

GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING March 20, 2019 Offices of the ISO Teleconference

March 20, 2019

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session meeting via teleconference at approximately 1:00 p.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

Michele Kito provided comment on behalf of the California Public Utilities Commission. Ms. Kito stated that she is aware the ISO has a FERC Order No. 831 compliance filing due on April 30 that would raise the bid cap from \$1,000 to \$2,000 for both internal resources and imports. She inquired whether the Committee plans to develop an opinion and suggested the Committee consider the matter.

DRAFT OPINION ON REVIEW OF RELIABILITY MUST RUN AND CAPACITY PROCUREMENT MECHANISM – DISCUSSION AND ADOPTION OF OPINION

Committee Chair Hobbs stated that the Committee posted its draft opinion on the ISO's review of reliability must run and capacity procurement mechanism, which addresses the steps the ISO proposes to clarify and formalize the relative roles of reliability must run (RMR) and the capacity procurement mechanism (CPM), the process through which risk-of-retirement and thus the reliability need is determined, compensation levels for RMR and CPM resources, and performance incentives. Committee member Bushnell provided a summary of the Committee's draft opinion, focusing on the Committee's five key areas of

concern including the investment incentive implications of the compensation levels and performance requirements. Dr. Bushnell explained that the Committee supports the general framework proposed for CPM but recognizes that actions by the CPUC and perhaps the California state legislature, as well as future ISO initiatives, may result in significant changes in RA policy and that, if such changes occur, elements of the CPM framework may need to be revisited. He explained that the Committee also agrees with the general framework for RMR as targeting risk-of-retirement by resources needed to provide essential reliability services that are not sufficiently compensated for in ISO markets to be accompanied by cost-of-service payments for those units. He next summarized the Committee's concerns and recommendations as described in the draft opinion. Discussion ensued among Committee members and stakeholders regarding the ISO's proposal and the Committee's draft opinion. Committee members discussed clarifying language to the draft opinion and agreed to modifications.

Motion

Committee member Harvey:

Moved, that the Market Surveillance Committee, an advisory committee to the ISO Board of Governors, adopts the "Opinion on Reliability Must Run and Capacity Procurement Mechanism Enhancements," as modified on March 20, 2019.

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

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 1:55 p.m.