



## **GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING**

**May 7, 2012, 10:00 a.m.**

**General Session Teleconference Meeting**

**Offices of the ISO**

**250 Outcropping Way**

**Folsom, CA 95630**

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A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice announcing the meeting (final notice released May 4, 2012), posted on the CAISO Web site at:

<http://www.caiso.com/Informed/Pages/BoardCommittees/MarketSurveillanceCommittee/Default.aspx>.

### **ATTENDANCE**

The following members of the Market Surveillance Committee were in attendance:

James Bushnell via teleconference

Benjamin Hobbs, Chairman, via teleconference

Scott Harvey, via teleconference

Shmuel Oren, Via teleconference

The following ISO staff members were present: Brad Cooper, David Zlotlow, Greg Cook, and Kimberli Lua. Other members of the public joined in on the conference call; those parties are listed on a conference participant list compiled by the telephone service provider.

### **GENERAL SESSION**

The following agenda items were discussed in general session:

#### **PUBLIC COMMENT**

Receiving no public comment, Chairman Hobbs moved to the next agenda item.

#### **Decision on General Session Meeting Minutes**

Decision on the general session meeting minutes for March 9, 2012 and March 30, 2012 minutes was deferred.

**Draft Opinion on Commitment Costs Refinement and Bid Cost Recovery Mitigation Measures**

Chairman Hobbs indicated the discussion of the draft opinion would be broken up into two parts, first discussing bid cost recovery and then commitment costs.

The MSC expressed its support for the modified day-ahead metered energy adjustment factor; the real-time performance metric; and the persistent uninstructed energy (PUIE) check. The MSC recommend that further examination be undertaken to determine the particular threshold values to be used to determine whether persistent uninstructed energy would be disqualified. In addition, the MSC suggested that the criteria used to determine whether mitigation takes place also include consideration of a total dollar/MW of capacity threshold.

The MSC recommends the historical behavior be looked at more closely to determine whether identified violations of the criteria represented explainable and normal variations or strategic behavior, if that's possible.

In general the MSC supports the principles of the proposal and would like to get more information in terms of the effects of choice of the actual thresholds of the A&B criteria and consideration of the dollar amounts.

Chairman Hobbs then turned to the other members of the MSC to provide any additional comments. Receiving no further comments from the MSC, Hobbs turned it over to the public for comments on the BCR portion of the opinion. Then receiving no comments from the public, Chairman Hobbs moved onto the Commitment Cost portion of the proposal.

The MSC has considered the commitment cost initiative several times in the past two to three years. In general, in the past, the MSC has strongly supported the recovery of the legitimate and verifiable start-up and minimum load costs when they are incurred as part of the least-cost operations of the ISO market. In past opinions the MSC has addressed the level of limitations imposed by the ISO and how such fixed costs can be bid. Their recommendations in general have tried to balance two objectives. The first is responsiveness to actual costs so that generators can bid all of their costs in response to varying fuel costs or other conditions. The second is limiting of opportunities to take advantage of local market power to recover inflated as-bid levels of these costs when there are generators in unique positions to relieve certain constraints that if unchecked may allow for inflated bid cost recovery.

In the past the MSC has expressed support for including wear-and-tear costs, as well as opportunity costs. Chairman Hobbs indicated that the ISO's present proposal offers what the MSC believes to be an improved method for estimating certain components of start-up and minimum costs. Further, the proposal would allow for the variable portion of grid management charges, CO<sub>2</sub> costs, and maintenance costs. In addition, the proposal also allows for after-the-fact recovery of operational flow order costs.

The MSC suggested three items for consideration in the future but does not believe they are practical to incorporate in the proposal at this time. 1) The MSC would like to have opportunity costs included in start-up and minimum load bids. 2) The MSC recommends consideration be given to future stakeholder process for including OFO (operational flow

order) costs in bids, not in after-the-fact cost recovery. 3) Consistent with how energy bids are mitigated in the market, the MSC would like to see more precise targeting of mitigation to those locations and situations in which significant market power can be exercised with respect to start-up and min load costs bidding. In general, the MSC would like to see a more tailored system so that generators outside of those areas that do not have market power and can have flexibility to adjust bids.

In sum, the MSC supports the proposal, but would like to see further changes in the future to address the identified three issues.

Chairman Hobbs then turned to the other members of the MSC to provide any additional comments.

Receiving nothing from the committee Chairman Hobbs moved onto comments from the public.

Ellen Wolfe, on behalf of the Western Power Trading Forum, expressed cautionary remarks regarding bid cost recovery and performance issues and the potential for false positives. Wolfe raised concern for the ability of market participant to keep track of whether they are in this “bad zone or not given the complicated nature of the measures.” Finally, Wolfe asked the MSC if it received feedback from ISO staff about whether they intend to do further analysis or approve this measure at the upcoming Board meeting.

No further comments were received from the public.

### **Motion**

Committee Chairman Hobbs:

*Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopt the amended draft opinion with amendments to references of footnotes one and two, correction of a typo, insertion of a missing word, insertion of language to express general support for some of the features of the BCR proposal and finally giving support to lower the cap on registered costs on 50% of the proxy in the titled opinion “Bid Cost Recovery Mitigation Measures and Commitment Costs Refinement.”*

The motion to adopt the amended opinion was seconded by Committee member Harvey, and approved 4-0-0.

### **ADJOURNED**

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 10:00 a.m.

The MSC has approved these Minutes of the May 7, 2012, MSC Meeting at the following MSC Meeting:
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Date of approval: May 25, 2012
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