

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
December 7, 2018
Offices of the ISO
250 Outcropping Way
Folsom, California**

December 7, 2018

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session meeting at approximately 10:05 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 Harvey:

Moved, that the Market Surveillance Committee, advisory committee to the ISO Board of Governors, approve the general session minutes for the September 28, 2018 meeting.

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

LOCAL MARKET POWER MITIGATION ENHANCEMENTS DISCUSSION

Gabe Murtaugh, Sr. Infrastructure and Regulatory Policy Developer Don Tretheway, Senior Advisor – Infrastructure and Regulatory Policy, summarized the three specific items included within the scope of the local market power mitigation enhancements initiative, which are flow reversal, economic displacement, and mitigated bids that are below estimated marginal opportunity costs specifically for hydro resources. Mr. Murtaugh next provided an overview of the ISO's proposed hydro default energy bid option, which was constructed to capture opportunity costs for some hydro resources. He described the proposed hydro DEB option's short-term and long-term components and its customizable inputs. Mr. Murtaugh next described the data used in the ISO's analysis and provided illustrative charts demonstrating results. Discussion ensued among Committee members and stakeholders regarding modeling, opportunity costs, and analysis results.

Elliot Nethercutt, Sr. Market Design Policy Developer – Market Design Policy, provided a brief review of economic displacement under the current framework and a review of the proposed optional rule, which evolved after recent stakeholder input. Mr. Nethercutt explained that the ISO is now contemplating limiting the export to either the max of the base transfers or the mitigation transfers and then adding on the flexible ramping-up award. Discussion ensued among Committee members and stakeholders regarding the proposed optional rule, including the alternative export limit being contemplated.

RECESSED

The meeting was recessed at approximately 12:00 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:

INTERTIE DEVIATION SETTLEMENT DISCUSSION

Danielle Tavel, Policy Development Data Analyst – Market Design Policy, provided background and data analysis regarding the intertie deviation settlement initiative. Ms. Tavel explained that the ISO has recognized there are high levels of undelivered intertie resources, which impacts market pricing and grid stability, and is proposing a new under/over delivery charge to address the non-delivery. She provided an overview of charts illustrating undelivered interties. Next, Mr. Cooper described in depth the under/over delivery charge, which is intended to strengthen incentives to deliver imports and exports scheduled in the hour-ahead scheduling process. Discussion ensued among Committee members and stakeholders regarding the new charge, including the reasonableness of the penalty.

STORAGE AS A TRANSMISSION ASSET DISCUSSION

Karl Meeusen, Senior Advisor – Infrastructure & Regulatory Policy, presented regarding the storage as a transmission asset initiative. Dr. Meeusen described the limited scope of the initiative noting that it focuses primarily on how a resource selected for cost-of-service based transmission service might also provide market services to reduce costs to ratepayers. Dr. Meeusen discussed changes in the initiative timeline and provided an overview of the four cost recovery options the ISO is proposing for regional storage as a transmission asset projects. He requested discussion and discussion ensued among Committee members and stakeholders regarding the four cost recovery options, “spread bidding” functionality, the must-offer obligation, and the load-based notification test.

DAY-AHEAD MARKET ENHANCEMENTS DISCUSSION

Don Tretheway, Senior Advisor – Market Design Policy, summarized the key objectives of phase 2 of the day-ahead market enhancements initiative. Mr. Tretheway described the previous proposal, which was to combine the independent forward market and the reliability unit commitment into a single optimization problem, and the current proposal, which would keep financial (IFM) and reliability (RUC) markets separate. He provided a graphical illustration of the two potential settlement paths. Mr. Tretheway requested discussion and discussion ensued among Committee members and stakeholders regarding comparison of the pros and cons of the two alternatives and the analysis evaluating whether the market or the ISO day-ahead forecast is more accurate.

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 4:00 p.m.