

**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
August 22, 2014
ISO Headquarters
Folsom, CA 95630**

August 22, 2014

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session at approximately 9:45 a.m. and the presence of a quorum was established.

ATTENDANCE

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

James Bushnell
Scott Harvey
Benjamin Hobbs, Chair
Shmuel Oren

GENERAL SESSION

The following agenda items were discussed in general session.

PUBLIC COMMENT

Dr. Hobbs confirmed there was no public comment at this time.

DECISION ON THE MINUTES

Motion

Committee member Hobbs:

Moved, that the Market Surveillance Committee, Advisory Committee to the ISO Board of Governors, approve the general session minutes from the March 11, 2014, May 19, 2014 and July 7, 2014 meeting.

The motion was seconded by Committee member Bushnell and approved 4-0-0.

BRIEFING ON PROPOSED ENERGY IMBALANCE MARKET BENEFIT METHODOLOGY

Lin Xu, Lead Market Development Engineer, gave a presentation regarding a proposed energy imbalance market benefit methodology.

Dr. Bushnell asked clarifying questions regarding economic surplus gain and flexibility requirement. Mr. Xu provided responses.

Ellen Wolfe, on behalf of Western Power Trading Forum, offered comments regarding the calculations of the energy transfer cost in the EIM dispatch study. A discussion ensued between Mr. Xu, the MSC and Ms. Wolfe.

Jeff Nelson, on behalf of Southern California Edison offered comments regarding the directional flows. The MSC acknowledged his comments.

Alex Morris on behalf of PG&E, asked a question about disallowing 15 minute transfers through the interties. Mr. Xu, Mr. Morris and the MSC engaged in a conversation.

Dr. Hobbs asked a question regarding market power calculations and their future use. Mr. Xu provided comments in response.

Eric Hildebrandt, Director, Market Monitoring, offered clarifying comments regarding competitive benchmarking.

Dr. Bushnell offered statements regarding the greenhouse gas cost. A discussion among the MSC members and Mr. Xu ensued.

Dr. Hobbs confirmed there was no additional public comment at this time.

BRIEFING ON MARKET POWER MITIGATION IN THE CAPACITY PROCUREMENT MECHANISM

Carrie Bentley, Senior Market Design and Policy Specialist, gave a presentation about market power mitigation in the capacity procurement mechanism.

Dr. Oren asked a clarifying question regarding the 3-pivotal supplier test. Ms. Bentley addressed his question.

Mr. Xu asked a clarifying question about mitigation. Dr. Oren answered his question.

Dr. Bushnell gave a presentation about capacity procurement mechanism pricing principles and issues.

Dr. Oren asked a question regarding scarcity and resource adequacy pricing. A discussion among the MSC members ensued.

A discussion ensued among the MSC members regarding mothballing units.

Jeff Nelson, on behalf of Southern California Edison, provided clarifying comments regarding replacement structure for resources.

A discussion ensued among the MSC members regarding resource adequacy payments.

Ms. Wolfe offered comments regarding peak months. Dr. Bushnell responded to her comments.

Dr. Oren gave a presentation about pay as bid vs. uniform price auctions.

Alex Morris, on behalf of Pacific Gas & Electric, asked a question regarding capacity procurement mechanism replacement price and performance penalty. A discussion between Dr. Oren and Mr. Morris ensued.

Mr. Xu offered a question regarding uncompetitive markets and pay as bid price. Dr. Oren addressed his concerns.

Mr. Hildebrandt offered comments regarding safe harbor pricing. Dr. Oren addressed his comments.

Dr. Hobbs confirmed there was no additional public comment at this time.

RECESSED

There being additional general session matters to discuss, the general session was recessed at approximately 12:30 p.m.

RECONVENED

The Market Surveillance Committee reconvened the general session at approximately 1:10 p.m. and the presence of a quorum was established.

ATTENDANCE

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

James Bushnell
Scott Harvey

Benjamin Hobbs, Chair
Shmuel Oren

GENERAL SESSION

Mike Castelhana, Market Monitoring Analyst, gave a presentation on market power mitigation in the capacity procurement mechanism.

Dr. Oren asked a question concerning California Public Utilities Commission waivers and resource adequacy waivers. Ms. Bentley provided clarifying information regarding local waivers.

