

**GENERAL SESSION MINUTES
California ISO (CAISO)
MARKET SURVEILLANCE COMMITTEE MEETING**

Date: August 20, 2007
Held at: Offices of CAISO (Committee Members Attending Via
Teleconference)
151 Blue Ravine Rd.
Folsom, California 95630

A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice (released August 6, 2007) posted on the CAISO Web site at <http://www.aiso.com/pubinfo/BOG/documents/market/msc/>.

Keith Casey, Director of Market Monitoring, provided a brief introduction at the outset of the conference call and turned the meeting over to Chairman Wolak.

Chairman Frank Wolak officially called the meeting to order at approximately 9:05 AM Pacific Time, with all committee members in attendance via telephone conference call connection. Chairman Wolak explained that the purpose of the meeting was the discussion and possible adoption of the August 15, 2007 draft "Opinion on 'Start-Up and Minimum Load Bid Caps Under MRTU.'"

COMMITTEE MEMBERS IN ATTENDANCE

The following Committee Members were present at the meeting:

Frank Wolak, via telephone conference call connection.
Jim Bushnell, via telephone conference call connection
Ben Hobbs, via telephone conference call connection.

**DISCUSSION OF AUGUST 15 DRAFT "OPINION ON 'START-UP AND
MINIUM LOAD BID CAPS UNDER MRTU'"**

Chairman Wolak summarized the draft opinion, noting the MSCs preference for using the dynamic local market power mitigation process that will be used for energy and ancillary services bids under MRTU and indicating support for the CAISO's revised proposal to allow a 400% cap for resources that are not located in local capacity areas and a 200% cap for resources that are located in a Local Capacity Area. Chairman Wolak then advised the listeners that the MSC notice and comment process is not a stakeholder process; however, he noted that stakeholder input is welcome and important to the MSC's consideration. Chairman Wolak then asked for any additional public comment.

Additional Public Comment and Discussion

Joseph Yan from Southern California Edison asked whether the caps were "soft caps." Chairman Wolak responded that market participants had the option to change to the

uncapped cost-based option, using daily gas prices, but that the cap for the bid-based option was not a soft cap.

Glenn Goldbeck from Pacific Gas and Electric Company asked about the consistency of two different statistics concerning the expected frequency with which a resource's actual costs would exceed 200% cap. Committee Member Hobbes explained that there was a 10% chance that costs would exceed the cap during the six month period that the cap would be in effect, but that, 99.67% of the time, the actual costs would less than the cap. While suggesting that PG&E might find a 150% cap to be preferable, Mr. Goldbeck indicated that 200% cap did not seem unreasonable.

Tony Choi from San Diego Gas & Electric Company commented that the six-month time period for the bid could lead to padding, which was something that a daily bid option might avoid. Members acknowledged the concern, and CAISO representatives acknowledged that a daily bid approach with dynamic local market power mitigation may be implemented in the future.

Adoption of the Draft Opinion

Chairman Wolak asked for a motion to adopt the opinion. Committee Member Hobbes moved to adopt the draft opinion, and Committee Member Bushnell seconded the motion. Chairman Wolak called the vote, which was as follows:

Yes	3
No	0
Whereupon, the "Opinion on 'Start-Up and Minimum Load Bid Caps Under MRTU'" was adopted by the Committee.	

A copy of the "Opinion on 'Start-Up and Minimum Load Bid Caps Under MRTU'" is attached to these Minutes.

NEW GENERAL BUSINESS ISSUES AND FUTURE AGENDA ITEMS

The Chairman asked if there were any further general business issues or future agenda items for discussion. None were put forth, and so Chairman Wolak noted that the business of the meeting was now concluded.

Whereupon, Chairman Wolak adjourned the MSC meeting at approximately 10:15 a.m.

The MSC has approved these Minutes of the August 20, 2007 MSC Meeting at the following MSC Meeting: Date of approval: Friday, February 8, 2008
