



**Penalty Enhancements: Demand
Response, Investigation, and
Tolling (PEDRIT)
Revised Straw Proposal**

May 24, 2024

**Penalty Enhancements: Demand Response,
Investigation, and Tolling
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Table of Contents

1. Executive Summary.....	3
2. Changes from Straw Proposal and Responses to Stakeholder Feedback.....	4
3. Initiative Background	4
4. Initiative Scope and Schedule	5
5. Define submission requirements and penalty structure for DR monitoring data (Sections 11.6.1 & 37.6.1)	8
Background and objectives.....	8
PEDRIT Proposal.....	9
Stakeholder comments	10
6. Streamline Rules of Conduct investigative process (Section 37.8.3-37.8.7).....	11
Background and objectives.....	11
PEDRIT proposal.....	12
Stakeholder comments	12
7. Update Penalty Tolling Process (Section 37.8.10)	13
Background	13
PEDRIT proposal.....	13
Stakeholder comments	14
8. Inaccurate Meter Data Penalty Materiality Threshold or Waiver	15
Stakeholder Discussion	15
PEDRIT proposal.....	15
9. Governance Classification: Joint Authority	17
10. Next Steps	18

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

1. Executive Summary

The 2023-2025 Policy Initiatives Roadmap¹, as presented to the ISO Board of Governors and the Western Energy Imbalance Market (WEIM) Governing Body in May 2023, included “Rules of Conduct Changes to Address Metering Penalty Issues” as a topic. In response to internal and external input, the ISO expanded the scope to create the “Rules of Conduct Enhancements” (ROCE) initiative. The ISO launched the “Penalty Enhancements: Demand Response, Investigation, and Tolling” (PEDRIT) initiative as a follow-up to address additional topics identified in the ROCE initiative.

ROCE focused on meter data penalties, with three additional procedural topics.² 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.³ The ISO implemented ROCE on April 1, 2024.

PEDRIT proposes to:

1. Set the due date for demand response (DR) monitoring data⁴ submission at 52 business days after the trade date (T+52B).⁵ Data submitted after the deadline 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 maximum penalty of \$4000 per trading day.
2. Remove upfront payment from the FERC penalty tolling process. Instead, penalized 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.⁶
4. Create an inaccurate meter data penalty materiality threshold. Self-reported inaccuracies less than 3% or below 3MW per day will not be considered a tariff violation nor subject to penalties.

The ISO plans to present the final PEDRIT proposal to the WEIM Governing Body and ISO Board of Governors for a decision on September 26, 2024. Each chapter in this revised straw proposal is informed by stakeholder input received at the workshop (June 7, 2023), ten subsequent sets of written comments (submitted through June 20, 2023), stakeholder input received at the straw proposal stakeholder meeting (April 3, 2024), and seven subsequent sets of written comments (submitted through April 19, 2024). Stakeholders are encouraged to provide feedback on this revised straw proposal at the June 3, 2024, stakeholder meeting and via written comments due June 14, 2024.

¹ [Final 2023-2025 Policy Initiatives Roadmap](#)

² 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.

³ [Letter Order Accepting Rules of Conduct Enhancements Phase 1 Tariff Amendment](#)

⁴ 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](#)

⁵ “T” refers to trade date, e.g. T+52B is the trade date + 52 business days

⁶ 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 Straw Proposal and Responses to Stakeholder Feedback

The ISO published the Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) straw proposal on March 28, 2024. The ISO held a virtual meeting to discuss the straw proposal on April 3, 2024, with written comments on the straw proposal due April 19, 2024. Stakeholder feedback is the foundation for the modifications and clarifications to the revised straw proposal, which builds on the straw proposal in the following ways:

- Proposes a minimum materiality threshold for inaccurate meter data penalties: Stakeholders expressed strong support for a minimum materiality threshold or first-infraction waiver for inaccurate meter data penalties. In response, the ISO proposes inaccuracies under 3% or under 3MW of a day's actual meter data would no longer be considered a tariff violation. Inaccuracies below the threshold would not trigger a Rules of Conduct investigation and penalty. Market adjustments would continue to apply.
- Maintain generators as contacts in the investigative process: Stakeholder feedback described existing business processes that would make assigning Scheduling Coordinators as the sole point-of-contact for Rules of Conduct investigation as inefficient. In response, the ISO proposes maintaining the status quo of listed generator owners as potential additional contacts in the Rules of Conduct investigative process.
- Reduces the required minimum days of historical DR monitoring data submission from 90 days to 45 days: Stakeholder feedback supported minimizing the number of days required when possible, especially for new customers. Additional data per specific baseline methodologies, such as the weather-matching baseline methodology, would still be required.
- Provides additional DR monitoring data penalty calculation examples and clarification on penalty tolling: In response to stakeholder feedback, the revised straw proposal includes additional examples of how the DR monitoring data penalty would be calculated. The revised straw proposal also includes a flow chart displaying the proposed Rules of Conduct investigative and penalty tolling process.

