

# Market Surveillance Committee Overview

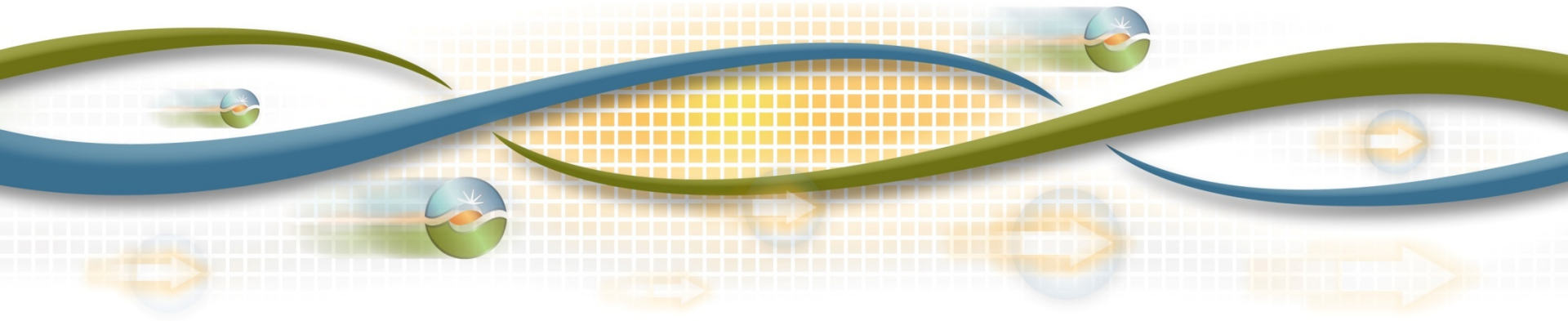
Keith Casey

Vice President, Market and Infrastructure Development

EIM Transitional Committee Meeting

General Session

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# The role of the MSC is to provide independent external advice.

- Key topics of advice
  - Market design issues
  - Special ISO studies and analysis
  - DMM reports and analyses
- Primary beneficiaries
  - ISO Management and Board
  - DMM
  - FERC
- Structure and origin
  - Independent advisory committee to the Board
  - Subject to ISO Open Meeting Policy and Bylaws
  - Established during the formation of the ISO (1997)

# The MSC and DMM have distinctly different and compatible roles.

- MSC

- Advisory committee to Board
- External/Independent
- Part-time committee work
- Peer review of DMM monitoring methods and analysis
- Recommendations cover broad range of market design policy issues:
  - Equity Issues (e.g., congestion revenue rights allocations)
  - General market efficiency
  - Gaming/market power

- DMM

- Report to Board with administrative reporting to CEO
- Internal/Independent
- Full time day-job
- Conduct market monitoring, analysis, and investigations
- Recommendations on more narrow range of market design issues – primarily relating to:
  - Market power
  - Market manipulation
  - Monitoring requirements

# Qualified MSC candidates must meet two criteria.

## 1. Expertise and experience

- Economics – emphasis anti-trust, competition, and market power issues in electricity industry
- Generation and transmission
- Anti-trust or competition law
- Energy or other commodity trading

## 2. Independence

- No material affiliation or financial interest with any market participant
- No expert witness testimony in any proceeding relating to the ISO

# The Board determines MSC composition and compensation.

- **MSC composition**
  - ISO CEO provides MSC nomination to the Board for appointment
  - Board appoints members to three-year staggered terms
  - MSC removal – the Board may remove, subject to a two-thirds vote, a member prior to the expiration of their term
  - MSC elects a Chair - subject to Board confirmation
- **MSC compensation**
  - MSC budget developed and managed by Market and Infrastructure Policy through ISO annual budget process
  - Compensation details
    - Annual stipend
    - Additional hourly fees
    - Compensation for MSC-related travel expenses

# The MSC is comprised of highly respected and internationally recognized experts.

- Dr. Benjamin Hobbs – MSC Chair
  - Director, Environment, Energy, Sustainability & Health Institute at Johns Hopkins University
  - Ph.D. Environmental Systems Engineering, Cornell University
  - Expert on electric power planning models, energy economics, risk analysis
- Dr. Scott Harvey
  - FTI Consultant
  - Ph.D. Economics, University of California Berkeley
  - Expertise in ISO market design and performance issues
- Dr. James Bushnell
  - Professor, Economics Department, University of California Davis
  - Ph.D. Industrial Engineering and Operations Research, UC Berkeley
  - Expert on industrial organization, regulatory economics, energy policy and environmental economics
- Dr. Shmuel Oren
  - Professor, Department of Industrial Engineering and Operations Research, UC Berkeley
  - Ph.D. Engineering Economic Systems, Stanford University
  - Expertise in operations research, optimization, and mathematical modeling of economic systems

## The MSC provides valuable recommendations on a wide range of market issues.

- Typically produce 6-8 formal opinions/reports each year
- Engage ISO staff and stakeholders on most major market design policy issues
- Provide formal opinions or informal review and recommendations from individual members.
- Recent topics addressed by the MSC include:
  - Energy Imbalance Market design
  - FERC Order 764 compliance and related real-time market design changes
  - Local market power mitigation in the EIM
  - Flexible resource adequacy criteria and must offer obligation
  - Full network model expansion

## The MSC is an advisory committee to the ISO Board.

- MSC meetings subject to ISO Bylaws and Open Meeting Policy.
- Meetings can be executive or general session and are publicly noticed.
- Opportunities for public comment provided at each general session meeting.
- Committee votes to adopt their opinions/reports.
  - Three members constitute a quorum.
  - Affirmative vote of at least two is necessary for committee action.
- Occasional off-site MSC engagement with state agencies.
  - CPUC – Resource Adequacy Policy Issues.
  - California Air Resources Board (CARB) – Greenhouse Gas Policies
    - implications to wholesale energy markets.