

Memorandum

To: ISO Board of Governors
From: Frank A. Wolak, Chairman, ISO Market Surveillance Committee
Date: July 10, 2009
Re: *Market Surveillance Committee Activities from April 29, 2009 and June 30, 2009*

This memorandum does not require Board action.

The Market Surveillance Committee (MSC) has continued to review the performance of the Market Redesign and Technology Upgrade (MRTU) markets. To this end, the MSC held a joint stakeholder meeting on June 17, 2009 where more than half of the day was devoted to reviewing the performance of real-time market. The MSC has continued to work with Market and Infrastructure Development (MID) staff on mechanisms for involving final demand in MRTU markets. The MSC recently completed its review of and comments on the ISO's barriers to demand response report. MSC members have also participated in outreach activities with stakeholder groups.

Joint Stakeholder/MSC Meeting on June 17, 2009

This joint Stakeholder/MSC meeting was primarily concerned with reviewing the performance of the ISO's real-time market. Price volatility in the MRTU real-time market has been substantial. This price volatility has caused concern by generation unit owners because it has resulted in quick-start generation units being turned on and off with a greater frequency than occurred under the former ISO market design. Besides a general discussion of the real-time market performance since MRTU go-live, a detailed review of May 19, 2009 was presented by Mark Rothleder, Principal Market Developer, ISO Market and Infrastructure Development (MID). Rothleder also presented a number of short-term and long-term market rule changes to reduce price volatility. This was followed by a detailed discussion of two specific changes under immediate consideration, (1) Gillian Biedler, Senior Market Design & Policy Specialist, ISO MID, presented a proposal for increasing the frequency at which generation unit owners can alter they start-up and minimum load offers from once every six months to every 30 days, and (2) Keith Casey, Director, ISO Market Monitoring, ISO presented a proposal and analysis of a potential change in the rules that determine the pool of generation resources that can participate in the ISO markets each day. One item for future consideration is a change in the network model used for determining locational marginal prices from one with lossless shift factors to one with lossy shift factors. An informative discussion of this potential market rule change was provided by Lorenzo Kristov, Principal Market Architect, ISO MID.

Facilitating Symmetric Demand-Side Participation in ISO Markets

MSC members have participated in a number of conference calls and stakeholder discussions of mechanisms for increasing the involvement of final consumers in MRTU markets. In its May 1, 2009 opinion on the ISO's Proxy Demand Resource (PDR) proposal, the MSC argued for an approach that treats final consumers and generation unit owners symmetrically in the MRTU markets. These meetings and conference calls explored ways to implement some of the recommendations from the MSC opinion in the ISO's PDR proposal.

Opinion on Barriers to Demand Response

The MSC completed its comments on ISO's barriers to demand response report. In these comments MSC laid out in detail its arguments for symmetric treatment of supply and demand resources as the way to maximize the market efficiency benefits of active participation of final demand in ISO markets. This opinion was adopted by the MSC on June 30, 2009.

Stakeholder Outreach Activities

Frank Wolak gave a presentation at the Western Power Trading Forum (WPTF) meeting on June 19, 2009 on the MSC's Proxy Demand Resource opinion and more generally mechanisms for increasing the market efficiency benefits of active participation of final consumers in the MRTU markets.