Final
Approved: January 16, 2014

GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
November 15, 2013
ISO Headquarters
Folsom, CA 95630

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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.

DISCUSSION OF FULL NETWORK MODEL INITIATIVE

Committee member Harvey made a presentation that addressed scheduling and pricing. He explained that the ISO was proposing to use North and South scheduling hubs to calculate the congestion impact of interchange transactions in order to better reflect the location at which generation will be incremented or decremented and hence more closely align interchange prices with their value. Mr. Harvey described how the ISO design would provide multiple levels of accuracy in interchange pricing.

Discussion followed among the MSC members and stakeholders.

Jeff Nelson, on behalf of Southern California Edison and Mr. Harvey engaged in a conversation about modeling flows.

Alan Meck, on behalf of California Public Utilities Commission, asked a clarifying question about new activities that the ISO would be doing within the full network model; such as new trading hub or a new node to model. Dr. Harvey explained that there were several new activities proposed. He stated that the ISO did not have a network model outside of the ISO grid because it had not been extended out to the energy imbalance market area. He noted the ISO was proposing to extend out the network model. Dr. Harvey stated that the full network model initiative would model the interchange and loop flows.

Dr. Harvey continued his presentation and addressed the NYISO tagging and checkout timelines.

Alex Morris, on behalf of Pacific Gas and Electric, asked a clarifying question about incentives to tagging in the day-ahead market. Dr. Harvey responded that there were no incentives.

DISCUSSION ON FLEXIBLE RESOURCE ADEQUACY CRITERIA AND MUST OFFER OBLIGATIONS INITIATIVE

Committee member Oren described how the flexible resource adequacy criteria and must offer obligation initiative would lay the foundation for a longer term solution. He further described the following three key elements of the solutions proposed: extending the look-ahead period for a resource adequacy showing, adding a flexibility requirement to a part of the resource adequacy procurement and developing a short term flexi ramp product.

Dr. Oren discussed cost allocation and addressed Pacific Gas and Electric's proposal to allocate load use non-coincident peak load ramps.

Alex Morris, on behalf of Pacific Gas and Electric, elaborated on their proposal and suggested that the allocation be based upon a calculation of each load serving entity's (LSE's) single largest 3-hour maximum load ramp (non-coincident) in MWs for each month using the previous two years of historical loads. Then the procedure could calculate monthly percentage allocators for each LSE by dividing a LSE's own 3-hour ramp requirement by the sum of all the LSEs' 3-hour ramp requirements and then use the resulting 12 percentages to allocate the ISO's monthly 3-hour max net load ramp requirements caused by changes in load.

Jeff Nelson, on behalf of Southern California Edison, provided comments and noted that Southern California Edison believed the flexible resource adequacy criteria and must offer obligation initiative was collapsing under its own complexity.

Chairman Hobbs confirmed there was no additional public comment.

RECESSED

There being additional general session matters to discuss, the general session was recessed at approximately 12:05 p.m.

RECONVENED

The Market Surveillance Committee reconvened the general session at approximately 1:05 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

Karl Meeusen, Market Design and Regulatory Lead, gave a presentation regarding the allocation of the flexible resource for flexible capacity procurement obligations.

Dr. Meeusen described how the flexible capacity requirement was split into two component parts to determine the allocation. He stated the ISO would decompose the largest 3-hour net load ramp into five components to determine the local reliability area's final allocation. He further explained that the ISO was proposing to allocate Delta load component based on a LSE's contribution to top five historical peak 3-hour net-load ramps. He stated that the ISO's proposal was consistent with cost causation principles.

A discussion ensued between Bradford Cooper, Manager, Market Design and Regulatory Policy, Dr. Meeusen and the MSC members in regards to wind and solar outputs.

Dr. Meeusen reviewed PG&E's proposal to allocate load use non-coincident peak load ramps (summarized above).

Discussion followed among the MSC members and Dr. Meeusen in regards to PG&E's proposal.

Dr. Meeusen clarified that it was not clear that PG&E's proposal resolves all free-rider problems. It may just shift the ramping requirement to LSEs that ramp in non-peak ramping times. The ISO proposal is consistent with cost causation principles and the ISO's proposed methodology is consistent with how generic resource adequacy is currently allocated.

Mr. Morris asked a clarifying question regarding how the ISO proposal was going to address allocation of a portion of the Delta renewables portion to parties that are contributing. Dr. Meeusen responded that the ISO was currently investigating a separate methodology.

Dr. Meeusen confirmed there was no additional public comment.

Chairman Hobbs gave a presentation about perspective on calculating flexible capacity availability adder. Dr. Hobbs provided information regarding an appropriate penalty ("flexible capacity adder") for unavailability of flexible resource adequacy. He explained the penalty for unavailability of a flexible resource adequacy unit should reflect difference between its value to entire market (social value) and its foregone revenues. Dr. Hobbs illustrated that an unavailable unit already loses flexiramp & energy revenues. The penalty should be prorated flexible resource adequacy and resource adequacy revenue.

Discussion followed among the MSC members regarding ramping.

Chairman Hobbs confirmed there was no additional public comment.

Chairman Hobbs gave a presentation regarding a procedure for calculation of opportunity costs of use limitation: starts, operation hours and energy.

Discussion followed among the MSC members regarding peak energy ramps.

Carrie Bentley, Sr. Market Design and Policy Specialist gave a presentation on estimating real time prices: preliminary comparison northern pricing node. The MSC members provided feedback to Ms. Bentley on the proposed methodology to calculate prices.

A discussion ensued between the MSC about calculating prices.

Chairman Hobbs confirmed there was no additional public comment.

DISCUSSION ON ENERGY IMBALANCE MARKET CONTINGENCY MEASURES

Don Tretheway, Lead Market Design and Regulatory Policy Specialist, gave a presentation on clarifications to energy imbalance market design. He explained that The ISO would be determining what base schedules to use in its day-ahead market. He stated that the ISO would notify the energy imbalance market entity if actual base schedule was not used as this impacts advisory information. He explained that flow entitlements were used to determine if a balancing area authority should receive a portion of another balancing area authority's real-time congestion balancing account. Mr. Tretheway also explained that over the next six months, ISO staff and the ISO's Department of Market Monitoring will determine if balancing area authority level market power exists, then net energy imbalance market transfer in limit would be subject to market power mitigation rules.

Mr. Nelson asked a clarifying comment about Bonneville Power Administration constrains. A discussion between the MSC Committee, Mr. Tretheway and Mr. Nelson ensued.

Mr. Tretheway confirmed there was no additional public comment.

FUTURE AGENDA ITEMS

Mr. Nelson suggested a future agenda item of modeling of PacifiCorp and Bonneville Power Administration interactions.

Chairman Hobbs confirmed the next MSC meeting was scheduled for January 2014.

ADJOURNED

There being no additional general session matters to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 3:45 p.m.