

GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

October 20, 2015, 10:00 a.m.

General Session

Offices of the ISO

250 Outcropping Way

Folsom, CA 95630

October 20, 2015

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

GENERAL SESSION

The following items were discussed in general session.

PUBLIC COMMENT

No public comment

BRIEFING ON REACTIVE POWER REQUIREMENTS AND FINANCIAL COMPENSATION

Chris Devon, Senior Infrastructure Policy Developer, briefed the MSC on the reactive power requirements and financial compensation proposal. Mr. Devon began by stating the goal of the initiative, which is for the ISO to adopt requirements for asynchronous generators to have controllable reactive power capability. Mr. Devon briefly noted the history of this initiative when in 2010 the ISO filed for this requirements and was subsequently declined by FERC. Mr. Devon noted that since 2010, circumstances have changed as technology is primarily on all inverters. Additionally, he noted the equipment is relatively

inexpensive. Mr. Devon went on to say the proposal includes a provision that all asynchronous resources will be required to provide reactive power effective for cluster nine and beyond. Any resources in the interconnection queue will be exempt. Most importantly, Mr. Devon noted the ISO is not proposing any form of capability or compensation payment, but would be exploring a new type of provision payment that would pay non-typical resources currently not covered under provision payments for opportunity costs.

Dean Burke, on behalf of CDWR, asked the ISO revisit the cost allocation portion of the proposal as their resources are self-compensating for reactive power, including their load, and feel that they should not be billed. He stated that CDWR would like the ISO to look into this further.

Mr. Devon noted that the ISO could take it into consideration.

Following up, Mr. Burke asked if the ISO could give an estimate of the current provisional payments the ISO is doing. Mr. Devon responded that he did not have any numbers off hand but thought they would be relatively low.

Before concluding his presentation, Mr. Devon indicated that this proposal would be a decisional item for the February 2016 Board meeting.

Discussion ensued between the MSC and stakeholders.

BRIEFING ON RELIABILITY SERVICES PHASE 2

Karl Meeusen, Marketing Design and Regulatory Policy Lead, began by summarizing the relationship between reliability services initiative phase 2 and flexible resource adequacy criteria and must offer obligation phase 2 and noted that reliability services initiative phase 2 focused more on processes, whereas flexible resource adequacy criteria and must offer obligation phase 2 focused on additional enhancements to the product definition, such as intertie resources, allowing them to provide flexible capacity.

Dr. Meeusen noted that the goal of reliability services initiative phase 2 would be to continue improving aspects of ISO's availability, outage substitution and replacement rules, and clarifying the resource adequacy process. Dr. Meeusen further noted that there are several components to the initiative but the presentation would only focus on three: 1) development of planned outage substitute capacity rules for flexible capacity resources; 2) assessment of the adequacy of existing planned and forced outage substitution rules for local capacity resources; and 3) design of rules needed to apply RAAIM to combination flexible capacity resources.

For item 1, Dr. Meeusen explained that if in the event of a planned outage for flexible resource adequacy capacity, ISO would allow scheduling coordinators capacity to provide planned outage substitute capacity and any substitute capacity must be eligible to provide at least same category of flexible capacity as capacity that goes on planned outage. Item 2 addresses planned and forced outage substitution rules for local capacity resources. Dr. Meeusen noted this topic involved requiring supply plans to designate specific capacity used to meet local capacity requirements. Further, only use-designated resources would determine if a load serving entity has shown sufficient local capacity. Dr. Meeusen also explained that the ISO would notify both the load serving entity and resource if there were any discrepancies between resource adequacy showing and supply plan. Finally, collective deficiencies in a local area would still be determined using all resource adequacy resources that impact the given area. For item 3, which concerns design rules needed to apply RAAIM to combination flexible capacity resources, Dr. Meeusen noted that the limited exception proposed in straw proposal did not provide same functionality as combination flexible capacity resources. This limited exception options has been removed and flexible capacity availability will be determined based upon a combined resource's availability using the maximum daily availability of the two resources making up the combined resource.

Before concluding the presentation, Dr. Meeusen discussed some examples of flexible capacity availability.

Discussion ensued between the MSC and stakeholders.

RECESSED

The meeting was recessed at approximately 12:10 p.m. for lunch. Chair Hobbs stated the meeting would reconvene at approximately 1:10 p.m.

RECONVENED

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, reconvened the general session at approximately 1:10 p.m. and the presence of a quorum was established.

BRIEFING ON FLEXIBLE RAMPING PRODUCT

Don Tretheway, Lead market Design and Regulatory Policy Developer, gave a presentation that highlighted changes to the flexible ramping product (FRP) initiative. According to Mr. Tretheway, the ISO had modified the proposal based

on feedback received in July from the MSC, DMM and stakeholders. According to Mr. Tretheway, the current proposal settles FRP by calculating net movement. He stated that the updated proposal will split the settlement into two parts: 1) a direct settlement in the market for all forecasted movement and 2) a separate calculation and settlement for uncertainty.

Moving on, Mr. Tretheway outlined a numerical example illustrate the difference between the current flexible ramping product proposal and the updated proposal.

To conclude, Mr. Tretheway stated that a technical workshop was scheduled for November 17. He noted that the draft final proposal would be released the week of December 7 and would go to the Board for decision in February with implementation in the Fall of 2016.

Discussion ensued between the MSC and stakeholders.

DISCUSSION ON OPPORTUNITY COST METHODOLOGY

Kallie Wells, member of Infrastructure Policy team, gave an update on the changes the ISO will be making to the straw proposal that will be forthcoming in the revised straw proposal for the commitment cost enhancements phase 3 initiative. Ms. Wells first noted the scope to the proposal had been updated. Ms. Wells went onto say that originally the initiative focused on developing the business roles and methodology around determining opportunity costs for submitted resources. She stated that FERC recently issued a ruling which rejected the definition in the commitment cost enhancements 2 proposal because of a lack of clarity in the revised definition.

Ms. Wells indicated that the scope of the present initiative would improve the clarity of the definition, and would not be going to Board in two weeks, but instead, the ISO would be publishing the revised straw proposal in approximately two weeks.

The remainder of Ms. Well's presentation focused on three changes to the straw proposal: modeling approach, daily limitations and the conversion factor. She described how the ISO is now proposing that we implement an optimization based model instead of the shuristic approach. Ms. Wells noted the ISO would seek to retain monthly updates. With regards to daily limitations, Ms. Wells mentioned that daily limitations would be addressed through future enhancements and not as part of this initiative. Finally with regards to the conversion factor, Ms. Wells stated it was a new element that the ISO put into the methodology. She described how the conversation factor will now increase or decrease estimated LMPs.

Ms. Wells noted that the ISO has developed and continues to test two prototype models: 1) testing for scheduling coordinator selected resources and 2) methodology whose results will be discussed at an upcoming technical workshop in July.

Discussion ensued between the MSC and stakeholders.

FUTURE AGENDA ITEMS

Dr. Hobbs announced that the next in person meeting would be held tentatively in December or January.

ADJOURNED

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

The MSC has approved these Minutes of the October 20, 2015 MSC Meeting at the following MSC Meeting:

Date of approval: February 11, 2016