

GENERAL SESSION MINUTES MARKET SURVEILLANCE COMMITTEE MEETING

February 19, 2015, 10:00 a.m.

General Session

Offices of the ISO

250 Outcropping Way

Folsom, CA 95630

February 19, 2015

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, convened the general session at approximately 10:15 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 items were discussed in general session.

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON THE MINUTES

Motion

Committee member Bushnell:

Moved, that the Market Surveillance Committee, Advisory Committee to the ISO Board of Governors, approve the general session minutes from the December 16, 2014 meeting.

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

ENERGY IMBALANCE MARKET YEAR 1 ENHANCEMENTS DISCUSSION

Don Tretheway, Lead Market Design and Regulatory Policy Developer, briefed the MSC and stakeholders on the 1 year enhancements for energy imbalance market. Mr. Tretheway provided a high level summary of the phase 1 elements that are expected to go to the Board for decision in March.

Mr. Tretheway provided overview of the first six elements of the proposal: the settlement of non-participating resources, administrative pricing rules, as well the addition of base schedule import/export and an additional measure to the resource sufficiency evaluation, resource sufficiency, the EIM administrative charge redesign and reduction of the flexible ramping constraint combinations.

Next, Dr. Harvey asked if the ISO was going to eliminate bid cost recovery for non-participating resources. Mr. Tretheway responded by stating that the ISO would be working through the software issues and that there would be no bid cost recovery for non-participating resources.

Mr. Tretheway provided an overview of the 7th element: the greenhouse gas flag and cost based bid adder. He stated that this element is a compliance item that came out of the original FERC order for the energy imbalance market. FERC instructed the ISO to implement a flag by which EIM participating resource could requested to be not deemed to be delivered to California, and then move the GHG bid portion to a more cost-based approach. Next, Tretheway moved to the second part of the FERC compliance, whereby the ISO is required to move within one year to a more cost-based approach in terms of GHG bids.

Public comment

Paul Nelson, on behalf of Southern California Edison, asked a clarifying question regarding NV Energy joining the EIM and about the qualified export and if the ISO had given any thought to how compliance issues will be handled. In response, Tretheway explained that if power is wheeled through the ISO, for example NV to PAC, it would never be deemed delivered to California and therefore would not be a compliance obligation.

Mark Reyes, on behalf of NV Energy, asked what mechanism the ISO will use to inform NV Energy of their compliance obligation and will use to track the megawatts that would wheel thru via EIM transfer. In response, Tretheway noted that CMR would be used and, at every interval, the ISO will provide the quantity that was deemed delivered.

Next, Mr. Tretheway discussed the final element: changes the ISO would like to make to how the ISO actually enforces the EIM transfer constraints. He explained how what the

ISO is proposing involves modeling the EIM transfer constraints so that it can support the variety of different ways a dynamic transfer could be tagged and scheduled.

Discussion ensued between Mr. Tretheway, stakeholders and the MSC regarding transfer limits and transfer costs.

Mr. Tretheway concluded his presentation by briefly discussing the EIM Phase 2 design changes.

FULL NETWORK MODEL PERFORMANCE DISCUSSION

Abhishek Hundiwale, Senior Market Design Engineering Specialist provided a short summary of the full network model performance and a brief analysis of the metrics of how the full network model has been performing over the past few months. Mr. Hundiwale stated that the results, summarized on a 3-week rolling average, were available on the ISO website. He noted that for those individuals seeking more detail, a WECC Universal Non-Disclosure agreement must be executed, which can be found on California ISO Market Results Interface website. Mr. Hundiwale then provided an overview of the methodology of the accuracy metric comparing two scenarios. He next discussed the day-ahead external unscheduled flow calculations and the actual external unscheduled flow calculations. Hundiwale noted that all of the metrics passed on all of the days except the first couple of days of the full network model implementation. Mr. Hundiwale concluded by discussing next steps.

RECESSED

There being additional general session matters to discuss, the meeting was recessed at approximately 11:30 a.m. Chairman Hobbs stated the meeting would reconvene at approximately 1:00 p.m.

RECONVENED

The Market Surveillance Committee (MSC), an advisory committee to the ISO Board of Governors, 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

The following items were discussed in general session.

