



GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

January 17, 2013, 10:00 a.m.

General Session

Offices of the ISO

250 Outcropping Way

Folsom, CA 95630

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 January 15, 2013), posted on the ISO Web site at:

www.caiso.com/Informed/Pages/BoardCommittees/MarketSurveillanceCommittee/Default.aspx.

ATTENDANCE

The following members of the Market Surveillance Committee attended:

James Bushnell
Scott Harvey
Benjamin Hobbs, Chair
Shmuel Oren

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Comment was received over the telephone from Mark Tribett of Constellation Energy regarding their concerns over exceptional dispatch, transparency of network constraints in the market models, and corrections of day-ahead market prices. Discussion followed by attending stakeholders and ISO staff.

DECISION ON 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 December 5, 2012.

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

DISCUSSION OF FLEXIBLE RESOURCE ADEQUACY CRITERIA AND MUST-OFFER OBLIGATION

Dr. Karl Meeusen, from the Market Design and Regulatory Policy department, made a presentation on behalf of the ISO on the ISO's initiative on flexible resource adequacy criteria and must offer obligation. The ISO is working with the CPUC and local regulatory authorities to ensure flexible capacity resources are available to reliably operate the grid while fulfilling state energy mandates. The work includes developing the tariff changes necessary for the ISO to accommodate the resource adequacy flexible capacity requirements adopted by regulators. The ISO provided background information regarding the Joint Parties' Proposal in the CPUC resource adequacy proceeding. The presentation provided an overview of the proposed flexible capacity procurement obligations and the counting conventions that would apply for resources that are procured to provide flexible capacity, including a separate methodology for hydro resources. Finally, the ISO introduced the two main issues that will be addressed in the flexible resource adequacy criteria and must-offer obligation stakeholder initiative:

- 1) Crafting default provisions for LRA's that may not have flexible capacity procurement obligations; and
- 2) ISO backstop procurement authority to procure flexible capacity resources when a load serving entity is deficient in meeting its flexible capacity procurement obligation.

Lastly, the ISO identified flexible capacity bidding obligations, compensation for flexible capacity procurement mechanism designation, and standard flexible capacity product as items that need to be addressed as part of a second phase of this initiative.

Following Dr. Meeusen's presentation, discussion followed by MSC members and stakeholders regarding the need for flexible capacity and the rationale for this definition.

DISCUSSION ON POST CONTINGENCY COMPLIANCE WITH SYSTEM OPERATING LIMITS

Dr. Lin Xu, from the Market Development and Analysis department, made a presentation in which he discussed the reasons for a possible new constraint in the ISO market models. MSC members and stakeholders discussed the effects of constraints on pricing, and how resources that could move to meet the post-contingency constraints would be paid.

Dr. Hobbs, Chair of the MSC, explained that the basic economic principle involved is that if a resource's schedule would be adjusted because of the constraint, then the energy, ancillary service, and contingency constraint payments should be such that the adjusted schedule yields the highest possible net return among alternative possible schedules for the resource under those prices. Appropriate application of the shadow prices from the market software can ensure this condition, in the absence of lumpy (0-1) decisions and other mathematical nonconvexities.

Discussion followed including further elaboration from MSC member Shmuel Oren and stakeholders.

DISCUSSION ON FERC ORDER 764 COMPLIANCE

Don Tretheway, from the ISO Market Design and Regulatory Policy department, made a presentation summarizing four significant issues involved in compliance with FERC order 764, which addresses implementation of 15 minute scheduling and settlement. The four issues were then discussed by the MSC and stakeholders. Initial discussion focused on whether and how a combined integrated forward market and residual unit commitment process would adjust physical import or export schedules so that the physical net import constraint would be met in the combined market if there were virtual exports.

NEW BUSINESS

No new business.

ADJOURNED

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 3:15 p.m.

The MSC has approved these Minutes of the January 17, 2013 MSC Meeting at the following MSC Meeting:

Date of approval: May 7, 2013