

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
September 28, 2018
Offices of the ISO
250 Outcropping Way
Folsom, California**

September 28, 2018

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

Benjamin Hobbs, Chair
James Bushnell
Scott Harvey

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no 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 3, 2018 meeting.

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

LOCAL MARKET POWER MITIGATION ENHANCEMENTS DISCUSSION

Don Tretheway, Senior Advisor – Market Design Policy, summarized four sets of issues and the status of the policy developments concerning each. Mr. Tretheway discussed the market power mitigation process for the real-time market, focusing on the potential for flows between balancing authorities in the energy imbalance market to reverse direction and for balancing authority exports to increase as a result of mitigating offers to below market clearing prices. Significant discussion ensued among Committee members and stakeholders regarding the concern that the EIM, outside of the ISO, is a voluntary market without must offer obligations. Mr. Tretheway summarized the ISO's idea of recalculating the competitive price basis for setting mitigated bids and for implementing a nominal adder to the mitigated bid calculation. He then presented several illustrative examples of how the idea would work. Discussion followed and Committee member Harvey pointed out that there are potential efficiency benefits arising from allowing some changes in flows and exports in a given market run because net load conditions will have changed from what was assumed in the corresponding advisory interval in the previous market run.

Mr. Tretheway next addressed the appropriate default energy bids for use-limited resources, especially hydropower resources, in the EIM that have energy limitations. He explained the need for reference level adjustments to better capture natural gas price volatility and adjustments to the list of gas price index publishers within the tariff. Discussion ensued among Committee members and stakeholders regarding the difficulties in determining default energy bids, including the relationship between the amount of storage and the relevant opportunity cost and probability of spillage, the possibility that day-ahead price indices may inaccurately characterize opportunity costs for hydro resources with short-term operating constraints, and that day-ahead indices may understate suppliers' actual real-time costs during times of high volatility.

RECESSED

The meeting was recessed at approximately 12:05 p.m. for lunch. Chair Hobbs stated the meeting would reconvene at 1:00 p.m.

RECONVENED

The MSC reconvened the general session at approximately 1:00 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:

DAY-AHEAD MARKET ENHANCEMENTS 15-MIN GRANULARITY DISCUSSION

Mr. Tretheway provided an overview of phase 1 of the day-ahead market enhancements initiative. He presented a graphical illustration of why the present 1-hour granularity of the day-ahead market can result in inaccurate characterization of net load changes, particularly during steep evening ramps. He summarized the operational advantages of a finer (15-minute) temporal granularity, and then reviewed the practical implementation challenges. Discussion ensued among Committee members and stakeholders and one tradeoff highlighted was the tradeoff between moving the offer submission deadline one hour earlier versus the operational benefits of a quarter-hour granularity.

Mr. Tretheway next discussed the particular elements of the energy and ancillary service definitions and market processes that would be altered to accommodate 15-minute day-ahead granularity. He noted there would also be design changes in the EIM. Discussion followed and Committee member Harvey highlighted a concern about 15-minute energy transactions requiring a full hour of transmission services from neighboring balancing authorities, which could discourage 15-minute offers.

RELIABILITY MUST-RUN AND CAPACITY PROCUREMENT MECHANISM DISCUSSION

Keith Johnson, Infrastructure & Regulatory Policy Manager, and Gabe Murtaugh, Senior Infrastructure & Regulatory Policy Developer presented together regarding the reliability must-run and capacity procurement mechanism initiative. Mr. Johnson and Mr. Murtaugh requested discussion and discussion ensued among Committee members and stakeholders regarding the role of reliability must-run agreements in ISO market design, compensation for RMR resources, whether to have “condition 1” as an RMR option, bidding rules for RMR resources, prices for bids above the soft-offer cap prices, and application of CPM status to a whole resource.

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 3:05 p.m.