

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
October 11, 2019
Offices of the ISO
250 Outcropping Way
Folsom, California**

October 11, 2019

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session meeting at approximately 10:05 a.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

Michelle Kito provided comments on behalf of the California Public Utilities Commission. Ms. Kito indicated that the CPUC is interested in the following two topics and would like to see them addressed at a future meeting of the MSC: the soft offer cap used in the capacity procurement mechanism soft offer cap and import bid cost verification. She provided feedback regarding the MSC's reliability must-run opinion.

There was no other public comment.

DECISION ON GENERAL SESSION MINUTES

Motion

Committee member Bushnell:

Moved, that the Market Surveillance Committee, advisory committee to the ISO Board of Governors, approve the general session minutes for the August 19, 2019 meeting.

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

SYSTEM MARKET POWER MITIGATION DISCUSSION

Perry Servedio, Lead Market Design Policy Developer – Market Design Policy, provided a summary of the ISO staff’s conceptual proposal for mitigation of system level market power in the real-time market. Mr. Servedio explained that the proposal would only mitigate offers within the ISO balancing area, and only when the three most important interties are congested. Active discussion ensued among Committee members and stakeholders, some of which addressed the possible extension from the ISO area to neighboring energy imbalance areas when there is no congestion among those areas, and the issue of whether the western interconnection is competitive. Also, the observation that “resource adequacy” imports often offered at \$1000/MWh was discussed, including alternative explanations of possible market power or lack of backing physical resources.

Next, Committee member Harvey provided a detailed presentation addressing the following three topics: (1) high level design issues for a mechanism to mitigate system-level market power; (2) competition in the California market from imports and implications for the geographic scope of system-level mitigation; and (3) the time-frame for mitigation (real-time, day-ahead, or both). Committee members and stakeholders engaged in discussion regarding several issues, including use of default energy bids for energy imports that are not associated with physical resources, possible advantages and disadvantages of a “conduct & impact”-based approach to mitigation, and concerns over possible day-ahead market power along with the relative rapidity and ease with which market power mitigation can be implemented in the real-time market alone.

Finally, Committee Chair Hobbs summarized a theoretical economic analysis, which showed that under simplified assumptions, mitigation in just the real-time market could also indirectly mitigate market power in the day-ahead market. Dr. Hobbs explained that the degree to which this could occur depends on the extent to which real-time supply is as price-elastic as day-ahead supply, and the effectiveness of virtual (or “convergence”) bidding, and he explained the ways in which it also depends on the extent of market power. Residual unit commitment in the day-ahead market is a complicating factor; it could increase the amount of real-time supply and its elasticity. However, energy offers and energy market efficiency is not an objective of the residual commitment process, and so the wrong units from an overall efficiency point of view might be committed, resulting in less indirect mitigation of day-ahead market power.

RECESSED

The meeting was recessed at approximately 12:40 p.m. for lunch.

RECONVENED

The MSC reconvened the general session at approximately 1:30 p.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the MSC were in attendance:

Benjamin Hobbs, Chair
James Bushnell
Scott Harvey

GENERAL SESSION

The following agenda items were discussed in general session:

PRICE PERFORMANCE ANALYSIS DISCUSSION

Dr. Guillermo Bautista-Alderete, Director – Market Analysis and Forecasting, provided a summary of the recent ISO staff analysis of price performance in the ISO market. Committee members and stakeholders engaged in discussion addressing the issue of how congestion in the fifteen-minute market on the interties is systematically lower than in the hour-ahead market, which increases prices received by importers and may deprive the ISO of congestion revenue.

DELIVERABLE FLEXIBLE RAMPING PRODUCT DISCUSSION

Don Tretheway, Senior Advisor – Market Design Policy, provided an overview of alternatives under consideration by the ISO to address the need for improvements in the flexible ramp product in the energy imbalance market, including going to smaller zones (consistent with the present model) or a fully nodal procurement that would involve consideration of redispatch under additional scenarios of net load that represent steeper up- and/or down-ramps than are forecast. Committee members, stakeholders, and ISO staff engaged in discussion regarding the theoretical and computational advantages of each.

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 4:00 p.m.