

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
April 5, 2019
Offices of the ISO
250 Outcropping Way
Folsom, California**

April 5, 2019

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session meeting at approximately 10:00 a.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the Market Surveillance Committee were in attendance:

Benjamin Hobbs, Chair
James Bushnell
Scott Harvey

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment.

DECISION ON GENERAL SESSION MINUTES

Motion

Committee member Harvey:

Moved, that the Market Surveillance Committee, advisory committee to the ISO Board of Governors, approve the general session minutes for the January 18, 2019, January 25, 2019, March 5, 2019, and March 20, 2019 meetings.

The motion was seconded by Committee member Bushnell and approved 3-0.

REAL-TIME PRICING ANALYSIS DISCUSSION

Guillermo Bautista Alderete, Director – Market Analysis and Forecasting, provided a summary of the formal analysis effort that the ISO is commencing on issues concerning price divergence and prices not reflecting market conditions. Dr. Bautista Alderete laid out several reasons why prices in multi-settlement markets like the ISO's could diverge for reasons other than market fundamentals. He reviewed the ISO's day-ahead, hour-ahead, fifteen-minute, and five-minute markets, and identified issues that could lead to such divergences. He provided examples of such issues, which include inconsistent look-out horizons and operator actions to align the market with current and expected conditions. He presented data on average prices in each of those markets as well prices on particular interties, indicating that day-ahead prices have generally been higher than real-time prices in the last year. Committee members, ISO staff, and stakeholders extensively discussed reasons for manual dispatch of interties and exceptional dispatch. Dr. Bautista Alderete closed the discussion with an overview of the items that the ISO proposes to analyze over the coming months.

CONGESTION REVENUE RIGHTS MARKET ANALYSIS DISCUSSION

Dr. Bautista Alderete presented data on the results of the congestion revenue rights settlements in January and February, 2019, which since the start of 2019, reflect the new pro-rata funding logic. He explained that this logic accumulates surpluses and deficits of potential payouts to rights holders relative to congestion revenues throughout the month by constraint, and then if revenues for a particular constraint are less than the potential payout, the actual payout is reduced accordingly. He noted that the change resulted in a decrease of \$5 million in payouts to auctioned congestion revenue rights in those two months, and therefore a modest reduction in the deficit between auction revenues and payouts to auctioned rights. He noted that under the new pro-rata logic, surpluses by constraint are allocated to measured demand, and that in January and February 2019 this change resulted in \$11 million more of payments to measured demand than would have otherwise occurred.

Committee members and stakeholders engaged in active discussion regarding issues such as collateral risk, which constraints have seen the greatest deficits, and the role of unscheduled power flows for deviations between day-ahead estimated flows (which accrue congestion rents) and flows implied by congestion revenue rights.

RECESSED

The meeting was recessed at approximately 12:20 p.m. for lunch. Chair Hobbs stated the meeting would reconvene at 1:30 p.m.

RECONVENED

The MSC reconvened the general session at approximately 1:30 p.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the MSC were in attendance:

Benjamin Hobbs, Chair
James Bushnell
Scott Harvey

GENERAL SESSION

The following agenda items were discussed in general session:

SYSTEM MARKET POWER DISCUSSION

Dr. Bautista Alderete and Dr. Jiankang Wang, Engineering Specialist Lead, presented a summary of the residual supply index approach that the Department of Market Monitoring uses to gauge market power at the system level, and some recent trends in that index. Dr. Bautista Alderete and Dr. Wang showed the results of extensive sensitivity analyses involving 25 combinations of alternative demand and supply assumptions for each of 24 hours for 8760 hours of a year. They concluded with a review of sources of real-time supply that were not present in the day-ahead markets; most of this additional supply was from inflexible sources, including self-schedules and variable renewables. Committee members, ISO staff, and stakeholders engaged in extensive discussion concerning issues such as appropriate system-wide measures of market power and treatment of intertie bids at the bid cap which may not actually be fully backed up by available supply.

RESOURCE ADEQUACY ENHANCEMENTS: IMPORT RESOURCE ADEQUACY PROVISIONS DISCUSSION

Chris Devon, Senior Infrastructure and Regulatory Policy Developer – Infrastructure and Regulatory Policy, presented an overview of the resource adequacy enhancements initiative as a whole, as well as several particular reasons why imported resources present conceptual and practical problems when being credited towards adequacy requirements. Mr. Devon outlined additional data analyses of import performance that could be undertaken to support the initiative, and several alternative changes to import resource adequacy requirements that are under consideration. Committee members, ISO staff, and stakeholders engaged in extensive discussion regarding the issues and potential changes. Committee members pointed out that strong performance incentives might be preferable to a rigid designation requirement.

FUTURE AGENDA ITEMS

There were no items to discuss.

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 4:50 p.m.