt hour thresholds. "Percentage off" is calculated by the number of megawatts hours inaccurate divided by the actual megawatt hour quantity, multiplied by 100. MWh difference is calculated by taking the absolute value of the difference between the inaccurate and accurate total of MWh for the trading day. The materiality threshold is based off total MWh quantity, rather than frequency of inaccuracies in a trading day.

One stakeholder requested clarification that the Rules of Conduct Enhancements "current rule" would stay in effect in the event that the materiality threshold was not met. The stakeholder is correct. The materiality threshold for inaccurate meter data penalties are in addition to the current approved penalty for inaccurate meter data. The current inaccurate meter data penalty was updated in Rules of Conduct Enhancement as the lower of \$1000 or 30% of the value of the error per trading day.

## 9. Remove ISO reporting requirement for federal entity Rules of Conduct violations (Section 22.9):

### Background

The draft final proposal introduces a new proposal to remove the ISO's reporting requirement for federal entity Rules of Conduct violations. Due to limitations in statutory authority, the ISO cannot impose Rules of Conduct sanctions on federal entities, such as Western Area Power Administration



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(WAPA) and Bonneville Power Administration (BPA). If a federal entity violates the Rules of Conduct, Section 22.9b requires the ISO to submit a report to the Secretary of Energy outlining the incident.

Federal entities already receive notice in the Rules of Conduct investigative process, including letters outlining investigations and subsequent findings. Sending an additional report to the Secretary of Energy may be redundant and is an administrative burden for the ISO and Secretary of Energy office.

## **PEDRIT proposal**

### Remove the ISO's reporting requirement to the Secretary of Energy

- Current Rule: Sanctions are unenforceable against a federal entity, according to section 22.9a. Instead, per Section 22.9b, the ISO submits a report to the Secretary of Energy or other appropriate Departmental Secretary of any circumstances that would, have otherwise rendered a federal entity liable to a sanction. The ISO may request the Secretary of Energy or other appropriate Departmental Secretary to take steps to give effect to the provision(s) that are not enforceable against the federal entity.
- Proposed Rule: Remove Section 22.9b from the tariff.

## **Stakeholder Comments**

Of the four stakeholders who submitted written comments in response to the pre-redlined draft final proposal, none submitted comments on this topic.

## **10. Governance Classification: Joint Authority**

This initiative proposes changes to the “Rules of Conduct” in the ISO tariff as they relate to demand response monitoring data penalty design and procedural elements. The ISO believes that the ~~WEIM~~ **WEM** Governing Body has joint authority with the ISO Board of Governors over the proposed tariff rule changes.

The ISO Board of Governors and the ~~WEIM~~ **WEM** Governing Body have joint authority over any:

proposal to change or establish a tariff rule applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM. The ~~WEIM/EDAM~~ **WEM** Governing Body will also have joint authority with the Board of Governors to approve or reject a proposal to change or establish any tariff rule for the day-ahead or real-time markets that directly establishes or changes the formation of any locational marginal price(s) for a product that is common to the overall WEIM or EDAM markets. The scope of this joint authority excludes, without limitation, any other proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid. Note: For the avoidance of any doubt, the joint authority definition is not intended to cover balancing



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authority-specific measures, such as any parameters or constraints, the CAISO may use to ensure reliable operation within its balancing authority area.<sup>17</sup>

All of the tariff rule changes proposed in this initiative would be “applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM.” None of the proposed tariff rules would be applicable “only to the CAISO balancing authority area or to the CAISO-controlled grid.” Accordingly, this initiative falls entirely within the scope of joint authority.

~~This proposed classification reflects the current state of this initiative and could change as the stakeholder process proceeds. Stakeholders are encouraged to submit a response to this proposed decisional classification in their written comments, particularly if they have concerns or questions.~~

## **11. Next Steps**

The ISO will host a virtual stakeholder call on July 25, 2024 from 2:00pm to 4:00pm (PST) to discuss the Penalty Enhancements: Demand Response, Investigation, and Tolling draft final proposal. Attendees may choose to participate virtually or provide written comments based off the meeting recording and draft final proposal. Written comments on the draft final proposal are due August 8, 2024.

