

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

Table of Contents

<u>37.</u>	<u>Rules of Conduct.....</u>	<u>2</u>
<u>37.1</u>	<u>Objectives, Definitions, and Scope.....</u>	<u>2</u>
<u>37.1.1</u>	<u>Purpose.....</u>	<u>2</u>
<u>37.1.2</u>	<u>Objectives.....</u>	<u>2</u>
<u>37.1.3</u>	<u>Application of Other Remedies.....</u>	<u>2</u>
<u>37.1.4</u>	<u>[Not Used].....</u>	<u>2</u>
<u>37.1.5</u>	<u>Administration.....</u>	<u>2</u>
<u>37.2</u>	<u>Comply with Operating Instructions.....</u>	<u>3</u>
<u>37.2.1</u>	<u>Compliance with Orders Generally.....</u>	<u>3</u>
<u>37.2.2</u>	<u>[Not Used].....</u>	<u>3</u>
<u>37.2.3</u>	<u>Operations and Maintenance Practices.....</u>	<u>3</u>
<u>37.2.4</u>	<u>Resource Adequacy Availability.....</u>	<u>3</u>
<u>37.2.5</u>	<u>[Not Used].....</u>	<u>4</u>
<u>37.2.6</u>	<u>[Not Used].....</u>	<u>4</u>
<u>37.3</u>	<u>Submit Feasible Bids and Submissions to Self-Provide.....</u>	<u>4</u>
<u>37.3.1</u>	<u>Bidding Generally.....</u>	<u>4</u>
<u>37.3.2</u>	<u>Exceptions.....</u>	<u>4</u>
<u>37.4</u>	<u>Comply with Available Reporting Requirements.....</u>	<u>4</u>
<u>37.4.1</u>	<u>Reporting Availability.....</u>	<u>4</u>
<u>37.4.2</u>	<u>Scheduling and Final Approval of Outages.....</u>	<u>5</u>
<u>37.4.3</u>	<u>[Not Used].....</u>	<u>5</u>
<u>37.4.4</u>	<u>Enhancements and Exceptions.....</u>	<u>6</u>
<u>37.5</u>	<u>Provide Factually Accurate Information.....</u>	<u>6</u>
<u>37.5.1</u>	<u>[Not Used].....</u>	<u>6</u>
<u>37.5.2</u>	<u>Accurate and Timely SQMD.....</u>	<u>6</u>
<u>37.6</u>	<u>Provide Information Required by CAISO Tariff.....</u>	<u>9</u>
<u>37.6.1</u>	<u>Required Information Generally.....</u>	<u>9</u>
<u>37.6.2</u>	<u>Investigation Information.....</u>	<u>9</u>
<u>37.6.3</u>	<u>Audit Materials.....</u>	<u>10</u>
<u>37.6.4</u>	<u>Review by FERC.....</u>	<u>10</u>
<u>37.7</u>	<u>Provide Monitoring Data.....</u>	<u>10</u>
<u>37.7.1</u>	<u>Demand Response Monitoring Data.....</u>	<u>10</u>
<u>37.8</u>	<u>Process for Investigation and Enforcement.....</u>	<u>11</u>
<u>37.8.1</u>	<u>Purpose; Scope.....</u>	<u>11</u>
<u>37.8.2</u>	<u>Referrals to FERC.....</u>	<u>11</u>
<u>37.8.3</u>	<u>Preliminary Investigation.....</u>	<u>12</u>
<u>37.8.4</u>	<u>Notice of Review.....</u>	<u>12</u>
<u>37.8.5</u>	<u>Results of Review.....</u>	<u>12</u>
<u>37.8.6</u>	<u>Assessment of Sanctions.....</u>	<u>12</u>
<u>37.8.7</u>	<u>[Not Used].....</u>	<u>13</u>
<u>37.8.8</u>	<u>[Not Used].....</u>	<u>13</u>
<u>37.8.9</u>	<u>Record of Investigation.....</u>	<u>13</u>
<u>37.8.10</u>	<u>Review of Determination.....</u>	<u>13</u>
<u>37.9</u>	<u>Administration of Sanctions.....</u>	<u>13</u>
<u>37.9.1</u>	<u>Assessment, Waivers and Adjustments.....</u>	<u>13</u>
<u>37.9.2</u>	<u>[Not Used].....</u>	<u>14</u>
<u>37.9.3</u>	<u>Settlement.....</u>	<u>14</u>
<u>37.9.4</u>	<u>Disposition of Proceeds.....</u>	<u>15</u>
<u>37.10</u>	<u>Miscellaneous.....</u>	<u>16</u>
<u>37.10.1</u>	<u>Time Limitation.....</u>	<u>16</u>
<u>37.10.2</u>	<u>No Limitation on other Rights.....</u>	<u>17</u>
<u>37.11</u>	<u>[Not Used].....</u>	<u>17</u>
<u>37.11.1</u>	<u>[Not Used].....</u>	<u>17</u>
<u>37.11.2</u>	<u>[Not Used].....</u>	<u>17</u>

