

Memorandum

To: ISO Board of Governors
From: Steve Berberich, President and Chief Executive Officer
Date: March 14, 2018
Re: Decision on Market Surveillance Committee member reappointment

This memorandum requires Board action.

Executive Summary

Dr. James Bushnell has been a valued member of the Market Surveillance Committee for 16 years and is currently a Professor in the Department of Economics at University of California, Davis. He previously served as a member of the Economic Assessment and Allocation Committee for the California Air Resources Board and also as a member of the Market Monitoring Committee for the California Power Exchange. Dr. Bushnell is an expert in the field of energy policy with an emphasis on market incentives and the impact of market power.

The tariff requires that the ISO CEO, subject to approval by the Board of Governors, make appointments to the MSC. Dr. Bushnell has proven that he is highly qualified to serve as a member of the MSC. Therefore, I request that the Board reappoint Dr. Bushnell as a member of the MSC and authorize execution of a contract with Dr. Bushnell for a three-year term from April 1, 2018 through March 31, 2021

Background

The tariff (Appendix O, section 4) requires that the Market Surveillance Committee be comprised of three or more experts whose combined professional experience encompasses the following:

- Economics, with an emphasis on antitrust, competition, and market power issues in the electricity industry;
- Operational aspects of generation and transmission in electricity markets;
- Antitrust or competition law in regulated industries; and
- Financial expertise relevant to energy or other commodity trading.

The tariff (Appendix O, section 9) also outlines strict criteria for independence that forbid a member of the MSC from, among other things, having a material financial interest in a market participant, engaging in market transactions, and receiving outside compensation for providing commercial services in any legal or regulatory proceeding relating to the ISO. The MSC has a specific tariff-assigned role to provide independent external expertise in monitoring the ISO market and to provide independent expert advice and recommendations to ISO Management, the ISO Board of Governors, the EIM Governing Body and FERC on market performance and design. The MSC is currently comprised of three members:

- James Bushnell (Member), term expires on March 31, 2018
- Benjamin Hobbs (Chair), term expires on March 31, 2019
- Scott Harvey (Member), term expires on March 31, 2020

The tariff authorizes MSC members to develop and publish opinions and reports at the request of ISO Management, or independently, when deemed appropriate by the Committee. Historically, the MSC has served as an impartial source of information on market issues, primarily for the ISO, but also for state policymakers, FERC and the news media. ISO Management and FERC have adopted a number of Committee recommendations since its inception.

Formal reviews and recommendations by the MSC are provided in written opinions to ISO Management, the ISO Board of Governors, the EIM Governing Body, and, when appropriate, filed with FERC. MSC opinions are also available to the public through the ISO website. The MSC has been consistently recognized by the industry and the public as being useful and effective due in large part to the stature of its members as nationally-recognized experts, as well as their perceived independence. Both characteristics have led to the MSC being shown considerable deference by state and federal regulators.

Dr. James Bushnell has been a member of the MSC since 2002. Dr. Bushnell is currently a Professor of Economics at the University of California, Davis. Previously he was an Associate Professor of Economics at Iowa State University, where he held the Cargill Chair in Energy Economics and was the Director of the Biobased Industry Center. He was also a member of the California Air Resources Board's Economic Assessment and Allocation Committee. Dr. Bushnell served as a Research Scientist for over 18 years and as Research Director for over 10 years at the University of California Energy Institute, Berkeley, CA. He is a former member of the Market Monitoring Committee of the California Power Exchange. His research interests include game theoretic optimization models, industrial organization and regulatory economics, energy policy, and environmental economics. He has published numerous articles on the economics of electricity deregulation and has testified extensively on energy policy issues. Much of his research has focused on examining the market incentives, in particular; market rules and structures



created and in developing empirical methods for measuring the impact of market power on deregulated electricity markets.

For these reasons, I request that the Board reappoint Dr. James Bushnell as a member of the Market Surveillance Committee and authorize execution of a consulting agreement with Dr. Bushnell for a three-year term effective April 1, 2018 through March 31, 2021.

Motion:

Moved, that the ISO Board of Governors reappoint Dr. James Bushnell to the Market Surveillance Committee, an advisory committee to the ISO Board of Governors, for a three-year term to end March 31, 2021; and

Moved, that the Chief Executive Officer is authorized and directed to enter into an appropriate Consulting Agreement with Dr. James Bushnell to compensate him for his participation on the Market Surveillance Committee.