

**MEETING MINUTES OF THE CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR (CAISO) MARKET SURVEILLANCE COMMITTEE**

**Meeting Date:** June 30, 2009, 12:30 p.m.  
**Held at:** Teleconference Meeting  
Call hosted from: Offices of the CAISO, Pyramid  
Conference Room (110 Building)  
Folsom, CA 95630

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A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice (final released June 26, 2009), posted on the CAISO Web site at <http://www.caiso.com/23d7/23d7a38633420.html>. This meeting was a joint CAISO stakeholder with regard to topics on the public notice.

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***COMMITTEE MEMBERS ATTENDING (by telephone)***

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Frank Wolak	Committee Chairman
James Bushnell	Committee Member
Benjamin Hobbs	Committee Member
Absences:	None

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***GENERAL SESSION***

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The CAISO initiated the telephone conference call from the CAISO conference room. It was noted that CAISO representatives John Goodin, Kim Perez, Bill Di Capo and Keith Casey were present, from the CAISO. Other members of the public joined in the conference call; these parties are listed on a conference participant list compiled by the telephone service provider.

Chairman Frank Wolak officially called the meeting to order shortly after 12:30 p.m. with committee members Wolak, Bushnell and Hobbs all in attendance via telephone.

**1. Decision on the May 1, 2009 Minutes**

Chairman Wolak noted that the first agenda item was to consider and approve the draft meeting minutes from the prior May 1 MSC meeting. . After review of the minutes, Dr. Wolak asked for a motion to approve the minutes from the May 1 teleconference. Upon motion duly made and seconded, to approve the draft meeting minutes for the meeting, a vote was taken as follows:

Yes: 3  
No: 0

Meeting minutes for the May 1, 2009 meeting were approved.

## **2. Draft Opinion on Demand Response Barriers**

The second agenda item called for the MSC to consider its draft opinion entitled "Comments on Barriers to Demand Response and the Symmetric Treatment of Supply and Demand Resources." A copy of this draft opinion had been posted on the CAISO Web site along with the Public Notice for the meeting.

### Discussion and Summary of the Draft Opinion

Chairman Wolak began the discussion with a brief summary of the MSC's opinion. Dr. Wolak noted that a significant barrier to demand response is the lack of focus on symmetric treatment of load and generation. Dr. Wolak went on to explain that the MSC opinion notes that the committee would like to encourage FERC to focus on this approach to designing demand response programs. Dr. Wolak noted that there is an important distinction between the "traditional demand response products" and "dynamic pricing," in that traditional demand response involves essentially paying for a potential reduction in a customer's consumption, whereas dynamic pricing is the traditional way that customers interact in virtually all other markets through expressing their willingness to pay to consume. Dr. Wolak then stated that the draft opinion laid out problems which the MSC has observed with the traditional approach to the demand response paradigm. He also noted that many of the problems stem from having to rely on an administrative baseline and paying for demand reductions relative to that baseline. Dr. Wolak also explained what the draft opinion identifies both the "adverse selection problem" and the "moral hazard problem" that traditional demand response programs create. Finally, Dr. Wolak concluded by describing some of the current regulatory barriers to dynamic pricing in California.

### Comment

After providing this summary, Dr. Wolak asked if any committee member wished to add further comment. There followed a brief discussion by Committee members. Dr. Wolak then asked if there was any public comment. Carolyn Kehrein of EMS commented on her agreement for the need for symmetry between generation and demand resources. Ms Kehrein also noted that each customer has different circumstances and needs, which implies that a full range of demand response products should be offered. She also stated that she believed the statement in the opinion about customers always knowing more about their true baseline than the administrator of a DR program was factually inaccurate. MSC members responded to Ms. Kehrein's comments and explained the sense in which they felt the statement in the opinion was factually correct.

Next, Jack Ellis of Resero Consulting asked if the MSC could talk to the relative complexity of dynamic pricing versus the various demand response programs

that are operating in California today. MSC responded to Mr. Ellis' comments, and also explained that a number of the issues would be dealt with in future MSC and stakeholder meetings related to the development of demand response products at the ISO.

Vote

Following the discussion, a motion was made, and seconded, that the Draft Opinion on Demand Response Barriers be approved. The following vote was then taken:

Ayes: 3

Nays: 0

Resolved: Draft Opinion on Demand Response Barriers entitled "Comments on Barriers to Demand Response and the Symmetric Treatment of Supply and Demand Resources": is approved.

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***Executive Session***

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There was no executive session.

Whereupon, the Market Surveillance Committee meeting was adjourned at approximately 1:10 p.m.

The MSC has approved these Minutes of the June 30, 2009 MSC Meeting at the following MSC Meeting:

Date of approval: July 16, 2009