37. Rules of Conduct

37.1 Objectives, Definitions, and Scope

37.1.1 Purpose

Section 37 sets forth the guiding principles for participation in the markets administered by the CAISO. The specified Rules of Conduct are intended to provide fair notice to Market Participants of the conduct expected of them, to provide an environment in which all parties may participate on a fair and equal basis, to redress instances of gaming and other instances of anticompetitive behavior, and thereby to foster confidence of Market Participants, ratepayers and the general public in the proper functioning of the CAISO markets.

37.1.2 Objectives

The objectives of this CAISO Tariff are to:

- (a) Provide clear Rules of Conduct specifying the behavior expected of Market Participants;
and
- (b) Establish in advance the Sanctions and other potential consequences for violation of the specified Rules of Conduct.

37.1.3 Application of Other Remedies

The activities and remedies authorized under this Section 37 are in addition to any other actions or relief that may be available to the CAISO elsewhere in the CAISO Tariff or under law, regulation or order.

Nothing in this Section 37 limits or should be construed to limit the right of the CAISO to take action or seek relief otherwise available to it, and such action or relief may be pursued in addition to the action or relief specified in this Section 37.

37.1.4 [Not Used]

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.

37.2 Comply with Operating Instructions

37.2.1 Compliance with Orders Generally

37.2.1.1 Expected Conduct

Market Participants must comply with Operating Instructions issued by the CAISO as authorized under the CAISO Tariff. Deviation from an ADS Dispatch Instruction shall not constitute a violation of this Section 37.2.1.1. A Market Participant's failure to obey an Operating Instruction containing multiple instructions to address a specific operating condition will result in a single violation of Section 37.2. If some limitation prevents the Market Participant from fulfilling the action requested by the CAISO then the Market Participant must promptly and directly communicate the nature of any such limitation to the CAISO, pursuant to Section 4.2.1.

37.2.1.2 [Not Used]

37.2.2 [Not Used]

37.2.2.1 [Not Used]

37.2.2.2 [Not Used]

37.2.3 Operations and Maintenance Practices

37.2.3.1 Expected Conduct

Market Participants shall undertake such operating and maintenance practices as necessary to avoid contributing to a major Outage or prolonging response time to a major Outage. For the purposes of this Section 37.2.3.1, a major Outage is an Outage that affects at least ten (10) percent of the Load served by the Distribution System of a UDC or any Outage that results in major damage to the CAISO Controlled Grid or to the health and safety of personnel.

37.2.3.2 [Not Used]

37.2.4 Resource Adequacy Availability

37.2.4.1 Expected Conduct

Subject to Section 40, a Market Participant shall start a Generating Unit listed as a Resource Adequacy Resource and bring it on-line and/or available consistent with a DAM or RUC commitment or Real-Time Dispatch Instructions and once started up, shall not shut down a Generating Unit listed as a Resource Adequacy Resource in a manner that is inconsistent with a DAM or RUC commitment or Real-Time

Dispatch Instructions, unless the CAISO releases the Generating Unit after the RUC process is completed, or a derate or Outage prevents the Generating Unit from being on-line and available.

