

**Market Surveillance Committee
California Independent System Operator**

December 22, 2000

Mr. Terry Winter
President and CEO
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

RE: Southern California Edison Motion for Subpoena

Dear Terry:

We are writing concerning the motion filed at the Federal Energy Regulatory Commission (FERC) by the Southern California Edison Co. (SCE) requesting that FERC issue a subpoena to the Market Surveillance Committee (MSC) for the production of certain documents supporting statements made in the MSC's December 1, 2000 Analysis of FERC's November 1, 2000 "Order Proposing Remedies for the California Wholesale Electric Markets." The following is the MSC's response to that motion. We request that the ISO file this response with FERC.

SCE's motion is based on statements we made in our December 1, 2000 Analysis that the MSC was prepared to provide FERC with what we suspect are instances of the exercise of significant market power by specific market participants. In the motion, SCE requests that FERC issue a subpoena that would require the MSC to provide SCE's counsel with all documentary evidence which served as the basis for those statements.

As an initial matter, we note that, as stated in our December 1, 2000 Analysis, the MSC stands ready to provide to the FERC any data in the MSC's possession that is relevant to the market behavior of individual market participants and to discuss our methodology for analyzing that data. We recognize, however, that some data provided by the ISO to the MSC may be subject to certain confidentiality protections under the ISO tariff, and must be provided in accordance with the process set forth in the tariff. We believe that the MSC, the ISO and FERC staff will be able to work together on these issues if necessary.

While the MSC is fully prepared, with the consent of the ISO and in accordance with the requirements of the ISO tariff, to release such confidential data as well as details on our methodology for analyzing that data to FERC, we believe that any requirement to release such data and methodology to specific market participants, as requested by SCE, is ill-advised for the following reasons:

(1) Asymmetric release of confidential information about market participants (particularly bid information), can confer a competitive advantage on those market participants receiving the data at the expense of those not receiving access to the data.

(2) To the extent the data or methodology that the MSC would provide to FERC could give rise to a formal investigation by FERC, release of such data or methodology to individual market participants may compromise that investigation.

In addition, it appears that the only documents which would be responsive to SCE's motion are bid data into the real-time market which have been provided by the ISO to the MSC chairman for purposes of analysis. We understand that the ISO has already provided FERC staff with substantial data, including some real-time bid data, in response to data requests issued as part of FERC's investigation of the California markets. For the reasons discussed above, however, the MSC believes that FERC would be ill-advised to direct the MSC or the ISO to provide this data to individual market participants, except as may be provided in the ISO tariff.

Please let us know if you have questions about this response or need to discuss any additional issues related to SCE's motion. Thank you.

Yours very truly,

Frank A. Wolak
Robert R. Nordhaus
Chairman and Member
Market Surveillance Committee
California Independent System Operator

cc: Anjali Sheffrin, Ph.D.,
Director, Department of Market Analysis