

Memorandum

To: ISO Board of Governors

From: Frank A. Wolak, Chairman, ISO Market Surveillance Committee

Date: October 21, 2009

Re: **Market Surveillance Committee Activities from August 19, 2009 to October 14, 2009**

This memorandum does not require Board action.

The Market Surveillance Committee (MSC) has been involved in two major activities over the past two months. Most of its efforts have been devoted to the design of the ISO's convergence bidding protocols under the market redesign and technology upgrade (MRTU) market. The second effort is devoted to assessing the performance of the ISO's local market power mitigation mechanism.

MSC Meeting on September 18, 2009

The MSC held a joint stakeholder meeting on September 18 to discuss the details of the ISO's convergence bidding proposal with stakeholders. Topics receiving the greatest attention were the uplift cost allocation process for convergence bids, position limits on convergence bids, local market power mitigation with convergence bids, the congestion revenue rights settlement rule, and convergence bidding at the inter-ties. The MSC is in the process of preparing an opinion on the ISO's convergence bidding proposal for the October Board meeting. The MSC met on October 15 to discuss the ISO's final convergence bidding proposal with stakeholders and ISO staff and finalized its convergence bidding opinion. The ISO's scarcity pricing proposal was also discussed at the October 15 MSC meeting as well as several analyses prepared by the Department of Market Monitoring.

Meetings with Stakeholders to Discuss ISO's Convergence Bidding Protocols

Frank Wolak met with several members of the Western Power Trading Forum on the morning of September 28 to discuss aspects of the ISO's convergence bidding proposal. James Bushnell participated for part of the meeting by phone.

Assessing the Performance of ISO's Local Market Power Mitigation Mechanism

Frank Wolak met with staff from the Department of Market Monitoring during the morning of August 26 to discuss the analyses to be performed to assess the performance of the ISO's local market power mitigation mechanism. The Federal Energy Regulatory Commission directed the MSC to report on the performance of the local market power mitigation mechanism at the end of one year of market performance under the new market design. During this meeting Wolak gathered data and other information necessary to begin this analysis.