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<sup>17</sup> Charter for EIM Governance § 2.2.1

**Attachment D – CAISO & WEM Board of Governors Memo**

**Tariff Amendment – Rules of Conduct**

**California Independent System Operator Corporation**

**October 8, 2024**



# Memorandum

**To:** ISO Board of Governors and Western Energy Markets Governing Body  
**From:** Anna McKenna, Vice President Market Design and Analysis  
**Date:** September 19, 2024  
**Re:** **Decision on Penalty Enhancements - Demand Response, Investigation, and Tolling (PEDRIT)**

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***This memorandum requires ISO Board of Governors and WEM Governing Body action.***

## EXECUTIVE SUMMARY

Management proposes tariff changes to update the Rules of Conduct that govern behavior by ISO market participants and stipulate sanctions for rule violations. Management proposes to: 1) remove the existing de minimis penalties for small meter data inaccuracies; 2) incentivize submittal of demand response baseline monitoring data; and 3) lessen the burden on ISO staff and market participants from administering the Rules of Conduct process.

These changes arise out of robust stakeholder participation and in large part address specific concerns raised by stakeholders during last year's Rules of Conduct update initiative. All stakeholders support or do not oppose the proposed changes. The proposed changes can be implemented by Q1 2025, pending FERC approval. Management recommends that the ISO Board of Governors and Western Energy Markets Governing Body approve the proposed changes to the Rules of Conduct as described in this memorandum.

***Moved, that the ISO Board of Governors and WEM Governing Body approve the changes to the Rules of Conduct as described in the memorandum dated September 19, 2024; and***

***Moved, that the ISO Board of Governors and WEM Governing Body authorize Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the changes proposed in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.***

## **BACKGROUND**

The ISO's Rules of Conduct establish guiding principles, delineate rules that market participants must follow, outline investigative procedures for potential violations, and create pre-determined financial sanctions. FERC maintains ultimate authority over the Rules of Conduct. Entities may appeal the ISO's Rules of Conduct decisions to FERC.

In response to stakeholder feedback and FERC penalty waiver requests submitted by market participants, the ISO included "Rules of Conduct Changes to Address Metering Penalty Issues" in its policy initiative roadmap in 2023. The ISO Board of Governors and WEM Governing Body jointly approved the Rules of Conduct proposal in September 2023, which changed the inaccurate meter data penalty from \$1,000 per trading day to the lower of: a) 30% of the error's absolute value; or b) \$1,000 per trading day.

At that time, the ISO also adopted three procedural enhancements to improve operational efficiency as follows: 1) replaced the ISO's annual penalty distribution filing at FERC with an informational report; 2) clarified existing eligibility requirements for penalty distribution; and 3) clarified how market adjustments for inaccurate meter data submitted but not processed through the settlement system apply in the Western Energy Imbalance Market.

After the approval of the three procedural enhancements, ISO staff and stakeholders continued to develop additional enhancements related to demand response resources' monitoring data penalty structure, streamlining penalty investigations, and providing a better method to toll penalties. This was done with the goal of addressing topics that stakeholders raised, but had been deferred to focus on updating quickly other changes such as the meter data penalty.

## **PROPOSAL**

### **Remove penalties from meter data inaccuracies that fall below a de minimis threshold**

An on-time meter data submission that is corrected after the allowable revision deadline is treated as the submission of inaccurate meter data in violation of the Rules of Conduct. As with all potential Rules of Conduct violations, where the ISO believes an inaccurate meter data violation occurred, it must initiate the Rules of Conduct investigative process outlined in the tariff. This can be a labor intensive and time-consuming process for both the ISO and the applicable market participant. If the ISO confirms through the investigative process that an inaccurate meter data violation occurred, then it penalizes the market participant at the lower of \$1,000 per trading day or 30% of the inaccuracy's value. This penalty structure is intended to incent submissions of timely and accurate meter data because accurate meter data is crucial for accurate market settlement. If market participants submit late corrections, market settlements must be revised in subsequent settlement statements, unduly burdening other market participants. Re-running market settlements increases costs for all market participants and increases the ISO's resource needs.

Stakeholders raised concerns that this penalty design is inappropriate for cases where the meter data correction addresses a small inaccuracy. They questioned whether small corrections warranted a penalty given they do not create meaningful disruptions to the market settlement process, and whether the burdens of administering an investigation for both the ISO and market participants was justified by whatever minimal disruption might be posed. Management agreed that small corrections do not warrant a penalty or the need for costly investigation.