37.2.4.2 [Not Used]

37.2.5 [Not Used]

37.2.6 [Not Used]

37.3 Submit Feasible Bids and Submissions to Self-Provide

37.3.1 Bidding Generally

37.3.1.1 Expected Conduct

Market Participants must submit Bids for Energy, RUC Capacity and Ancillary Services and Submissions to Self-Provide an Ancillary Service from resources that are reasonably expected to be available and capable of performing at the levels specified in the Bid, and to remain available and capable of so performing based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of submission. Intertie Schedules in the RTM for import or export Energy are not subject to the foregoing requirement, but failure to deliver on such Intertie Schedules in the RTM can be subject to referral by DMM under Section 11.1, Appendix P.

37.3.2.1 [Not Used]

37.3.2 Exceptions

The submission of a Bid or of a Submission to Self-Provide Ancillary Services that causes, or that the CAISO expects to cause Congestion shall not, by itself, constitute a violation of Section 37.3.1.

37.4 Comply with Available Reporting Requirements

37.4.1 Reporting Availability

37.4.1.1 Expected Conduct

A Market Participant shall notify the CAISO Control Center of any Outage reportable pursuant to Section 9.3.10.3.1 of a Generating Unit subject to Section 4.6 within sixty (60) minutes after the Outage is discovered.

37.4.1.2 Sanctions

A “violation” for purposes of this Section shall mean each failure to notify the CAISO Control Center about an Outage of a Generating Unit within sixty (60) minutes after the Outage is discovered, as required by

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

Section 37.4.1, except that (a) for each Generating Unit, the first such failure in a calendar month shall not constitute a violation, and (b) for each Generating Unit, multiple failures in the same calendar day shall constitute a single violation. The Sanctions for a violation of Section 37.4.1 shall be as follows:

- (a) for each Generating Unit that is the subject of a violation, the Sanction for the first violation in a calendar month shall be a warning letter;
- (b) for each Generating Unit that is the subject of a violation, the Sanction for the second and subsequent violations in a calendar month will be a financial penalty, as follows:
 - (i) if the Generating Unit has not been the subject of a financial penalty for a previous violation within twelve (12) months of the instant violation, the Sanction will be \$1,000;
 - (ii) if the Generating Unit has been the subject of one financial penalty for a previous violation within twelve (12) months of the instant violation, the Sanction will be \$2,000;
 - (iii) if the Generating Unit has been the subject of two or more financial penalties for previous violations within twelve (12) months of the instant violation, the Sanction will be \$5,000.

37.4.2 Scheduling and Final Approval of Outages

37.4.2.1 Expected Conduct

A Market Participant shall not undertake an Outage except as approved by the CAISO in accordance with Section 9.3.2, Section 9.3.9, and Section 9.3.6.7. A Market Participant shall not commence any Outage without obtaining final approval from the CAISO Control Center in accordance with Sections 9.3.9 and 9.3.10.

37.4.2.2 Sanctions

The Sanctions for a violation of Section 37.4.2 shall be as follows: for the first violation within a rolling twelve (12) month period, \$5,000; for subsequent violations within a rolling twelve (12) month period, \$10,000. A “violation” shall mean each Outage undertaken for which all required approvals were not obtained.

37.4.3 [Not Used]

37.4.4 Enhancements and Exceptions

Except as otherwise specifically provided, penalty amounts shall be tripled for any violation of Section 37.4.1 or 37.4.2 that occurs during a CAISO System Emergency.

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.

37.5.2.1.2 Late Meter Data

For the purposes of this Section 37.5.2, a Scheduling Coordinator has submitted late Meter Data and violated this Section 37.5.2 if it fails, by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3, either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 but, in either case, corrects the failure by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4.