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.⁷

⁷ [Tariff § 37](#).

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

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 Roadmap⁸, 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 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 during the June 7, 2023 workshop, ten subsequent written stakeholder comments, during the April 3, 2024 straw proposal stakeholder meeting, and seven subsequent written comments inform the PEDRIT revised straw proposal. 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 four scope items for potential Rules of Conduct penalty and process enhancements (Table 1). Additional topics may be added in response to stakeholder feedback or internal input. The ISO plans to present the final PEDRIT proposal to the WEIM 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
Define submission requirements and penalty structure for DR monitoring data	5	✓	

⁸ [Final 2023-2025 Policy Initiatives Roadmap](#)

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

<ul style="list-style-type: none"> • Set submission requirement for DR monitoring data at T+52B, aligning with settlement quality meter data submission process. • Data submitted between T+52B and T+214B would be penalized at \$1000 per trade date per SCID. • Data missing past T+214B would be penalized an additional \$3000 per trade date per SCID. • Penalties will apply per SCID, rather than per resource • Penalties will be equivalent for missing one or multiple streams of DR monitoring data. • Penalties apply for not submitting minimum 45 days of historical data (instead of 90 days). Any additional data detailed per specific baseline methodology remains required with non-submittal subject to listed penalties: \$1000 per trade date for data submitted after T+52B; \$3000 additional per trade date for data submitted after T+214B. 			
<p>Streamline Rules of Conduct investigative process</p> <ul style="list-style-type: none"> • Two-letter process: Notice of Review, 30 day period for scheduling coordinator (SC) response, Results of Review including penalty description if applicable. • After Results of Review, stakeholders may appeal penalty case to FERC. 	6	✓	
<p>Update penalty tolling process</p> <ul style="list-style-type: none"> • Provide penalized entities 30 days to appeal to FERC before penalty collection. • Entities must provide evidence to the ISO of their filing via a FERC filing docket number. • Bypass current process of upfront ISO penalty collection and then penalty return when an entity appeals to FERC 	7	✓	
<p>Inaccurate Meter Data Penalty Materiality Threshold</p> <ul style="list-style-type: none"> • 3% and 3 MW threshold: Meter data inaccuracies under 3% of the actual meter data or under 3MW per day would not be considered a tariff violation. • No Rules of Conduct investigation and no penalty • No effect on disposition of proceeds standing • Market adjustment continues to apply 	8	✓	
<p>Meter data penalties</p> <ul style="list-style-type: none"> • 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. • Retain late meter data penalty (post T+52B) at \$1,000/trading day. • Retain “missing” meter data penalty (post T+214B) at additional \$3,000/trading day. 			✓

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

<ul style="list-style-type: none"> 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. Extend T+44B (pre-deadline) internal automatic notice for missing meter data to applicable scheduling coordinators as a courtesy. 			
Clarify eligibility for penalty distribution <ul style="list-style-type: none"> 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. 			✓
Eliminate annual penalty distribution filing <ul style="list-style-type: none"> Remove FERC approval requirement for distribution of Rules of Conduct proceeds. Post informational report on the ISO website. 			✓
Clarify application of market adjustment provision in the context of WEIM entities <ul style="list-style-type: none"> The ISO will not apply a market adjustment if there are no additional scheduling coordinator IDs in a given utility distribution company area. 			✓

Table 2: Penalty Enhancements: Demand Response, Investigation, and Tolling – Initiative Schedule⁹

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

⁹ 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 [...]”¹⁰

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.¹¹ Importantly, late or missing monitoring data penalties would be applied per resource, per additional day late, and per data file.¹² 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) 1444¹³ 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

¹⁰ 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](#))

¹¹ 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.

¹² 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.

¹³ [PRR 1444](#)

Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Revised Straw Proposal

(CBL and BASE)¹⁴ 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.

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.
- 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.

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.

¹⁴ 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.

