



## **GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE WEB CONFERENCE**

**March 3, 2017, 9:00am – 11:00 a.m.**

**General Session  
Web Conference**

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March 3, 2017

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session web conference at approximately 9:00 a.m.

### **ATTENDANCE**

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

James Bushnell  
Scott Harvey  
Benjamin Hobbs, Chair

### **GENERAL SESSION**

The following items were discussed in general session.

### **PUBLIC COMMENT**

No public comment

### **BRIEFING ON STEPPED CONSTRAINT PARAMETERS**

Don Tretheway, Senior Advisor in Market & Regulatory Policy, briefed the Market Surveillance Committee on stepped constraint parameters.

The meeting began with a presentation by Don Tretheway, Senior Advisor for Market Design and Regulatory Policy at the ISO, of the elements of the straw proposal. Mr. Tretheway described how the present proposal differs from the original issue paper in several important respects. In particular, the following issues are no longer part of the initiative: thresholds for shift factor effectiveness, evaluation of resource sufficiency in the energy imbalance market, and lowering the floor for energy bids. The remaining issues are parameters for violation of



transmission capacity constraints and power balance constraints, and a new issue, which is the updating of constraint parameters to reflect the raising of the bid cap by the Federal Energy Regulatory Commission to \$2000/MWh.

Most of the presentation and subsequent discussion was about the proposal to allow small violations of power balance parameters at a penalty of \$155/MWh in the real-time (5 minute) dispatch market. This is lower than the present penalty, and would prevent minor violations from causing very high energy prices when in fact the system can easily compensate for very small supply-demand imbalances. This proposed penalty is justified by the ISO based on the low frequency of real-time energy prices in excess of that level. The amount of violation that is proposed to be allowed under this penalty is based upon an analysis of the distribution of the amount of frequency regulation (in particular, "up-regulation") resources that are actually called upon, since a power balance violation in which load exceeds supply would likely be made up by such resources.

Any changes recommended by the stepped constraints parameters initiative for the power balance constraint would likely be proposed as an interim measure until changes in the 5 minute real-time dispatch market are made to co-optimize acquisition of operating reserves and energy. There was significant discussion during the meeting by MSC members and participating stakeholders about the advantages of similar co-optimization systems now in place in the New York and Mid-Continent ISO markets, in which a potential power balance violation could be avoided by dispatching resources for energy that would otherwise be providing regulation or spinning reserves.

There was extensive discussion as to whether the ISO's proposed penalty approach would result in lower energy prices than would arise from a co-optimized approach similar to those used in other ISOs, and whether such prices are consistent with scarcity pricing principles. Other issues concerning the power balance parameter that were discussed included: interactions with available balancing capacity in non-CAISO balancing areas in the energy imbalance market; interactions with the load conformance limiter; whether the parameter would be too low on days with very high gas prices; and interactions of the power balance penalty with transmission penalty parameters, in terms of which constraints the market software will choose to violate.

There was also discussion of the implications of the new offer cap, in which offers over \$1000/MWh would have to be cost-justified. In particular, a question was raised about whether the adjustment in constraint parameters in the market software should consider that feature of the new offer cap.



## FUTURE AGENDA ITEMS

Dr. Hobbs announced that the next in person meeting would be held tentatively in May.

## ADJOURNED

There being no additional general session matters to discuss, the general session meeting was adjourned at approximately 11:15 a.m.