37.5.2.1.3 Missing Meter Data

For the purposes of this Section 37.5.2 a Scheduling Coordinator has missing Meter Data and has violated this Section 37.5.2 if it fails, by the Settlement Quality Meter Data submission deadline specified in Section 10.3.6.3, either to submit Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 or to replace Estimated Settlement Quality Meter Data with Actual Settlement Quality Meter Data for every applicable Settlement Period in a Trading Day as required by Section 10.3.6 and, in either case, does not correct the failure by the Settlement Quality Meter Data resubmittal deadline specified in Section 10.3.6.4.

37.5.2.2 Sanctions and Market Adjustment

37.5.2.2.1 Sanction for Inaccurate Meter Data

The Sanction for inaccurate Meter Data is the lower of: (a) 30 percent of the value of the error; or (b) \$1,000. For purposes of calculating the inaccurate Meter Data Sanction, the value of the error is calculated based on a minimum price of \$10/MWh. The Sanction applies per Trading Day per SCID with inaccurate Meter Data. A Scheduling Coordinator under a single SCID can face Sanction under this Section 37.5.2.2.1 and Section 37.5.2.2.2 for the same Trading Day.

A Scheduling Coordinator must provide reasonable cooperation with the CAISO in providing data needed to calculate the Sanction for inaccurate Meter Data.

Where a Scheduling Coordinator (under the same SCID or different SCIDs) submits inaccurate Meter Data for both a Generating Unit and Load for the same Trading Day, the CAISO does not consider the inaccurate Load Settlement Quality Meter Data for purposes of assessing Sanctions under this Section 37.5.2.2.1 if the Scheduling Coordinator demonstrates to the CAISO's reasonable satisfaction that the

Load Settlement Quality Meter Data is derived from the Generating Unit Settlement Quality Meter Data and that the inaccurate Load Settlement Quality Meter Data was caused by the inaccurate Generating Unit Settlement Quality Meter Data. In such cases, the CAISO considers the inaccurate Load Settlement Quality Meter Data in calculating any applicable market adjustment pursuant to Section 37.5.2.2.4.

37.5.2.2.2 Sanction for Late Meter Data

The Sanction for submitting late Meter Data as defined in Section 37.5.2.1.2 is \$1,000 per Trading Day per SCID with late Meter Data. A Scheduling Coordinator under a single SCID can face Sanction under this Section 37.5.2.2.2 and Section 37.5.2.2.1 for the same Trading Day.

37.5.2.2.3 Sanction for Missing Meter Data

The Sanction for missing Meter Data as defined in Section 37.5.2.1.3 is \$4,000 per Trading Day per SCID with missing Meter Data. For a given Trading Day, a Scheduling Coordinator under a single SCID cannot be sanctioned for both a missing Meter Data violation and either an inaccurate Meter Data violation or a late Meter Data violation. If a Scheduling Coordinator under a single SCID has missing Meter Data and inaccurate Meter Data or late Meter Data on the same Trading Day, then the CAISO only assesses a Sanction for the missing Meter Data.

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.

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

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.

37.6.1.2 Sanctions

Except as otherwise provided below, in Section 37.6.2 and Section 37.6.3, the Sanction for a violation of Section 37.6.1.1 shall be \$500 for each day that the required information is late.

37.6.2 Investigation Information

37.6.2.1 Expected Conduct

Except as provided below in Section 37.6.4 (Review by FERC), Market Participants must submit information in response to a written request by the CAISO for information requested in the course of an investigation authorized by the CAISO by the deadline established in the request by the CAISO.

37.6.2.2 Sanctions

The Sanction for a violation of Section 37.6.2 shall be as follows: for the first violation in a rolling twelve

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

(12) month period, \$1000/day; for the second violation in a rolling twelve (12) month period, \$2000/day; for the third and subsequent violations in a rolling twelve (12) month period, \$5000/day. For purposes of this subsection, a violation shall be each failure to provide a full response to a written request and the Sanction shall be determined from the date that the response was due until a full response to the request is received.