LOAD GRANULARITY REFINEMENTS DISCUSSION

Kallie Wells, Market & Infrastructure Policy group team member, briefed the MSC and stakeholders on the updated and revised load granularity price dispersion study. Ms. Wells provided a background overview and noted the initiative dated back to the beginning of the market redesign and technology upgrade initiative. Ms. Wells stated that a FERC order required the ISO to disaggregate the number of LAPS even further in Release 2. She stated that further studies were conducted in 2010 and 2013 and the results of the two studies found price dispersion to be rather small. She stated that in 2014, the ISO filed a waiver of requirement for disaggregation that was denied by FERC. She described how the ISO was granted a one-year extension to disaggregate or to pursue further relief.

Ms. Wells next discussed the pricing study the ISO has been conducting over the last few months, focusing on day-ahead nodal energy prices from 2011-2014. She provided an overview of the four different methods used by the ISO to look at price dispersion. Ms. Wells noted that when the ISO was structuring the pricing study, it wanted to keep in mind that material price dispersion exists, is consistent over-time, and is geographically distinct. Next, Ms. Wells provided an overview of the pricing study results. She noted that the 2012-2013 transmission planning process did identify some approved projects that would help reliability in this area.

Ms. Wells next provided an overview of the estimated implementation cost section of the study. She described how costs were collected at four levels of disaggregation and at nine categories. Ms. Wells then discussed the one-time costs, capital costs and the annual costs and noted the distinction between one-time and capital expenses.

Ms. Wells provided an overview of the potential benefits of the proposal and noted that following stakeholder feedback, the ISO has estimated potential benefits in the following areas: more accurate wholesale price signals which would incent better investment decisions, improved congestion hedging (congestion revenue rights allocation and revenue inadequacy), more efficient day-ahead market outcomes, and reduced subsidization of high price areas by low price areas.

Ms. Wells indicated that the ISO was planning to recommend to the Board that the ISO keep the status quo and present a case to FERC that the current default load aggregation points (DLAPS) were just and reasonable.

Keith Johnson, Manger of Infrastructure Policy, provided an overview of the initiative schedule. He noted the ISO planned to post a straw proposal today and hold a stakeholder call on March 3, with stakeholder comments due back on March 13.

ENERGY IMBALANCE MARKET BENEFITS STUDY DISCUSSION

Dr. Lin Xu, Lead Market Development Engineer, provided an overview of the energy imbalance market benefits study published in Q4 2014.

Dr. Xu provided a background overview and noted that the ISO had proposed a method to calculate the benefits for participating in EIM in the August 28, 2014 technical bulletin. He noted this on-line method was later discussed at the August 2014 MSC meeting and was still under development.

Dr. Xu stated the ISO has committed to reporting the EIM benefits on a quarterly basis and noted the first benefits report for Q4 2014 was posted on February 11, 2015. He described how the ISO used a simplified offline analysis method in the benefit calculation in the Q4' 014 report. Next, Dr. Xu discussed the benefits calculation proposal as described in the technical bulletin. Mr. Xu described how the ISO found that the EIM benefits are attributable to different sources including: EIM energy transfers, new participating resources, economic market clearing and congestion management, flex ramp sharing and flex ramp transfers. Next, Dr. Xu discussed the comparison of the online method and the simplified offline method. He then briefly summarized the EIM benefits for the Q4 2014, and then concluded his presentation by outlining future enhancements.

There was no public comment on this item.

FUTURE AGENDA ITEMS

Dr. Hobbs announced that the next in person meeting would be held in April but that the MSC would be issuing an opinion on reliability services and commitment cost enhancements in March.

Before concluding the meeting, Mark Smith representing Calpine, asked if the MSC was planning on issuing an opinion on EIM. In response, Dr. Hobbs indicated that they would not be issuing a formal opinion but would likely cover some of what the MSC feels are important issues in an upcoming Board memo.

Dr. Hobbs concluded the meeting by thanking Dr. Oren for his three years of productive and helpful service on the MSC.

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 19, 2015 MSC Meeting at the following MSC Meeting:

Date of approval: April 17, 2015