

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
June 7, 2019
Offices of the ISO
250 Outcropping Way
Folsom, California**

June 7, 2019

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session meeting 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 agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment.

DECISION ON GENERAL SESSION MINUTES

Motion

Committee member Bushnell:

Moved, that the Market Surveillance Committee, advisory committee to the ISO Board of Governors, approve the general session minutes for the April 5, 2019 meeting.

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

DAY-AHEAD MARKET ENHANCEMENTS DISCUSSION

Megan Poage, Senior Market Design Policy Developer – Market Design Policy, provided an overview of basic operational needs for a reliability capacity product. Discussion ensued among the MSC, ISO staff, and stakeholders regarding the potential magnitude of cost savings and reductions in exceptional dispatch that will result and the economic efficiency of meeting these needs through the market and whether changes in system conditions between day-ahead and real-time might mean that reliability capacity scheduled day-ahead might be unavailable to meet the real-time ramps. One MSC member suggested that consideration should be given in the longer term to the creation of formal intra-day markets between day-ahead and real-time, as now exist in Europe, which would allow schedule adjustments to be made by the market when more is known about the evolution of net load over the day, but far enough before real-time such that there are more options to change commitments.

Next, George Angelidis, Principal – Power Systems Technology Development outlined two alternative formulations of the market software to schedule generation for energy and reliability capacity. Dr. Angelidis then presented the formulation of transmission limitations designed to ensure deliverability of reliability capacity from one market to another. Extensive discussion followed among the MSC, ISO staff, and stakeholders regarding the proposal that day-ahead reliability capacity would “expire” in real-time, rather than be maintained as real-time flexible ramp product and be subject to imbalance settlements if the reliability capacity differed from the amount of ramp product; whether physical capacity alone or physical plus net virtual capacity should be the basis of determining day-ahead reliability capacity needs; and whether the mathematics of the second proposal might result in over-procurement.

RECESSED

The meeting was recessed at approximately 12:18 p.m. for lunch.

RECONVENED

The MSC reconvened the general session at approximately 1:30 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:

STRUCTURAL SYSTEM-LEVEL COMPETITIVENESS ANALYSIS DISCUSSION

Perry Servedio, Lead Market Design Policy Developer – Market Design Policy, Guillermo Bautista Alderete, Director – Market Analysis and Forecasting, and Jiankang Wang, Engineering Specialist Lead – Market Analysis and Forecasting summarized an ISO study of system-wide structural competitiveness, as gauged by the residual supply index. Mr. Servedio then summarized several possible policy implications, including how imports and fixed price energy contracts can be counted towards resource adequacy requirements, and the design and implementation of system-level market power mitigation processes. Discussion ensued among MSC members, ISO staff, and stakeholders regarding the issues raised and a stakeholder made the argument that contracting for imported resource adequacy is presently hindered by what that stakeholder perceives to be a complicated and inflexible process for allocating import capability on the interties.

Next, Amelia Blanke, Manager – Monitoring and Reporting, summarized several Department of Market Monitoring analyses. Dr. Blanke reported on DMM's findings and concluded with several recommendations, including recommendations that the ISO begin considering implementation of system-wide market power mitigation, and that issues of must-offer enforcement, resource adequacy requirements and counting rules, and monitoring be addressed.

ENERGY STORAGE AND DISTRIBUTED ENERGY RESOURCES PHASE 4 DISCUSSION

Gabe Murtaugh, Senior Infrastructure and Regulatory Policy Developer – Infrastructure and Regulatory Policy, provided an overview of the ISO's proposal for defining default energy bids for distributed storage for use in local market power mitigation. Mr. Murtaugh explained that because storage will often be installed to manage local congestion problems, if a significant amount of storage is owned by one entity, it could be in a position to exercise local market power. He explained that default energy bids require estimates of costs of providing energy, which include the cost of charging and any opportunity costs of using the energy at one particular time versus another; internal energy losses; and cycling costs in which deep charge/discharge cycles tend to shorten battery life more than shallow cycles. He then outlined three alternative methods to calculate default energy bids.

Next, Mr. Servedio made a short presentation on allowing a scheduling coordinator to submit a state-of-charge constraint for the end of the hour or day for a storage facility that the ISO scheduling software would have to comply with. He explained that the ISO proposes that if compliance with the state-of-charge constraint results in uneconomic operation, then the resource would not be eligible for bid cost recovery. He included two alternative proposals for implementing that restriction.

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 5:09 p.m.