

Memorandum

To: ISO Board of Governors
From: Frank A. Wolak, Chairman, ISO Market Surveillance Committee
Date: October 20, 2008
Re: *Market Surveillance Committee Activities from August 22, 2008 to October 10, 2008*

This memorandum does not require Board action..

The Market Surveillance Committee (MSC) has been involved in three types of activities since August 22, 2008. The first is meeting with stakeholders either in person or through teleconferences to hear their concerns about market outcomes from market simulation of release 1 of the market redesign and technology upgrade (MRTU) and other aspects of the MRTU design. The second is concerned with assisting the Department of Market Monitoring (DMM) with refining their market monitoring protocols for the start of the MRTU. The third is participating in stakeholder activities related to the implementation of MRTU.

MEETINGS WITH STAKEHOLDERS TO DISCUSS MRTU IMPLEMENTATION

In late July of 2008, James Bushnell and Frank Wolak of the MSC and Keith Casey and Eric Hildebrandt of DMM met with staff from Pacific Gas and Electric to discuss the results of the MRTU market simulation and other concerns they had with the MRTU design. Since that time, Bushnell and Wolak have participated in several follow-up conference calls with staff from Pacific Gas and Electric related to these issues. On September 8, Bushnell and Wolak met with representatives from the Western Power Trading Forum, Constellation Energy, Dynegy, Reliant and other representatives from the supplier community to discuss several of their concerns related to MRTU implementation. Bushnell and Wolak have also scheduled a meeting with staff from Southern California Edison to hear their perspective on the results of the MRTU market simulation and other outstanding issues with the MRTU design. This meeting is scheduled for October 15 and Keith Casey, Director of the Department of Market Monitoring, will also participate.

MEETINGS WITH DEPARTMENT OF MARKET MONITORING

The MSC held an executive session meeting with DMM on September 26 to discuss indexes and metrics that DMM plans to use to monitor market participant behavior and the overall performance of MRTU's locational marginal pricing market. DMM has previously briefed the MSC on its proposed monitoring activities for MRTU in executive session, but this was the first all-day meeting on the topic. [NS: they only met once in April] All three MSC members found this meeting extremely informative and look forward to the next meeting planned for October 23.

JOINT STAKEHOLDER/MSC MEETING ON UNECONOMIC ADJUSTMENT UNDER MRTU

On September 25 there was a joint stakeholder and MSC meeting on the topic of uneconomic adjustment in the MRTU market optimizations. Greg Cook of the Market and Product Development department started off the meeting with an overview of where this topic fit into the overall MRTU implementation and development. Six topics were then considered during this all-day meeting:

1. Setting real-time 5-minute interval prices based on the energy bid cap when there is supply shortfall;
2. Using the energy bid cap as the pricing run parameter on transmission constraints that are relaxed in the scheduling run;
3. Adopting an energy price cap and price floor to limit potentially extreme locational marginal prices that can arise due to the interaction of multiple constraints;
4. Enforcing in the reliability procurement mechanism provided by residual unit commitment any energy limits submitted in the day ahead market for use-limited resources;
5. Providing financial “firmness” to holders of existing transmission rights if their submitted, valid integrated forward market self-schedules are unbalanced by uneconomic adjustment in the integrated forward market; and
6. Maintaining the uneconomic adjustment parameter values in the *business practice manuals*, and the process whereby the parameter values may be revised.

Staff from Market and Product Development gave presentations on each of these topics throughout the day, followed by MSC and stakeholder comment. On topic 5, Doug Boccignone, representing Silicon Valley Power, proposed an alternative to the ISO proposal. The MSC was asked to prepare an opinion on these six issues for the October ISO Board meeting. The opinion was adopted by the MSC on October 8, and is in the ISO Board binder.