

# Market Surveillance Committee (MSC) Activities

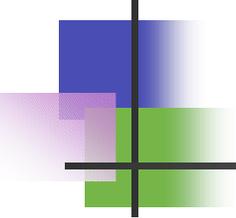
By

**Frank A. Wolak**

Chairman

Market Surveillance Committee (MSC)  
of the California ISO

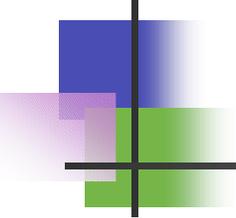
October 18 – 19, 2005  
Board of Governors Meeting



## Opinion on Aspects of MRTU Conceptual Filing

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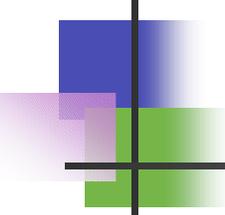
- Seven issues addressed in opinion
  - (1) Bid adders for frequently mitigated units
  - (2) Competitive path assessment to implement local market power mitigation (LMPM) mechanism
  - (3) Hour-Ahead Scheduling Process (HASP)
  - (4) Formation of trading hubs
  - (5) Rules for allocating Congestion Revenue Rights (CRRs)
  - (6) Rules for allocating CRRs to loads located outside of the ISO control area
  - (7) Rules for allocating CRRs to merchant transmission owners



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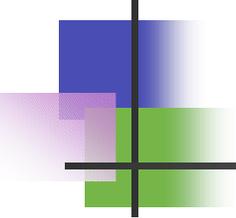
- MSC has long-standing positions contrary to ISO proposals on several of these issues
  - No bid adders for mitigated units
  - Implement competitive path assessment only after experience with LMP market
    - Current zones and interties for 1st year of LMP
  - Implement Hour-Ahead Market similar to Day-Ahead and Real-Time Markets
  - Simplified rules for allocating Congestion Revenue Rights (CRRs)



# How to get there versus where to go

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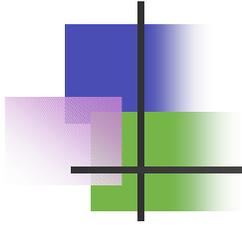
- MSC continues to support an LMP market for California
  - “LMP is a small, but important, part of well-functioning wholesale market for electricity” (MSC opinion, April 7, 2003)
- LMP market has several potential benefits
  - Can allow California to obtain effective local market power mitigation (LMPM) mechanism from FERC
    - Reduction in undesirable trading strategies because of existence of prospective effective LMPM mechanism
  - Greater transparency, efficiency and reliability in system operation
    - Ability to send different prices to different generation units
  - Potential for improved demand-responsiveness because dispatchable loads can receive and pay LMP at their location
  - Greater granularity in costs of transmission congestion to aid transmission planning process



## Realizing benefits of LMP market

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- Market must be designed to capture benefits of LMP market
  - MSC comments on MRTU designed to maximize likelihood benefits of LMP will be realized
- MSC continues to support LMP market for California
  - Opinion provides recommendations for ensuring that California consumers, generation owners and ISO operators realize maximum benefits from LMP
- ISO should not delay MRTU implementation
  - Concerns expressed in MSC opinion can be addressed without delaying implementation



# Questions?