



GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

March 19, 2013, 10:00 a.m.

General Session

Offices of the ISO

250 Outcropping Way

Folsom, CA 95630

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 March 15, 2013), posted on the ISO Web site at: www.caiso.com/Informed/Pages/BoardCommittees/MarketSurveillanceCommittee/Default.aspx.

ATTENDANCE

The following members of the Market Surveillance Committee attended:

James Bushnell
Scott Harvey (via teleconference)
Benjamin Hobbs, Chair
Shmuel Oren

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Receiving no public comment from the room or phone line, Dr. Bushnell moved to the next agenda item.

Discussion on contingency modeling enhancements initiative

Dr. Lin Xu, from the Market Design and Regulatory Policy department, provided an overview of contingency modeling enhancements.

The ISO currently only models pre-contingency dispatches for contingencies, which is called the preventive model. The ISO is considering improving the contingency modeling capability to include both pre-contingency dispatches and post-contingency dispatches. The new model is called the preventive-corrective model. The new model can help the ISO commit and position resources more efficiently to meet the reliability standards, and may also introduce a new locational capacity payment. An example was discussed to demonstrate the new model and payment methods.

Following Dr. Xu's presentation, discussion followed by MSC members and stakeholders regarding the potential impact on operations and energy prices.

Discussion on ISO market pricing and transparency initiative

Ellen Wolfe, on behalf of the Western Power Trading Forum (WPTF), thanked the MSC and Dr. Hobbs for the opportunity to present. Ms. Wolfe then went on to describe what WPTF believes is a problem concerning uncertainty and explainability of prices in the market. Ms. Wolfe explained that phenomena, such as volatility that cannot be explained or market outcomes that people cannot understand, adversely affect market efficiency.

Next, Ms. Wolfe focused her presentation on the liquidity in the bilateral market and how it has decreased over time. Ms. Wolfe's presentation concluded with the emphasis on requesting more transparency from the ISO.

Discussion followed among the MSC members and stakeholders.

Discussion on FERC Order No. 764 market changes initiative

Don Tretheway, from the Market Design and Regulatory Policy department, made a presentation addressing the changes from the draft final proposal. Mr. Tretheway informed the audience that FERC Order 764 was put in place "to remove barriers to the integration of variable energy resources" and contains two components: 1) offer an option to schedule energy with 15-minute granularity; and 2) require variable energy resources to provide meteorological and forced outage data for the purpose of power production forecasting."

Mr. Tretheway highlighted the important features and changes in the proposal that included the following:

1. The addition of tagging examples;
2. Clarification of the hourly process declines charge;
3. Allowance of one hourly block single schedule change per hour and elimination of bid cost recovery for all hourly block schedules;
4. The default procedure that the ISO would update energy schedules on the tags;
and
5. Clarification of InterSC trade settlement.

Regarding item 4 (ISO updating of schedules on tags) Mr. Tretheway emphasized that a market participant would be able to opt out of the default procedure. However, in that case the market participant would be responsible for updating within the 2.5-minute timeframe.

ISO staff addressed questions and noted that the key was that there remained an hourly product and that the ISO would use the simple average for the 15-minute interval for the InterSC trades.

- 1) No netting of imbalances; and
- 2) Limits upon position limits for convergence bidding on the ties.

Discussion followed among the MSC members and stakeholders.

NEW BUSINESS

No new business.

ADJOURNED

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 4:00 p.m.

The MSC has approved these Minutes of the March 19, 2013 MSC Meeting at the following MSC Meeting:

Date of approval: July 2, 2013