

Memorandum

To: ISO Board of Governors

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

Date: September 5, 2013

Re: Briefing on MSC Activities from July 1, 2013 – Aug. 30, 2013

This memorandum does not require Board action.

Over the period covered by this memorandum, the Market Surveillance Committee has held a public meeting in Folsom on July 3, 2013, and MSC members have interacted with staff and stakeholders on several ISO initiatives. The MSC anticipates submitting formal opinions on several of those initiatives when they are submitted to the ISO Board of Governors.

During the July 3 MSC meeting, the proposed contingency modeling enhancements and the expanded energy imbalance market proposal were reviewed with stakeholders and ISO staff. Dr. James Bushnell of the MSC made a presentation on the interactions of the AB32 carbon trading system and tracking of energy transactions within and outside of California under the proposed imbalance market. Dr. Scott Harvey of the MSC also made a presentation on the imbalance market, focusing on allocation of costs arising from differences between the base dispatch and actual dispatch. These presentations are available on the MSC website, as are presentations by ISO staff and a stakeholder.¹

In the area of resource adequacy, Dr. Shmuel Oren of the MSC participated in the July 31, 2013 Sacramento technical conference convened by the Federal Energy Regulatory Commission, as well as the August 1 stakeholder meeting on flexible resource adequacy must offer obligation. Dr. Ben Hobbs of the MSC has been working with ISO staff to define an approach for quantifying the opportunity cost of starts that would be used to constrain bids for start-up costs for start-limited units. Dr. Hobbs' proposal would calculate the opportunity cost of a start for a given day as follows: The method projects the gross margin (energy and ancillary services revenues minus dispatch costs) associated with future starts using a simple unit commitment model, and then identifies the gross margin associated with the marginal start-up (the start-up that would be precluded if an extra start-up is made on the given day). The procedure is described

¹www.caiso.com/informed/Pages/BoardCommittees/MarketSurveillanceCommittee/Default.aspx

in slides 27-28 of the presentation by Karl Meeusen of the ISO at the August 1 stakeholder meeting.²

MSC members have also participated in internal discussions with ISO staff on ISO initiatives concerning the energy imbalance market, contingency modeling enhancements, and full network modeling. MSC member Dr. Scott Harvey also participated in the July 20, 2013 stakeholder call on the energy imbalance market. Dr. Hobbs conferred with stakeholders and ISO staff on contingency modeling enhancements during in-person meetings at the IEEE Power Engineering Society Annual Meeting in Vancouver, Canada on July 23, 2013.

Finally, Drs. Harvey and Hobbs participated in the August 9, 2013 Washington DC meeting of the Western Power Trading Forum, being part of a panel with Dr. Joseph Bowring (Market Monitor of PJM) and Ellen Wolfe of WPTF on network models and relationships between day-ahead and real-time energy prices.

The next meeting of the MSC will be in Folsom on September 6, 2013.

² Available from www.caiso.com/2861/2861c58722c60.html