

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
August 3, 2018
Offices of the ISO
250 Outcropping Way
Folsom, California**

August 3, 2018

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 June 7, 2018 meeting.

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

EIM MITIGATION DISCUSSION

Gabe Murtaugh, Senior Infrastructure and Regulatory Policy Developer, provided an overview of potential refinements to mitigation and default energy bids in the energy imbalance market. Mr. Murtaugh explained that the ISO is exploring whether to refine how and when it mitigates particularly with hydro resources in EIM, whether there are any improvements it can make to mitigation, what values it should mitigate, whether default energy bids need to represent opportunity costs, and whether it is possible to calculate hydro opportunity costs in practice. Committee members and stakeholders discussed these questions.

Committee member Harvey provided an overview of issues related to competitive locational marginal prices, focusing on a particular issue arising from the calculation of competitive prices and the use of those in multiple intervals, which can lead to efficiency problems. He stressed that some effort toward improving competitive pricing calculations could potentially address EIM entities' concerns with the way mitigation is applied. He next discussed the ISO's mitigation framework and how it relates to the competitive LMP. He provided and discussed with Committee members and stakeholders illustrative examples of potential changes to how the competitive LMP is calculated, which could better align the competitive LMP used in the binding dispatch and settlements with the actual competitive LMP in the binding interval. Committee member Harvey concluded his presentation by discussing conduct and impact thresholds for energy and minimum load bids in the New York ISO and Midcontinent ISO within constrained areas. Discussion followed.

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 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:

ENERGY STORAGE AND DISTRIBUTED ENERGY RESOURCES PHASE 3 DISCUSSION

Eric Kim, Infrastructure and Regulatory Policy Specialist, provided an overview of the energy storage and distributed energy resources phase 3 initiative. Mr. Kim described and discussed each of the four proposals within the initiative, namely (1) new bidding and real-time dispatch options for proxy demand resources, (2) removal of the single load serving entity aggregation requirement and the need for application of a default load adjustment, (3) load shift product for behind the meter storage, and (4) measurement of behind the meter electric vehicle supply equipment load curtailment, and he summarized stakeholder positions on the proposals. Discussion with Committee members and stakeholders ensued concerning load baselines.

RELIABILITY MUST-RUN AND CAPACITY PROCUREMENT MECHANISM DISCUSSION

Keith Johnson, Infrastructure and Regulatory Policy Manager, provided an overview of the scope of the review of reliability must-run and capacity procurement mechanism initiative. Mr. Johnson explained that the rather large initiative consists of a comprehensive review of both RMR procurement and CPM procurement, and looking at ways these can be improved. He discussed when RMR procurement is used and when CPM procurement is used, clarifying that RMR procurement is used to address resource retirements and special needs, and as last resort procurement, while CPM procurement is used as a backstop resource adequacy program. Mr. Johnson next discussed proposed changes to the pricing formula for a resource that files at FERC for a CPM price above the soft-offer cap price. Discussion with Committee members and stakeholders followed regarding the various forms and possible lengths of CPM procurement and compensation for both types of procurement.

Mr. Murtaugh discussed the components of the initiative that seek to increase alignment of must offer obligation and bidding rules for capacity resources, and to update the allowed rate of return for RMR compensation. Discussion with Committee members and stakeholders ensued regarding the potential options for updating the allowed rate of return.

STORAGE AS A TRANSMISSION ASSET DISCUSSION

Karl Meeusen, Senior Advisor – Infrastructure and Regulatory Policy, discussed the storage as a transmission asset initiative and, specifically, some of the cost recovery options the ISO has been exploring, including the benefits and challenges of each option. Dr. Meeusen first clarified the scope of the initiative noting that the initiative will explore how a resource that is selected for cost-of-service based transmission service might also provide market services to reduce costs to ratepayers. He explained that the initiative will consider storage resources providing reliability-based transmission services, as well as economic- and policy-based projects, irrespective of whether the storage resources are connected to the transmission or distribution network. He next

described and discussed with Committee members and stakeholders the three cost recovery options being explored for regional storage as a transmission asset projects, including (1) full cost-of-service based cost recovery with complete energy market crediting to ratepayer, (2) partial cost-of-service based cost recovery and retention of energy market revenues, and (3) full cost-of-service based cost recovery with partial market revenue sharing between the owner and ratepayer.

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 4:05 p.m.