

California Independent System Operator Corporation
Fifth Replacement Tariff

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Appendix O

CAISO Market Surveillance Committee

1. Introduction and Purpose

- 1.1 There shall be established a Market Surveillance Committee (MSC) as a market advisor, whose role it shall be to provide independent external expertise on the CAISO market monitoring process and, in particular, provide independent expert advice and recommendations to the CAISO CEO and Governing Board.

2. Definitions

- 2.1 This section intentionally left blank.

3. Independence and Oversight

- 3.1 This section intentionally left blank.

4. Structure

- 4.1 The MSC shall comprise a body of three or more independent and recognized experts whose combined professional expertise and experience shall encompass the following: (a) economics, with emphasis on antitrust, competition, and market power issues in the electricity industry; (b) experience in operational aspects of Generation and transmission in electricity markets; (c) experience in antitrust or competition law in regulated industries; and (d) financial expertise relevant to energy or other commodity trading.
- 4.2 Members of the MSC shall be compensated on such basis as the CAISO Governing Board shall from time to time determine. Members of the MSC shall receive prompt reimbursement for all expenses reasonably incurred in the execution of their responsibilities under this Appendix O.
- 4.3 Members of the MSC shall not be, and shall not be understood to be, employees or agents of the CAISO.
- 4.4 For each position on the MSC, the CAISO CEO shall conduct a thorough search and requisite due diligence to develop a nomination to the CAISO Governing Board, which nomination shall be consistent with meeting the combined professional expertise and experience of the MSC set forth in Section 4.1 of this Appendix O and with the criteria for independence set forth in Section 9 of this Appendix O. The CAISO Governing Board shall expeditiously consider such nominations. If the nomination is approved, the CAISO CEO shall appoint the candidate so nominated to the MSC. If the nomination is rejected, the CAISO CEO shall expeditiously proceed to develop another nomination.
- 4.5 No member of the MSC shall be liable to any Market Participant under any circumstances whatsoever for any matter, including but not limited to any financial loss or loss of economic advantage resulting from the performance or non-performance by the MSC of its functions under this CAISO Tariff.

5. Duties of the Market Surveillance Committee

- 5.1 The MSC may, upon request of DMM, the CAISO management or the CAISO Governing Board, or on its own initiative, evaluate information and data described in Section 7.1 of this Appendix O, including as may be collected by DMM on the basis of the evaluation criteria developed by DMM or on such further articulated evaluation criteria developed by the MSC.

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- 5.2** The MSC may, upon request of DMM, the CAISO management or the CAISO Governing Board, or on its own initiative, recommend such changes as it believes are appropriate to the CAISO Tariff, any CAISO Business Practice Manual, any CAISO agreement or any Rules of Conduct applicable in accordance with Section 22.11 of this CAISO Tariff. The CAISO Governing Board shall consider and may adopt proposed CAISO Tariff changes in accordance with Section 22.11 of this CAISO Tariff.
- 5.3** Upon request of the MSC, the CAISO shall publish reports and recommendations of the MSC or incorporate them, if consistent, into the CAISO's own reports or recommendations.
- 5.4** The MSC may on its own initiative recommend that the CAISO impose Sanctions and penalties for violations of the CAISO Tariff and related protocols. Upon recommendation of the MSC, the CAISO may impose such Sanctions or penalties as it believes necessary and as are permitted under the CAISO Tariff and related protocols approved by FERC.
- 5.5** The MSC may make such additional reports and recommendations as it sees fit relating to the monitoring program referred to in this CAISO Tariff, the analysis of information, the evaluation criteria or any corrective or enforcement actions proposed by DMM or proposed on its own initiative.
- 5.6** The MSC may review in draft form, and provide pre-publication comment on, all quarterly and annual reports DMM produces pursuant to Section 5.2 of Appendix P.
- 5.7** The MSC may review in draft form, and provide pre-submission comment on, all referrals to FERC pursuant to Sections 11 and 12 of Appendix P.
- 5.8** The MSC may not participate in the administration of CAISO's tariff or conduct prospective market mitigation.
- 6. Duties of the CAISO.**
- 6.1** CAISO responsibilities not expressly assigned to the MSC, DMM, or any specific individual or entity in this Appendix O remain with the CAISO.
- 7. Data Access, Collection, and Retention**
- 7.1** The MSC shall review the initial catalogs of information and data and of evaluation criteria developed by DMM pursuant to Sections 7.4 and 7.5 of Appendix P and shall propose such changes, additions or deletions to such catalogs or items therein as it sees fit. In so doing, the MSC shall have full discretion to specify database items or evaluation criteria for inclusion in the pertinent catalog.
- 8. Information Sharing**
- 8.1** All evaluations carried out by the MSC pursuant to Section 5.1 of this Appendix O, and any recommendations emanating from such evaluations, shall be embodied by the MSC in written reports to the CAISO CEO and CAISO Governing Board, and DMM, and shall be made publicly available subject to due restrictions on dissemination of confidential or commercially sensitive information. The MSC may submit any MSC report to FERC, subject to due restrictions on dissemination of confidential or commercially sensitive information.

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9. Ethics

- 9.1 Members of the MSC shall have no professional or commercial affiliation with a Market Participant where such affiliation would tend to affect, or give the appearance of affecting, their judgment in the performance of their duties.
- 9.2 Members of the MSC shall not serve as officers, employees, or partners of a Market Participant.
- 9.3 Members of the MSC shall have no material financial interest in any Market Participant or affiliate, with the exception of mutual funds and non-directed investments.
- 9.4 Members of the MSC shall not engage in any market transactions other than in the performance of their duties under the CAISO Tariff.
- 9.5 Members of the MSC shall not be compensated, other than by CAISO, for any expert witness testimony or other commercial services in connection with any legal or regulatory proceeding or commercial transaction relating to the CAISO.
- 9.6 Members of the MSC shall not accept from a Market Participant any item with a value in excess of \$25.
- 9.7 Members of the MSC shall advise the CAISO Governing Board in the event they seek employment with a Market Participant, and must disqualify themselves from participating in any matter that would have an effect on the financial interest of the Market Participant.
- 9.7.1 For the purposes of this provision, the term "seeking employment" shall have the same meaning it does in 5 CFR § 2635.603, or its successor provision.

10. CAISO-Specific Provisions

- 10.1 This section intentionally left blank.

11. Protocol on Referrals of Investigations to the Office of Enforcement

- 11.1 This section intentionally left blank.

12. Protocol on Referrals of Perceived Market Design Flaws and Recommended Tariff

Changes to the Office of Energy Market Regulation

- 12.1 This section intentionally left blank.