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

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 until T+215B. 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 in response to the straw proposal, three stakeholders provided comments on defining submission requirements and penalty structure for DR monitoring data. Two stakeholders expressed support for and one stakeholder was opposed to the direction outlined.

One stakeholder expressed concern that the proposed penalty structure removes any incentive for an SCID that may be missing data for a few resources to comply with submitting data for the remainder of resources in a timely manner. The ISO believes scheduling coordinators act as a proxy for demand response resources.¹⁵ Any scheduling coordinator delay of otherwise on-time monitoring data would not be aligned with the scheduling coordinator's role as a proxy for the demand response resource. This behavior would also render the market participant as ineligible for that year's Disposition of Proceeds. Additionally, any penalty that the SCID accrues on behalf of a demand response resource may be passed on to the relevant market participant. In the event that the SCID may be missing monitoring data for just a few resources, the penalty could be allocated to those few resources by the scheduling coordinator. Resources with timely data would be incentivized not to share the penalty with untimely resources, providing an incentive for pushing the SCID to comply with submitting their data in a timely manner.

One stakeholder requested that the ISO extend a T+44B internal automatic courtesy notice for missing DR monitoring data, similar to what was adopted in Rules of Conduct Enhancements for Settlement Quality Meter Data. The ISO appreciates the request and is exploring potential

¹⁵ [BPM for Scheduling Coordinator Certification & Termination, page 9](#)

Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Revised Straw Proposal

benefits and feasibility. 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. In the past few months, the ISO has seen improvement in DR monitoring data submission. With monitoring data being submitted close to T+52B, a T+44B automatic courtesy notice may lead to over-notification of participants. Market participants that submit data on time do not receive the T+53B notice, as they are already compliant.

One stakeholder opposed the proposal and believes the straw proposal’s penalty structure would create excessive penalties for DR monitoring data submissions. The entity believes the tariff already provides sufficient submission requirement and penalty structure via penalties surrounding auditing and testing the accuracy and integrity of meter data on a biennial basis. The ISO believes existing penalties related to the biennial audit are important for preventing inaccuracies in DR monitoring data. The ISO does not believe these penalties incentivize timely DR monitoring data submission. 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. The ISO believes that the proposed penalties are reasonable and address stakeholder concerns expressed in PRR 1444 and prior initiative comments. First, the proposed penalties apply for late submission and do not apply for timely, but initially inaccurate submissions. Second, the proposal applies on a per-trading day basis, rather than accruing per day late. Finally the proposal applies penalties per SCID, rather than by Resource ID.

Two stakeholders supported reducing the requirement of 90 historical days of monitoring data. The ISO appreciates the feedback and proposes applying penalties for not submitting a minimum 45 days of historical data.

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

Background and objectives

The ISO employs a three-letter 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

Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Revised Straw Proposal

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

- Current Rule: The ISO employs the three-letter process described in the background section.
- Proposed Rule: The ISO employs a two-notice process. The ISO provides a Notice of Review to the SC and pre-designated market participant (if any listed) within 90 days of the ISO discovering a potential Rules of Conduct event. Scheduling coordinators or market participants may respond with relevant information via CIDI. If the ISO receives a violation concession, receives no response within 30 days, or concludes the outstanding CIDI process, the Results of Review letter is sent including violation determination and penalty description, if applicable.

Stakeholder comments

Of the seven stakeholders who submitted written comments in response to the straw proposal, two stakeholders provided comments regarding streamlining the Rules of Conduct investigative process. One stakeholder expressed support for moving from a three letter to a two letter process. One stakeholder expressed opposition to moving from a three letter process to a two letter process due to the reduced time to respond and increased burden on scheduling coordinators. This stakeholder recommended that the second letter should not be issued until the ISO and scheduling coordinator/market participant resolves the Rules of Conduct CIDI case or if the scheduling coordinator/market participant is non-responsive. 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. This stakeholder also opposed having the scheduling coordinator as the sole point of contact for Rules of Conduct events. The entity believes contacting the resource owner directly would be more efficient. After further discussion and understanding of the stakeholder's business processes, the ISO has modified the proposal to continue contacting the pre-designated resource owner in addition to the scheduling coordinator.