A discussion between Dr. Oren and Dr. Bushnell ensued regarding safe harbor pricing.

Dr. Bushnell asked a clarifying question regarding the principals the ISO would like to see in the safe harbor price. Ms. Bentley addressed his questions.

Mr. Morris provided comments regarding capacity procurement mechanism price. Mr. Castelhana agreed with Mr. Morris' comments.

Brian Theaker, on behalf of NRG, provided comments regarding resource adequacy pricing. A discussion between Mr. Castelhana and Mr. Morris ensued.

Dr. Hobbs confirmed there was no additional public comment at this time.

BRIEFING ON FLEXIBLE RAMPING PRODUCT

Don Tretheway, Lead Market Design and Regulatory Policy Specialist, gave a presentation on flexible ramping products.

Dr. Oren asked a clarifying question regarding capacity bidding. Mr. Tretheway responded to his question.

A discussion among the MSC members and Mr. Tretheway ensued.

Mr. Xu provided a clarifying statement regarding economic bidding in real time. A discussion between Mr. Xu and Mr. Tretheway ensued.

Dr. Oren asked a question regarding the megawatt bid value. Mr. Tretheway and Mr. Xu provided responsive comments.

Brad Cooper, Manager, Market Design and Regulatory Policy, provided statements regarding non-zero price bids.

Dr. Bushnell asked a clarifying question regarding ramping rates. Mr. Xu provided clarifying statements. A discussion among the MSC members, Mr. Xu and Mr. Copper ensued.

Ms. Wolfe offered statements regarding zero price bid. A discussion between Dr. Hobbs, Mr. Nelson and Mr. Cooper ensued.

Mark Smith, on behalf of Calpine, offered comments regarding different bid structures. Delphine Hou, Senior Market Design and Policy Specialist, responded to Mr. Smith's comments.

Dr. Oren asked a question regarding flexible ramping pricing. A discussion between Mr. Tretheway and the MSC ensued.

Dr. Hobbs confirmed there was no additional public comment at this time.

BRIEFING ON COMMITMENT COST ENHANCEMENTS

Ms. Hou provided comments regarding updates to revised draft proposal for the commitment cost enhancements paper.

Dr. Harvey made a presentation on commitment cost issues.

Ms. Wolfe asked a clarifying question regarding unit commitment costs. Dr. Harvey provided a clarifying response.

Dr. Hobbs asked a question regarding committing units to solve constrains. Dr. Harvey responded to his question.

Dr. Oren asked a question regarding proxy cost. Ms. Hou responded to his question.

Mr. Nelson asked a question regarding a market based bid. Mr. Harvey responded to his question.

Dr. Hobbs confirmed there was no additional public comment at this time.

Dr. Hildebrandt made a presentation on dynamic mitigation of start-up and minimum load costs.

Victor Kruger, on behalf of San Diego Gas & Electric, offered comments regarding opportunity costs. Mr. Hildebrandt responded to his comments.

Dr. Hobbs confirmed there was no additional public comment at this time.

BRIEFING ON LOAD GRANULARITY REFINEMENTS

Stephen Keehn, Senior Advisor, gave a presentation on load granularity refinements.

Dr. Bushnell asked a clarifying question regarding optimized levels of load aggregation points. Mr. Keehn responded to his question. A discussion between the MSC and Mr. Keehn ensued.

Mr. Morris offered statements regarding PG&E system issues. Dr. Harvey responded to his statement.

Dr. Hobbs confirmed there was no additional public comment at this time.

BRIEFING ON FERC ORDER 764 MARKET DESIGN PRICING AND INTERCHANGE

Dr. Harvey gave a presentation on the fifteen minute market. Dr. Hobbs offered a statement regarding hour-ahead scheduling process and real-time pre-dispatch price differences.

Ms. Wolfe asked a question regarding transmission charge at the ISO. Dr. Harvey responded to her comments.

Dr. Hobbs confirmed there was no additional public comment at this time.

FUTURE AGENDA ITEMS

Dr. Hobbs confirmed there was no comment on future items. He announced the next in-person Market Surveillance Committee meeting would be scheduled for mid-October, 2014 at the ISO.

Dr. Hobbs announced there will be a decision on commitment cost enhancements in September 2014.

ADJOURNED

There being no additional general session matters to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 4:45 p.m.