

GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

February 11, 2016, 10:00 a.m.

General Session
Offices of the ISO
250 Outcropping Way
Folsom, CA 95630

February 11, 2016

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session at approximately 10:10 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

GENERAL SESSION

The following items were discussed in general session.

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON THE MINUTES

Motion

Committee member Dr. Bushnell:

Moved, that the Market Surveillance Committee, Advisory Committee to the ISO Board of Governors, approve the general session minutes from the October 20, 2015 meeting.

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

BRIEFING ON CONTINGENCY MODELING ENHANCEMENTS

Brad Cooper, Manager, Market Design and Regulatory Policy, briefed the MSC on the status of revenue inadequacy problems and their causes: 1) difference in limits enforced in the congestion revenue rights market vs the day-ahead, 2) differences in network topology, and 3) new nomograms.

Following Mr. Cooper, Perry Servedio, Senior Market Design and Regulatory Policy Developer, discussed some of the potential solutions to the potential revenue inadequacy problems that could arise from the contingency modeling enhancements. First Mr. Servedio briefed stakeholders and the MSC on the background then discussed some numerical examples. Before concluding his presentation, Mr. Servedio outlined options into three paradigms.

Discussion ensued between the Market Surveillance Committee and stakeholders regarding the three options.

RECESSED

The meeting was recessed at approximately 12:25 p.m. for lunch. Chairman Hobbs stated the meeting would reconvene at approximately 1:25 p.m.

RECONVENED

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, reconvened the general session at approximately 1:25 p.m. and the presence of a quorum was established.

BRIEFING ON BIDDING RULES

Brad Cooper, Market Design and Regulatory Policy, briefed the MSC on the primary features of the ISO's Bidding Rules proposal. Beginning with background, Mr. Cooper noted the initiative has had several phases. Mr. Cooper noted that of phase 3 of the initiative, the portion that addressed improvement to generator commitment costs would be going before the Board in March. Next Cooper summarized the primary elements of the proposal such as: improvements to commitment cost bidding flexibility, after-the-fact reimbursement to compensate resources for actual gas cost that exceed the cost, change to 125% proxy cost bid cap and changes to gas price index used by market.

COMMITMENT COST ENHANCEMENTS PHASE 3

Kallie Wells from Market and Infrastructure Policy, gave an overview of the ISO's proposal on the commitment cost enhancements – phase 3 proposal. Ms. Wells noted stakeholder concerns regarding the interdependencies between Bidding

Rules Enhancements, Reliability Services 2 and Commitment Cost Enhancements 3. Ms. Wells went on to discuss at a high level the intent of use-limited status under commitment cost enhancements 3. Ms. Wells asserted the policy shifted the paradigm of what the use-limited status is from what the ISO historically had known. She went on to state that the ISO hopes the use-limited status in the ISOs markets would indicate the need for a given resource to have an opportunity cost reflected in the commitment cost bids due to the externally imposed restriction. Ms. Wells then stated the intent of commitment cost enhancements 3 and the use-limited status is to actually have no impact on how the markets or resources are treated in the ISO markets regarding their bid insertion exemption. Further MS. Wells stated that the reliability services initiative¹ policy provided bid insertion exemption on a resource type level, and then in commitment cost enhancements 3 those resources that are currently deemed use-limited by the tariff that will no longer be use-limited would still be provided bid insertion exemption. Finally, Ms. Wells indicated that historically use-limited had been a catch all category for resources not available 24/7.

Next, Ms. Wells shifted to contractual limitations. She stated that the ISO currently does not allow contractual limitations to qualify a resource for use-limited status. In addition stakeholders have continued to protest this position, specifically in regards to the ISO not accepting limitations approved by the PUC through long term planning process. Further, the ISO is considering grandfathering provisions for contractual limitations which have undergone a regulatory approval process due to market power concerns

Discussion ensued between the MSC and stakeholders regarding grandfathering provisions and the contractual aspects.

Ms. Wells then moved on to the new addition of the proposal on market based Masterfile characteristics. She stated that currently Masterfile resource characteristics are required to represent the physical ability of the resource and should not reflect contractual limitations or just the preferred operation of that resource. Ms. Wells went on to say that the ISO recognized the need to reflect other restrictions and limitations in terms of max daily starts, ramp rates, and max daily MSC transition. The three Masterfile fields will have two values, one is going to be what the ISO is calling a design value.

To conclude, Ms. Wells and the MSC discussed the proposed procedures for calculating opportunity costs of use limitations, and whether revenues and/or penalties in the resource adequacy market should be considered in those calculations.

Discussion ensued between the MSC and stakeholders regarding the proposed procedures for calculating opportunity costs of use limitations.

Next, Dr. Bushnell stated that the MSC would like to defer the discussion led by Karl Meeusen on Flexible resource adequacy to the next MSC meeting the initiative is not scheduled to go to the Board until June and the MSC will likely meet in April.

The MSC then moved to the final presentation of the day.

FLEXIBLE RAMPING CONSTRAINT

Warren Katzenstein, Lead Engineering Specialist for Market Quality and Renewable Integration, discussed how the ISO has estimated flexible ramping requirements in the past. Mr. Katzenstein also discussed the procedures proposed for implementation once the flexible ramping product is in place.

Discussion between Mr. Katzenstein and the Market Surveillance Committee ensued.

FUTURE AGENDA ITEMS

Mr. Hobbs announced that the next in person meeting would be held tentatively in April.

ADJOURNED

There being no additional general session matters to discuss, the general session meeting was adjourned at approximately 4:00 p.m.

The MSC has approved these Minutes of the February 11, 2016 MSC Meeting at the following MSC Meeting:

Date of approval: April 19, 2016