



**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
July 1, 2011, 2:00 PM
General Session Teleconference Meeting
Offices of the ISO,
250 Outcropping Way
Folsom, CA 95630**

The Market Surveillance Committee convened the general session meeting at approximately 2:00 p.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the Market Surveillance Committee were in attendance:

James Bushnell, via teleconference
Benjamin Hobbs, Chairman, via teleconference
Steven Stoff, via teleconference
Scott Harvey, via teleconference

The following ISO staff members were present: Jeff McDonald, David Zlotlow, Kimberli Lua, Eric Little, Lin Xu, Greg Cook, and Cynthia Hinman. Other members of the public joined in on the conference call; those parties are listed on a conference participant list compiled by the telephone service provider.

GENERAL SESSION

The following agenda items were discussed in general session:

Public Comment

Jeff Nelson, of Southern California Edison, provided remarks regarding the ongoing issue of overlapping virtual bids and the uplift they are causing. Mr. Nelson encouraged the ISO to put this issue on the front burner and to try to obtain a resolution. Dr. Benjamin Hobbs replied that the MSC was in process of preparing a formal opinion on the issues.

Decision on Meeting Minutes

Motion

Committee member Harvey:

Moved, that the Market Surveillance Committee, Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, approve the draft general session minutes from March 18, April 29 and June 6, 2011.

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

DRAFT OPINION ON LOCAL MARKET POWER MITIGATION AND DYNAMIC COMPETITIVE PATH ASSESSMENT

Discussion

Dr. Hobbs provided the public with a summary of the opinion on the proposed revisions to the local market power mitigation and competitive path assessment procedures. Although the entire committee participated in the discussions, only three of the four committee members (Harvey, Bushnell, and Hobbs) chose to join the opinion as authors.

Dr. Hobbs stated that in the opinion, the committee members commented on the key elements of the changes to the ISO's local market power mitigation methodology and noted the opinion contained six substantive sections. Dr. Hobbs then provided an overview of each of the sections:

Section two outlined the five steps involved in the local market power mitigation process.

Section three discussed the potential for the exercise of locational market power to inflate the floor price used for mitigation if the reference bus price is not selected appropriately.

Section four discussed an alternative proposal provided by PG&E for defining the competitive constraints floor price.

Section five discussed the likely impact of the revised design on the extent of mitigation.

Dr. Hobbs noted that in the last section, the authors of the opinion summarized its views and offered its conclusions, including an explanation of why the ISO's proposed changes were desirable. Finally, Dr. Hobbs provided some suggestions for further investigation regarding the effectiveness of local market power mitigation and competitive path assessment mechanisms.

Next, Chairman Hobbs asked if the other committee members had anything else they would like to add to the discussion. Dr. Steven Stoft then provided remarks regarding his abstention from the opinion.

Having nothing further, Chairman Hobbs thanked Dr. Stoft for his remarks and opened the call up for any stakeholder comments.

Jeff Nelson, on behalf of Southern California Edison, provided remarks regarding constraints that are close to, but are not, binding.

Ellen Wolfe, of Resero Consulting, provided remarks about the implementation priority between local market power mitigation and competitive path assessment.

Dr. Harvey provided responding remarks and stated that the ISO should implement local market power mitigation and competitive path assessment only when each one is ready.

Receiving no further comment, Chairman Hobbs stated that there was a small change that needed to be made on page 9 in the second paragraph. Dr. Hobbs proposed to change the last sentence from: "This proposed change will eliminate another potential cause for different constraints to bind in the all-constraints run of the local market power mitigation process than would bind in the scheduling runs of the day-ahead market or in real-time" to "This proposed change will eliminate another potential cause for spurious mitigation in the day-ahead market or in real-time."

Receiving no objection to the change, Chairman Hobbs asked if there was a motion to adopt the draft opinion dated June 28 with the noted change.

Motion

Committee member Harvey:

Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopts the draft opinion titled "Opinion on Local Market Power Mitigation and Dynamic Competitive Path Assessment", as final.

The motion was seconded by Committee member Bushnell, and approved 3-0-1.

ADJOURNED

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 3:00.

The MSC has approved these Minutes of the July 1, 2011, MSC Meeting at the following MSC Meeting:

Date of approval: August 16, 2011