

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
March 11, 2014
ISO Headquarters
Folsom, CA 95630**

March 11, 2014

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session 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:

James Bushnell
Scott Harvey
Benjamin Hobbs, Chair
Shmuel Oren

GENERAL SESSION

The following agenda items were discussed in general session.

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON THE MINUTES

Motion

Committee member Hobbs:

Moved, that the Market Surveillance Committee, Advisory Committee to the ISO Board of Governors, approve the general session minutes from the January 16, 2014 meeting.

The motion was seconded by Committee member Bushnell and approved 4-0-0.

Motion

Committee member Hobbs:

Moved, that the Market Surveillance Committee, Advisory Committee to the ISO Board of Governors, approve the general session minutes from the January 30 2014 meeting.

The motion was seconded by Committee member Oren and approved 4-0-0.

DRAFT OPINION ON FLEXIBLE RESOURCE ADEQUACY CRITERIA AND MUST OFFER OBLIGATIONS INITIATIVE

Dr. Oren explained how the MSC recognized that the ISO's proposal was intended to be a pragmatic and narrowly focused approach to expediting procurement of flexible capacity through the resource adequacy process as an interim solution to address operational challenges in the near term.

Dr. Hobbs made a presentation that addressed the potential of short-term markets to support ramping capacity. He described that short-term energy prices can support ramping capacity if the intervals were sufficiently short and had no forecast error. They also needed to have no price caps, no market power and no "non-convexities".

Dr. Hobbs further explained the advantages of using short-run markets. He described how resources were rewarded for helping at the time and place needed and how costs were allocated to load according to contribution to need for resources.

The MSC members engaged in a conversation about resource adequacy markets.

Mark Holeman, on behalf of Powerex, offered comments regarding ramping issues and allowing imports to participate in the flexible resource adequacy market. The MSC members responded to Mr. Holeman.

Paul Nelson, on behalf of Southern California Edison, provided comments about Dr. Hobbs presentation regarding negative prices. Dr. Hobbs and Dr. Oren provided clarifying comments.

Peter Griffes, on behalf of PG&E, provided comments concerning the ISO's allocation of the flexible capacity need. MSC members and Karl Meeusen, Market Design and Regulatory Policy Lead, provided clarifying comments.

Dr. Hobbs confirmed there was no additional public comment.

Motion

Chairman Hobbs:

Moved, that the Market Surveillance Committee, an Advisory Committee to the ISO Board of Governors, adopt the draft opinion titled “Flexible Resource Adequacy Criteria and Must-Offer Obligation”.

The motion to adopt the draft opinion was seconded by Committee member Harvey, and approved 4-0-0.

DISCUSSION ON ENERGY IMBALANCE MARKET COMPETIVENESS ASSESSMENT DISCUSSION

Jeffrey McDonald, Department of Market Monitoring, made a presentation that provided background on local market power mitigation considerations for the energy imbalance market, the proposed methodology, and also presented initial results.

Mark Holeman, on behalf of Powerex, offered comments regarding PacifiCorp east and PacificCorp west. Discussion between Mr. Holeman, Dr. McDonald and the MSC committee members followed.

Ellen Wolfe, on behalf of Western Power Trading Forum, asked a question regarding mitigating bids. Dr. McDonald responded with a clarifying response.

Stuart Kelly, on behalf of PacifiCorp, offered clarifying remarks regarding how resources can participate in the energy imbalance market

Alan Meck, on behalf of the California Public Utilities Commission, asked a clarifying question regarding the bid mitigation analysis. Dr. McDonald provided a clarifying response.

Dr. McDonald continued his presentation regarding the PacifiCorp energy imbalance market competitiveness study. He concluded that based on information currently available, the Department of Market Monitoring could not conclude that the PacifiCorp East or PacifiCorp West balance areas authorizes would be competitive.

Ms. Wolfe asked clarifying questions regarding the policy concerning 15 minute scheduling on interties and third party supply. Dr. McDonlad and Don Tretheway, Lead Market Design and Regulatory Policy Specialist, responded to her questions.

Partha Malvadkar, on behalf of Pacific Gas & Electric, asked a clarifying question regarding the single pivotal supplier test. Dr. McDonald and Dr. Harvey responded with clarifying comments.

RECESSED

There being additional general session matters to discuss, the general session was recessed at approximately 12:45 p.m.

RECONVENED

The Market Surveillance Committee reconvened the general session 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:

James Bushnell
Scott Harvey
Benjamin Hobbs, Chair
Shmuel Oren

GENERAL SESSION

The following agenda items were discussed in general session.

DISCUSSION ON NATURAL GAS PRICES AND IMPLICATIONS FOR BIDDING RULES

Dr. Harvey led a discussion about proxy cost design. Mark Smith, on behalf of Calpine, provided comments regarding gas-pricing volatility. Ms. Wolfe provided comments concerning daily bidding mechanism. The MSC committee engaged in a discussion concerning their statements.

Brad Cooper, Manager - Market Design and Regulatory Policy, provided comments concerning gas imbalance charge issues.

Bonnie Blair, on behalf of Thompson Coburn LLP, provided clarifying statements concerning gas imbalance charge issues.

Dr. Hobbs confirmed there was no additional public comment at this time.

DISCUSSION ON RELIABILITY SERVICES INITIATIVE INCENTIVE MECHANISM

Dr. Bushnell made a presentation about performance incentive issues in resource adequacy and capacity markets.

Stephen Keehn, Senior Advisor, provided comments on capacity markets. The MSC committee engaged in a discussion with Mr. Keehn.

Dr. Harvey gave a presentation about ISO New England's performance incentives capacity market. He explained the ISO New England performance incentives capacity market proposal sought to improve the performance of capacity market resources in the ISO New England energy market.

Alex Morris, on behalf of PG&E provided comments about gas electric coordination issues. Dr. Harvey provided responsive comments.

A discussion about turbine technology ensued between the MSC members and Mark Smith, on behalf of Calpine. Mr. Smith offered comments regarding combined cycle resources. In addition he explained techniques to increase ramp rate, decrease start times and increase the numbers of cycles that could be run during the day.

Greg Cook, Director - Market and Infrastructure Policy, provided additional clarifying comments regarding turbine technology.

Dr. Hobbs confirmed there was no additional public comment.

DISCUSSION ON ORDER 764 IMPLEMENTATION AND REAL-TIME PRE-DISPATCH PRICING

Dr. Harvey gave a presentation regarding FERC Order 764 market design. He explained how the flexiramp constraint impacted prices in the ISO 764 market design. He further explained how the ISO could adjust the amount of ramp created by the flexiramp constraint by varying the ramp capability target, the cap on the flexiramp shadow price, or both.

Don Tretheway, Lead Market Design and Regulatory Policy Specialist, gave a presentation which included an analysis regarding flexible ramping constraint performance. He explained how the ISO was continuing to monitor flexible ramping constraint performance.

Lin Xu, Lead Market Development Engineer, provided clarifying statements regarding the analysis.

Discussion followed among the MSC members, Mr. Tretheway and Mr. Xu regarding the analysis presented.

Dr. Hobbs confirmed there was no public comment at this time.

ADJOURNED

There being no additional general session matters to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 4:00 p.m.