In response to stakeholder concerns, Management proposes to introduce a de minimis tolerance band for inaccurate submissions so that inaccuracies that fall below 3% or 3 MWh per day are not violations of the Rules of Conduct. Because they will be defined as not being a violation, these small meter data corrections will not be subject to a penalty and they will not trigger an investigation. Market participants would still be required to report inaccuracies, and any resulting market settlement adjustments would continue to apply.

### **Incentivize demand response resources to submit monitoring data**

Demand response resources must submit monitoring data used for monitoring, compliance, and auditing purposes. However, the ISO does not issue penalties for failure to submit monitoring data. The Rules of Conduct include a \$500 penalty for every day that tariff-required information is submitted after the applicable deadline. Because neither the tariff nor any business practice manual creates a deadline for submitting monitoring data, the ISO cannot apply the penalty in this case.

Without a submission deadline, the Department of Market Monitoring has observed significant and ongoing problems with some demand response providers failing to submit required monitoring data. These failures hamper the ability of the Department of Market Monitoring and other parts of the ISO to monitor demand response resources' self-reported reduction in load performance.

In 2022, the ISO proposed a Demand Response Business Practice Manual change (Proposed Revision Request 1444) to establish a monitoring data submission deadline at 52 days after the trading day (T+52B), allowing the ISO to penalize late submissions. Stakeholders requested that the ISO adjust penalties in tandem with setting a deadline because the penalties applied per resource for each day late and for each data file. One stakeholder indicated that with over 60 resources in their demand response portfolio, late submission of two required monitoring data files would result in a \$60,000 penalty for each day needed to resolve the issue. One minor system failure could cause such a scenario.

Stakeholders also observed that a per-resource penalty for late or missing demand response baseline monitoring data would expose scheduling coordinators to penalties that exceeded the penalties for late or missing meter data. These stakeholders questioned that disparity given that meter data is actually used in the market settlement process whereas the demand response baseline monitoring data is used for after-the-fact evaluation. In their view, late, inaccurate, or missing meter data is a more serious

violation and should face higher penalties than late, inaccurate, or missing demand response baseline monitoring data. Based on stakeholder feedback, the ISO withdrew Proposed Revision Request 1444 to focus instead on developing an appropriate penalty structure for demand response baseline monitoring data.

As a result of further stakeholdering of these issues, Management proposes changes to largely align the demand response resource monitoring data penalty structure with the settlement quality meter data penalty structure.

Monitoring data would be required on the same deadline as meter data, and the penalties for late and missing monitoring data would match the penalties for late and missing meter data. Monitoring data submitted after T+52B would be penalized a flat \$1,000 per trading day. Monitoring data submitted after T+214B would be penalized an additional flat \$3,000 per trading day, for a total of \$4,000. Importantly, the penalty would apply on a per-scheduling coordinator basis and not a per-resource basis. As monitoring data is submitted alongside settlement quality meter data and used to validate and audit resource performance calculations, it is appropriate to align late and missing demand response baseline monitoring data penalties with existing late and missing meter data penalties. However, unlike late changes to meter data, which are subject to a penalty, late changes to demand response baseline monitoring data are inappropriate because changes do not impact settlements. If late changes to baseline monitoring data result in the recalculation of performance measurements, penalties for late changes to meter data would apply. An additional penalty for late changes to monitoring data would result in an inappropriate double penalty for the same incident. Therefore, Management sees no justification for leveling an additional penalty for late changes to monitoring data.

In response to stakeholder requests, Management also proposes defining the monitoring data requirement as 45 historical days prior to the trade date. Under most of the demand response baseline methodologies, 45 historical days is the maximum number of days that could be used to calculate the performance baseline. Standardizing compliance enforcement at 45 historical days across baseline methodologies allows the ISO and DMM to streamline their monitoring efforts. However, because some less frequently used baseline methodologies may need more than 45 days of historical data to establish a baseline, Management also proposes keeping the ability to request additional information as needed for monitoring purposes, but not for data submittal compliance purposes.

### **Lessen Three Administrative Burdens**

Management proposes three additional changes to ease both ISO and market participant administrative burdens. When the ISO identifies a Rules of Conduct violation, it initiates an investigative process. The investigative process consists of processing three separate notifications: a notice of review, a notice of results, and a notice describing penalties.

After the notice of review, the scheduling coordinator has 30 days to provide relevant information to the investigation. After the notice of results, the scheduling coordinator has 30 days to provide information relevant to the penalty calculation. At FERC's direction,

the ISO made all penalties objective. Since the ISO can now determine penalty amounts from information provided during the investigative process, Management proposes including the penalty description with the notice of results and eliminating the third notice.

