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## **GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING**

**December 8, 2011, 10:00 a.m.**

**General Session Meeting**

**Offices of the ISO**

**250 Outcropping Way**

**Folsom, CA 95630**

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A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice announcing the meeting (final notice released December 5, 2011), posted on the CAISO Web site at: INSERT URL

### **ATTENDANCE**

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

James Bushnell

Benjamin Hobbs

Scott Harvey

### **GENERAL SESSION**

The following agenda items were discussed in general session:

#### **PUBLIC COMMENT**

Public comments were received from Jeffrey Nelson, representing Southern California Edison, expressing concern that it appears the ISO has abandoned or at least decided not to address the cost causation/cost allocation principles in some of their recent design proposals. In addition, Mr. Nelson expressed concern that there are many issues on the table at this time and that it would be good to have time to process and digest the issues coming up.

Mark Smith, representing Calpine, provided comments in support of the bid cost recovery proposal and reduction of the dec floor, and enthusiastically supported the two initiatives being linked and implemented together. However, Calpine does have concerns with the reductions to the dec floor and the collateral damage that can occur to generation that is unable to modify their dispatch in response to price signals.

## **DECISION ON MEETING MINUTES**

### **Motion**

Committee member Bushnell:

*Moved, that the Market Surveillance Committee, Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, approve the draft general session minutes from September 30, 2011.*

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

### **Discussion of Flexible Ramping Products**

Lin Xu with the ISO's Market & Infrastructure Development department introduced the first discussion on the design of the flexible ramping products. Dr. Xu discussed the purpose of the new products and went on to discuss the procurement, deployment and the compensation in the day-ahead and real-time markets. Dr. Xu concluded his presentation by briefly discussing the cost allocation proposal.

Discussion followed Dr. Xu's presentation and remarks were received.

### **Draft Opinion on Renewable Integration Market and Product Review – Phase 1**

Introducing the next topic, Gillian Biedler, Senior Market Design & Policy Specialist, from M&ID, provided a brief overview of the summary of the elements to the final proposal. Ms. Biedler noted that Phase 1 of this initiative involved lowering the energy bid floor, changes to the bid cost recovery netting and revisions to the intermittent resource program. The proposal involves lowering the floor to  $-\$150/\text{MWh}$  and commits to conducting further analysis in one year considering lowering the bid floor further. The bid cost recovery piece involves separating the netting for day-ahead and real-time. The participating intermittent resource program piece cost allocation changes in the draft proposal, as a result take off the table and do some more consideration.

Next, Dr. Hobbs summarized the opinion. In general, the MSC strongly supports the goal of encouraging economic bids that would allow for downward generation adjustments in response to negative real-time prices. More specifically, it supported the PIRP revisions as previously proposed as a step in the right direction of making contracting parties bear the costs of the variability of their resources. The submission of this proposal to the Board has been delayed since the issuance of the draft opinion. The MSC also supports the decrease in the bid floor to  $-\$150/\text{MWh}$ , but recommends that the proposed further decrease to  $-\$300/\text{MWh}$  not be automatically implemented. Finally, the MSC supports the separate calculation of bid cost recovery for the day-ahead and real-time markets, and anticipates that this change will remove important disincentives to bidding in real-time. However, the MSC is unable at this time to conclude with confidence that the performance measure and persistent uninstructed energy check

features of the proposal will function as intended. The MSC understands that the ISO will be conducting tests of the features, and the MSC looks forward to participating in the review of those results and their implications for the design of these features.

### **Motion**

Committee member Hobbs:

*Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopts the draft opinion with the amendment to section 1, titled "Opinion on Integration: Market and Product Review, Phase 1", as final.*

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

### **Discussion of Performance Metric and Persistent Uninstructed Imbalance Energy**

Gillian Biedler, Senior Market Design & Policy Specialist, from M&ID, briefed the MSC and stakeholders with an update to the ISO proposal regarding performance metric & persistent uninstructed imbalance check. Ms. Biedler discussed the two elements of the proposal: (1) apply a scalar to the bid cost recovery calculation to capture the portion of ISO dispatch that was delivered by a resource and (2) develop an algorithm that identifies when a resource persistently deviates from ISO dispatch which would then disqualify the resource from bid cost recovery.

Dr. Hobbs responded to Ms. Biedler's presentation by stating he looked forward to receiving the analysis of the impacts of the proposal upon bid cost recovery payments and incidence from the ISO.

### **Discussion of Post-Emergency Bid Cost Recovery Filing Review**

Next Gillian Biedler briefed the MSC and stakeholders with background on the two issues identified in 2011 which led to emergency filings with FERC. Ms. Biedler went on to discuss the ISO's intention to hold a stakeholder process to discuss the following questions regarding the changes in bid cost recovery:

- (1) Were the rule changes effective?
- (2) Were there unintended consequences? and
- (3) Are there other problems with market behavior that resulted in an increase to bid cost recovery uplift payments?

### **Discussion of the Integration of Transmission Planning and Generation Interconnection Procedures**

Karl Meeusen, Market Design & Regulatory Policy Lead, from M&ID, provided the MSC and stakeholders with a brief update on the background then went on to discuss the overall initiative. Mr. Meeusen focused on the design concepts central to the initiative, provided an update on the timeline involved and concluded his presentation with discussion on the open issues pertinent to the integration of transmission planning and generation interconnection procedures.

Discussion followed Mr. Meeusen's presentation and remarks were received.

**ADJOURNED**

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 4:00 p.m.

The MSC has approved these Minutes of the December 8, 2011, MSC Meeting at the following MSC Meeting:

Date of approval: January 24, 2012