



Memorandum

To: ISO Board of Governors

From: Benjamin F. Hobbs, Chair, ISO Market Surveillance Committee

Date: July 9, 2015

Re: Briefing on MSC Activities from May 5 to July 1, 2015

This memorandum does not require Board action.

Over the time period covered by this memorandum, members of the Market Surveillance Committee (MSC) have written and adopted a formal opinion on load granularity refinements, which was adopted during a public call on May 18, 2015.¹ Our major conclusion was that we supported the ISO's recommendation to the Federal Energy Regulatory Commission against further disaggregation of default load aggregation points at this time. We believe that the likely benefits of such disaggregation would be small in the near future, and would likely to be well outweighed by the reported costs of implementation. This is because there have been no efforts to date by regulators to reflect locational wholesale prices in retail rates, nor is there any indication of interest in such retail rate reform in the future. In addition, there is a lack of support for disaggregated prices from load serving entities that are not under the jurisdiction of the California Public Utility Commission. On the other hand, the opinion did encourage reforms of retail ratemaking that would have those rates better reflect temporal and spatial variations in the cost of power to better enable price responsive consumers to adjust their consumption based on the cost of power.

In addition to adopting the above opinion, members of the MSC have interacted informally with staff and stakeholders on several ISO initiatives, and have provided comments on the Department of Market Monitoring's draft 2014 Annual Report on Market Issues and Performance. Initiatives we have been consulted on include the following.

1. The design of the flexible ramping product, with an emphasis on the relationship of the product requirements for the fifteen minute market and the five minute dispatch market.
2. Commitment costs enhancements phase 3, especially the calculation and application of opportunity costs for generating units with limited starts, energy, or

¹ J. Bushnell, S.M. Harvey, and B.F. Hobbs, *Opinion on Load Granularity Refinements*, Opinion of the Market Surveillance Committee of the California ISO, Adopted May 18, 2015.

operating hours.

3. Resource adequacy flexible capacity requirements, including possible definitions of downward flexible capacity and time periods over which ramping capability would be measured.

The first two of these initiatives will be discussed further by the full MSC at the general session meeting to be held at Folsom on July 15, 2015. We anticipate that the MSC will be preparing formal opinions on each of these topics in late 2015 or early 2016.