The ISO collects financial penalties after the final notice. Penalties imposed by the ISO can be appealed to FERC. If the penalty is appealed to FERC in a timely manner and disputed with the ISO by the dispute deadline, the ISO returns the collected penalty, pending FERC decision. Management proposes deferring penalty settlement until 30 calendar days after the final notice. Management also proposes that if the market participant appeals to FERC and the scheduling coordinator informs the ISO, the ISO will further defer penalty settlement until 30 days after the FERC ruling. The market participant may still appeal ISO investigation and penalty conclusions to FERC after 30 calendar days, with the penalty refunded if the appeal is successful.

This update reduces the administrative burden of collecting and returning the penalty amount. The proposal also eliminates the reputational risk to a market participant, which may stem from its upfront payment of a large fine that FERC ultimately waives.

Finally, the ISO cannot impose sanctions on federal entities. If a federal entity violates the Rules of Conduct, the ISO reports the incident to the U.S. Secretary of Energy. Federal entities already receive notice during investigations, including a letter outlining findings. Management proposes eliminating the ISO's extra report to the Secretary of Energy.

## **Stakeholder Feedback**

All stakeholders who commented support or do not oppose the proposed changes. Management's proposal incorporates three rounds of verbal and written stakeholder feedback.

The ISO held an initial workshop on June 7, 2023, to solicit stakeholder feedback and received ten sets of written stakeholder comments, which informed the initiative's scope, track prioritization, and straw proposal development.

The revised straw proposal was further shaped by additional feedback during the April 3, 2024, straw proposal meeting and subsequent submission of an additional seven sets of written stakeholder comments. The draft final proposal further reflects the stakeholder input from the June 3, 2024, revised straw proposal meeting and six sets of additional comments. Four stakeholders provided final proposal comments.

Two stakeholders proposed a materiality threshold or first-offense waiver for meter data violations. Management's proposal introduces a materiality threshold for the inaccurate meter data penalty instead of the waiver option, as the materiality threshold appropriately addresses the core stakeholder concern of small meter data corrections leading to full investigations for small penalties. First-offense waivers could waive major inaccuracies that should be dis-incentivized because of the impact they would have on settlements.

Management's proposal includes one stakeholder's recommendation to reduce the requirement for historical monitoring data from 90 days to 45 days, with the ISO maintaining the ability to request additional information as needed for monitoring purposes.

Upon approval of Management's proposal discussed in this memorandum, Management also agrees to the following three stakeholder requests that do not require changes to the tariff:

- 1) Introduce a courtesy warning ahead of potential exposure to monitoring data penalties.
- 2) Enhance training, use of examples, and a template guide to support market participants in deciding whether a contestation falls under the ISO's purview ("issues of fact") or FERC purview (all other issues).
- 3) Open a single customer dispute ticket at the investigation's start. The ticket closes when no violation is found or after the penalty is processed.

In final proposal comments, the Department of Market Monitoring noted that the proposed penalty for monitoring data may not incentivize a scheduling coordinator to submit all demand response resource data in a timely manner, particularly if the scheduling coordinator is having issues providing data for a small number of demand response resources in its portfolio. Proceeds from Rules of Conduct penalty revenue in a given year are allocated to all market participants that do not have violations in that year. Any scheduling coordinator that is late in submitting demand response baseline monitoring data for any market participant demand response resources they represent would cause all other represented market participants to unnecessarily violate the requirements for timely submittal of monitoring data. These violations would render the scheduling coordinator's market participants ineligible for that year's disposition of proceeds from Rules of Conduct penalty revenue. Additionally, FERC's market behavior rules (18 CFR § 35.41(b)) require market participants to exercise due diligence to prevent submission of false or inaccurate information to an ISO or RTO. Management believes scheduling coordinators have sufficient incentive for correct and timely submittal of monitoring data in the above scenario.

## **CONCLUSION**

Management proposes to update the Rules of Conduct to remove penalties from meter data inaccuracies that fall below a de minimis threshold, incentivize demand response baseline monitoring data submittal, and lessen administrative burden associated with the Rules of Conduct enforcement process. All stakeholders support or do not oppose the proposed changes. Management recommends that the ISO Board of Governors and WEM Governing Body approve the proposal and related tariff changes as described in this memorandum.