

GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

February 2, 2018 10:00 a.m.

General Session

Offices of the ISO

250 Outcropping Way

Folsom, CA 95630

February 2, 2018

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:

Benjamin Hobbs, Chair
James Bushnell
Scott Harvey

GENERAL SESSION

The following items were discussed in general session.

PUBLIC COMMENT

No public comment

DECISION ON GENERAL SESSION MINUTES

Motion

Committee member Hobbs:

Moved, that the Market Surveillance Committee, Advisory Committee to the ISO Board of Governors, approve the general session minutes from the December 1, 2017 meeting.

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

CONGESTION REVENUE RIGHT AUCTION EFFICIENCY

Mr. Perry Servedio, Sr. Market Design Policy Developer at the ISO, started the discussion by summarizing the ISO's proposed Track 1 revisions to the congestion revenue rights process, for which the MSC is preparing an Opinion for submission to the March 2018 Board of Governors meeting.

Dr. Scott Harvey, MSC member then provided a presentation on principles for economic and financial evaluation of congestion revenue rights for purposes of hedging physical transactions and for financial trading, and on analyses for identifying whether rights sold through auctions are valued as hedges or for financial gains. Hedges have an economic value to the purchaser that is in excess of the expected settlement in the day-ahead market (the energy price difference between the source and sink nodes), while financial trading would value rights at a level less than their expected settlement.

Finally, Mr. Ryan Kurlinski of the ISO's Department of Market Monitoring summarized the Department's position on reforming the auction, which is that they and some stakeholders believe that it should be eliminated except for reconfiguring rights that third parties offer, and the ISO and its consumers should not be financially backing rights sold in the auction.

RECESSED

The meeting was recessed at approximately 12:05 p.m. for lunch. Chair Hobbs stated the meeting would reconvene at 1:00 p.m.

RECONVENED

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, reconvened the general session at 1:25 p.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 items were discussed in general session.

TRANSMISSION ACCESS CHARGE STRUCTURE REVIEW

Mr. Chris Devon, Senior Infrastructure & Regulatory Policy Developer at the ISO, began this agenda item by making a presentation on alternatives for the transmission access charge, in terms of measurement point (at the point of consumption or where the high voltage ISO-controlled grid interfaces with the distribution system) and the measurement of customer usage (whether volumetric based on energy use, or based on peak demand, perhaps coincident with the system or local peak, or a combination). He discussed the relevance of embedded costs versus going-forward incremental costs in this design, and summarized the ISO's straw proposal for revisions of the transmission access charge.

Discussion with stakeholders ensued.

FLEXIBLE RESOURCE ADEQUACY AND MUST OFFER OBLIGATION, PHASE 2 DISCUSSION

Dr. Karl Meeusen, Market Design and Regulatory Policy Lead at the ISO, made a presentation summarizing issues associated with the present implementation of this initiative, and the revisions under development as part of Phase 2 of that initiative.

FLEXIBLE RAMPING PRODUCT PERFORMANCE DISCUSSION

Dr Hobbs introduced Mr. Rahul Kalaskar, Manager of Market Validation and Analysis at the ISO. The recent amounts and prices of the flexible ramping product in the ISO's real-time markets have differed from what was expected during the design of the product, and questions have arisen as to whether it is performing as intended was addressed. Mr. Rahul Kalaskar, reviewed data on the product's recent performance, including definition of requirements and price formation. Some potential adjustments to these definitions have been identified by ISO staff and were discussed by the attendees that could potentially improve the ability of the product to perform as intended. MSC members in general welcomed changes that would improve the ability of the product to enable the ISO system to manage unexpected net load ramps and provide incentives to bid flexibly and invest in flexible capacity.

FUTURE AGENDA ITEMS

Dr. Hobbs announced that the next in person meeting would be held on April 5, 2018.

ADJOURNED

There being no additional general session matters to discuss, the general session meeting was adjourned at approximately 4:15 p.m.