

# Memorandum

**To:** ISO Board of Governors

**From:** Benjamin F. Hobbs, Chair, ISO Market Surveillance Committee

**Date:** December 11, 2013

**Re:** Briefing on MSC activities from Nov. 1-Dec. 5, 2013

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***This memorandum does not require Board action.***

Over the month covered by this memorandum, the Market Surveillance Committee held a public session meeting in Folsom on November 15, 2013 and MSC members have interacted with staff and stakeholders on several ISO initiatives.

The next meeting of the MSC will be in Folsom on January 16, 2014. The MSC is preparing formal opinions on the flexible resource adequacy criteria and must offer requirements (FRACMOO) and full network model initiatives. We are planning to submit those opinions at the February Board of Governors meeting.

## **November 15, 2013 MSC Meeting**

During the November 15 MSC meeting, three ISO initiatives were discussed with stakeholders and staff, including:

- Contingency measures proposed by the ISO concerning the energy imbalance market between the ISO and PacifiCorp;
- The full network model initiative; and
- Definition of flexible resource adequacy criteria and must offer obligations under the FRACMOO initiative.

Formal presentations were made by MSC members at the meeting on several of these topics.

MSC Member Scott Harvey discussed several issues concerning scheduling and pricing of energy arising in the full network model. An important issue is the information provided by tags; Dr. Harvey pointed out that the tag source is not the same as the actual source of incremental generation to support an incremental import, and thus cannot be relied upon to determine impacts on congestion on interfaces or within the

ISO system. He also discussed the need to use a proxy bus if a source of imports is not within the energy imbalance market nor from a balancing area authority that has signed a Market Efficiency Enhancement Agreement. He highlighted the similarities between the ISO's draft proposal for handling proxy buses and tags in the full network model with what is done in the Eastern ISOs.

Chair Benjamin Hobbs made two presentations related to the FRACMOO agenda item. One concerned an alternative ideal for setting the flexible capacity availability adder, which is designed to incent flexible resources to be available in the daily and real-time markets. This idea was to base the adder on the price of flexible capacity, if the flexible resource adequacy mechanism yields a transparent price. He noted that unavailable capacity would already be forfeiting revenues from energy and flexiramp markets, so there is less of a rationale for basing adders on prices in those short-term markets.

Dr. Hobbs' other presentation provided some further technical details on how opportunity costs can be calculated for generating units that have limited numbers of starts, operating hours, or energy over a season or other period of time. Estimates of opportunity costs would be useful in a market power mitigation procedure that would allow bids for start-up, Pmin, and energy to reflect such costs.

These presentations complemented ISO staff presentations on the FRACMOO and energy imbalance market. All presentations from the MSC meeting are posted on the ISO website at:

<http://www.caiso.com/Documents/Market%20Surveillance%20Committee%20meeting%20Nov%202015,%202013>