37.6.3 Audit Materials

37.6.3.1 Expected Conduct

Except as provided below in Section 37.6.4 (Review by FERC), Market Participants shall comply with the CAISO's audit and/or test procedures authorized pursuant to Section 10.3.10, and further shall perform and submit an annual self-audit as required by the procedures the ISO establishes pursuant to Section 10.3.10, including procedures established relating to the deadline for submitting the required audit.

37.6.3.2 Sanctions

For failure to submit an audit report as required by Section 10.3.10.1, the Sanction shall be \$1000/day until such report is received by the CAISO. For all other violations of this rule the Sanctions shall be as follows: for the first violation in a rolling twelve (12) month period, \$1000/day; for the second violation in a rolling twelve (12) month period, \$2000/day; for the third and subsequent violations in a rolling twelve (12) month period, \$5000/day. For purposes of this subsection, a "violation" shall be each failure to provide all information required under the audit or test, from the date that the information was due until all required information is received by the CAISO.

37.6.4 Review by FERC

A Market Participant who objects to an information, audit or test obligation that is enforceable under Section 37.6.1, Section 37.6.2 or Section 37.6.3 above shall have the right immediately (and in all events, no later than the due date for the information) to seek review of the obligation with FERC. In the event that such review is sought, the time for submitting the response or other information to the CAISO shall be tolled until FERC resolves the issue.

37.7 Provide Monitoring Data

37.7.1 Demand Response Monitoring Data

37.7.1.1 Expected Conduct

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

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

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

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]

37.9.2.1 [Not Used]

37.9.2.2 [Not Used]

37.9.2.3 [Not Used]

37.9.2.4 [Not Used]

37.9.2.5 [Not Used]

37.9.2.6 [Not Used]

37.9.3 Settlement

37.9.3.1 Settlement Statements

The CAISO will administer any penalties issued under this Section 37 through Settlement Statements, as relevant, issued to the responsible Scheduling Coordinator by the CAISO. Before invoicing a financial penalty through the Settlement process, the CAISO will provide a description of the penalty to the responsible Scheduling Coordinator and all Market Participants the Scheduling Coordinator represents that are liable for the penalty, when the CAISO has sufficient objective information to identify and verify responsibility of such Market Participants. The description shall include the identity of the Market Participant that committed the violation and the amount of the penalty.

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.

37.9.3.3 Other Responsible Party

Where a party or parties other than the Scheduling Coordinator is responsible for the conduct giving rise to a penalty reflected on a Settlement Statement, and where the Scheduling Coordinator bears no responsibility for the conduct, such other party or parties ultimately shall be liable for the penalty. Under such circumstances, the Scheduling Coordinator shall use reasonable efforts to obtain payment of the

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

penalty from the responsible party(ies) and to remit such payment to the CAISO in the ordinary course of the Settlement process. In the event that the responsible party(ies) wish to dispute the penalty, or the Scheduling Coordinator otherwise is unable to obtain payment from the responsible parties, the Scheduling Coordinator shall notify the CAISO and dispute the Settlement Statement. The CAISO promptly shall notify FERC. If the CAISO finds that a Market Participant separate from the Scheduling Coordinator that is unable to obtain payment from the responsible party(ies) is solely responsible for a violation, the Scheduling Coordinator that is unable to obtain payment may net its payment of its Invoice amount by the amount of the penalty in question. The CAISO may refuse to offer further service to any responsible party that fails to pay a penalty, unless excused under the terms of the CAISO Tariff, by providing notice of such refusal to the Scheduling Coordinator. Following such notice, the Scheduling Coordinator shall be liable for any subsequent penalties assessed on account of such responsible party.

37.9.3.4 [Not Used]

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

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

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

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

applicable laws, regulations or tariff provisions.

37.10.2 No Limitation on other Rights

Nothing contained in this Section 37 shall limit the ability of the CAISO to collect information from Market Participants or to establish new provisions pursuant to Section 15.

37.11 [Not Used]

37.11.1 [Not Used]

37.11.2 [Not Used]