Finally, this stakeholder recommended that the ISO assess any Rules of Conduct penalty directly to the resource owner, not the scheduling coordinator. Currently, the ISO does not have financial relationships with resource owners. Changing to assessing Rules of Conduct penalties directly to the resource owner

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

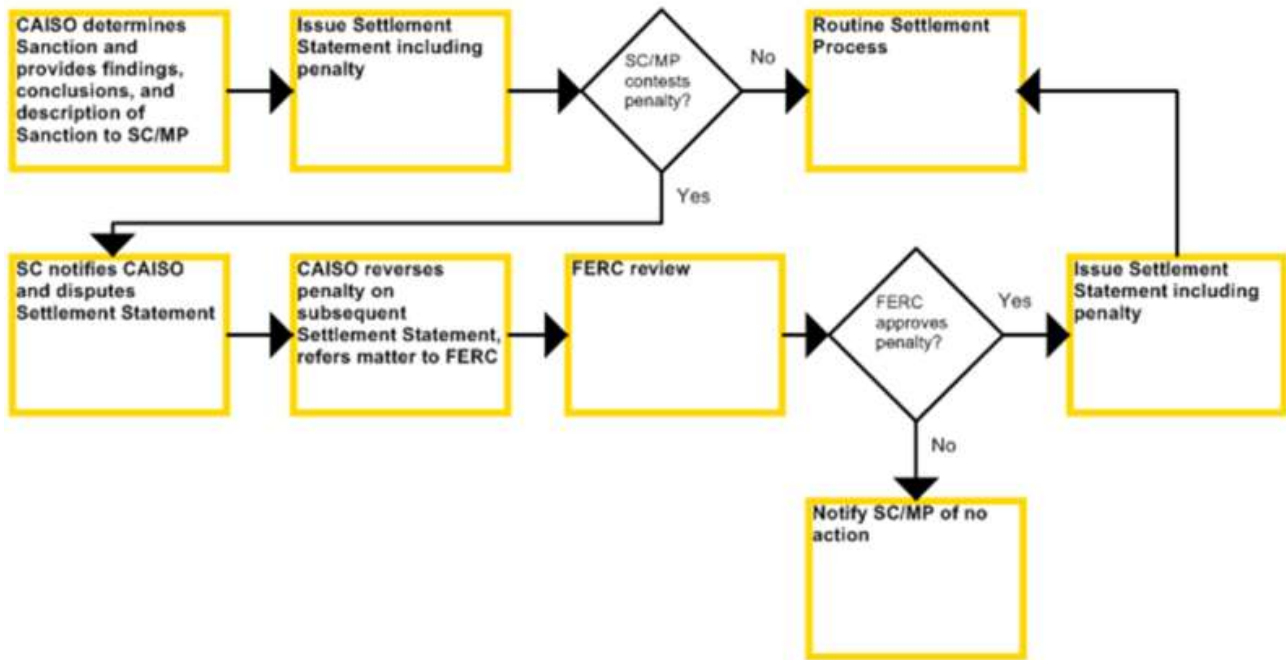
would require significant contractual and Settlements redesign. Given limited implementation resources, the ISO is unable to move forward with this recommendation in the PEDRIT initiative.

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,¹⁶ 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:

¹⁶ Currently, the dispute deadline is the statement publication date plus 22 business days.

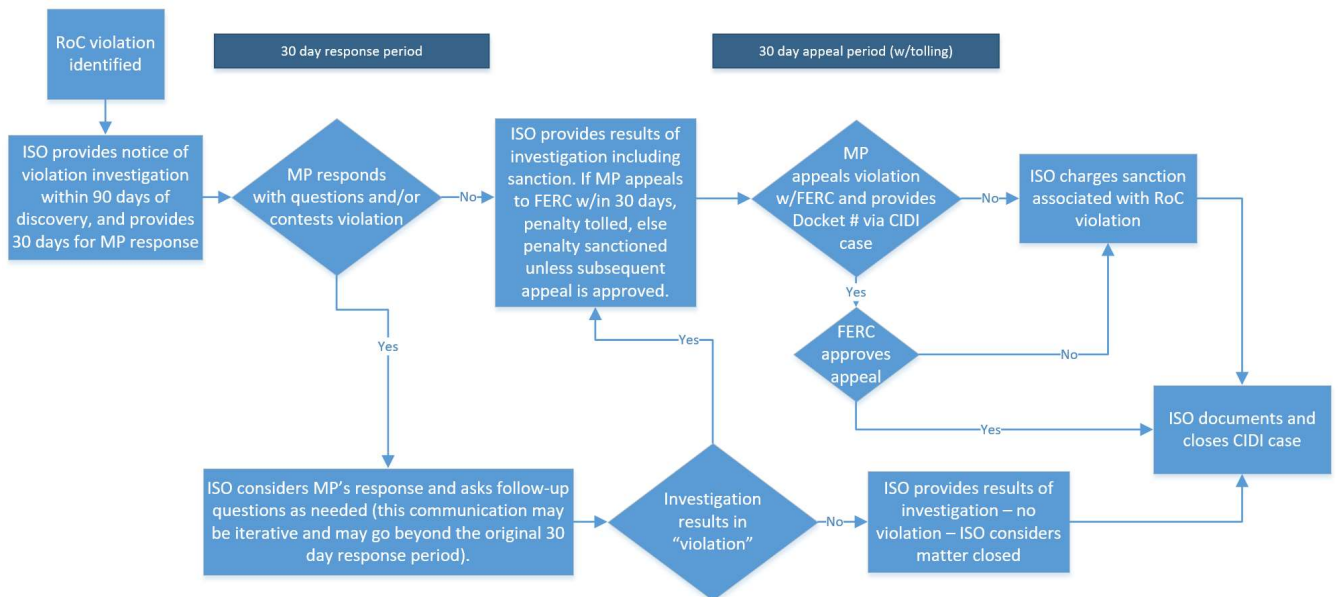
**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

