

GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

March 14, 2016, 2:00 p.m.

**General Session
Teleconference**

March 14, 2016

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session at approximately 2:00 pm and the presence of a quorum was established, via roll call.

ATTENDANCE

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

James Bushnell
Scott Harvey
Benjamin Hobbs, Chair

GENERAL SESSION

The following items were discussed in general session.

PUBLIC COMMENT

No public comment was offered.

Draft Opinion on Commitment Cost Bidding Improvements

Dr. Hobbs provided a brief summary of the MSC's commitment cost bidding improvements opinion. Dr. Hobbs expressed that the MSC focused on three general issues in their opinion: 1) the definition of use-limits and the calculation of opportunity costs arising from those limits, 2) the general philosophy of how market power and commitment cost bidding is detected and mitigated, and 3) the principle that generators are allowed to file for cost recovery at FERC if commitment cost payments fail to adequately cover fuel costs.

Dr. Hobbs summarized the section in the opinion on opportunity costs and reminded stakeholders the MSC has been working with ISO staff on the proposed procedures for calculating opportunity costs for starts, operating hours,

and energy. Dr. Hobbs also noted it would have been more desirable to have more thorough testing with the software, but at this time the MSC believes it is important for operators to have flexibility and testing under live fire.

Next, Dr. Hobbs turned to Dr. Bushnell to discuss the use limited definitions. Dr. Bushnell briefly highlighted the MSC position on this issue and noted there is a question of how the ISO should treat contract limitations

Next, Dr. Harvey briefly discussed mitigation and after-the-fact recovery. He noted the core of the ISO's proposal was an improvement over the current situation, where resources have the potential for significant financial losses due to price caps on the bids for start-up costs. Dr. Harvey noted that while the changes in the proposal as well as those the ISO has made will reduce the potential, the ISO has also recognized it cannot be sure that there will not the potential for significant losses in the future. Dr. Harvey went on to say that the design was the key feature to the proposal. He noted that to reduce the ISO's burden in getting the commitment costs and the opportunity costs right for everybody, it desirable that in the future the ISO work out a design for the mitigation of market power when the constraints are binding, while not mitigating bids when there are no constraints. This effort, he noted, would reduce some of the ISO's burden and reduce the pressures and concerns market participants have. In closing, Dr. Harvey stated that as the ISO looks at expansion and the western EIM, and the potential for cost non-recovery within regions because of inappropriate mitigation, the need for such a refined mitigation system may become more important.

Shifting back to opportunity costs, Dr. Harvey stated he supported the ISO's position but asserted that the ISO should conduct as much testing in advance as possible.

Receiving no further input from the MSC members, Dr. Hobbs turned to public for questions and comment.

Eric Little, representing Southern California Edison, asked a clarifying question regarding the issue of flexibility vs. actual market power and whether the MSC considered how the present rules work when a resources that is designated as "flexible resource adequacy" under category 2 will have a lower requirement for starts per-day than a "non-flexible resource adequacy" resource? Dr. Bushnell offered clarifying statements.

Mike Evans, representing Shell Energy, asked a clarifying question regarding the cost recovery process and voiced concern regarding Aliso Canyon and the SoCal Gas/San Diego Gas and Electric proposal to impose a 5% daily limit on balancing on gas supply.

Barbara Barkovich, representing the California Large Energy Consumers Association, voiced concern regarding the rules surrounding demand response and how they have shifted and have been redefined.

Receiving no further comments or questions from the telephone, Dr. Hobbs asked for a motion to approve the opinion.

Motion

Committee member Dr. Bushnell

Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopt the draft opinion titled “Opinion on Commitment Cost Bidding Improvements.”

The motion to adopt the draft opinion was seconded by Committee member Dr. Harvey. Before taking a vote Dr. Hobbs asked if there were in any corrections or comments to be made to the opinion. Receiving none, the MSC approved 3-0, via roll call.

FUTURE AGENDA ITEMS

Dr. Hobbs announced that the next meeting will be conducted in April at the offices of the ISO in Folsom.

ADJOURNED

There being no additional general session matters to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 3:00 PM.

The MSC has approved these Minutes of the March 14, 2016 MSC Meeting at the following MSC Meeting:

Date of approval: June 17, 2016