- 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 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.

Stakeholder comments

Of the seven stakeholders who submitted written comments in response to the straw proposal, one stakeholder provided supportive comments regarding updating the penalty tolling process. This stakeholder has three requests. First, this stakeholder requested clarification on steps the scheduling coordinator must take in order to appeal to FERC. In response, 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. Second, the stakeholder requested the scheduling coordinator be able to file the tolling process in the same CIDI ticket as the original case. Separately, the ISO is working on enhancing the CIDI Rules of Conduct process to allow all communication to be kept in one case. Finally, the stakeholder requested that steps the scheduling coordinator take are abundantly clear in the proposal and draft tariff language. 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 would have further clarification in the Business Practice Manual update process, rather than the tariff process.

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



8. Inaccurate Meter Data Penalty Materiality Threshold or Waiver

Stakeholder Discussion

Of the seven stakeholders who submitted written comments in response to the inaccurate meter data penalty materiality threshold or waiver discussion, five stakeholders provided supportive comments and one stakeholder was not opposed to further discussion. Three general designs were proposed. First, Idaho Power suggested setting a daily error threshold based on a percentage of load. For example if the meter error was 1 MW and the participant had 2,000 MW 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 MW 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.

After consideration, the ISO proposes a threshold with a percentage and MW value design. 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 the 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 3MW 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 continue to apply. Reporting inaccuracies remains required.
 - Regardless of the materiality threshold, the ISO expects market participants to report their meter data in good faith. Failure to exercise due diligence in submitting accurate settlement quality meter data may separately violate FERC's market behavior rules.¹⁷

¹⁷ [18 CFR § 35.41\(b\)](#)

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

Examples:

Example 1: Generator A submits an initial settlement quality meter data amount of 15 MW 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 MW total for the trade date. Generator A resubmits the meter data upon discovery.

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

- 5 MW change. $5\text{MW} > 3\text{MW}$ threshold
- $5\text{ MW}/10\text{ MW} = 50\%$. $50\% > 3\%$ threshold

Generator A's meter data inaccuracy is larger than 3 MW 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 MW for their load meter data on T+48B. On T+70B, Load B realizes that the day's actual meter data was 10,000 MW. Load B resubmits this data, self-reporting the error.

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

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

Result: Although the meter data inaccuracy is larger than 3 MW, 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 MW on T+46B. On T+53B, Generator C realizes that the actual meter data was 5 MW. Generator C resubmits the data on T+55B.

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

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

Result: Although the meter data inaccuracy is larger than 3%, the total MW inaccuracy for the day is less than 3 MW. 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.

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

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

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

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

Result: The total MW change for the day is under 3MW 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.

9. 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 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 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 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 authority-specific measures, such as any parameters or constraints, the CAISO may use to ensure reliable operation within its balancing authority area.¹⁸

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.

¹⁸ Charter for EIM Governance § 2.2.1

**Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT)
Revised Straw Proposal**

10. Next Steps

The ISO will host a virtual stakeholder call on June 3, 2024 from 1:00pm to 3:00pm (PST) to discuss the Penalty Enhancements: Demand Response, Investigation, and Tolling revised straw proposal. Attendees may choose to participate virtually or provide written comments based off the meeting recording and revised straw proposal. Written comments on the revised straw proposal are due June 14, 2024.