

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

**Meeting Date:** April 11, 2008, 9:00 a.m.  
**Held at:** Lake Natoma Inn  
702 Gold Lake Drive  
Folsom, California 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 March 26, 2008), posted on the CAISO Web site at <http://www.caiso.com/pubinfo/BOG/documents/market/msc/>.

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**COMMITTEE MEMBERS ATTENDING**

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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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Chairman Frank Wolak officially called the meeting to order at approximately 9:00 a.m. with all MSC committee members in attendance in person.

Chairman Wolak also advised the meeting was being Webcast to participants, as had been noted on the Public Notice.

CAISO Representative Keoni Almeida welcomed attendees to the meeting, and noted that the meeting was intended to serve both as a CAISO stakeholder meeting for the discussion of the CAISO's draft Integrated Balancing Authority Areas Proposal (IBAA) and a meeting of the MSC.

Public Comment

The meeting then proceeded with Chairman Wolak asking if anyone present or on the phone wished to make a general public comment, before the committee addressed the items on the agenda. No party came forward to make public comment, and so the committee then started on the agenda items.

**1. Decision on the MSC March 20, 2008 Minutes**

Chairman Wolak then turned to the agenda item for MSC decision on the meeting minutes for the March 20, 2008 meeting. He noted this item called for the members to review and approve the meeting minutes.

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 March 20, 2008 meeting were approved.

**2. Integrated Balancing Authority Areas (IBAA) Overview**

The meeting then proceeded with several Integrated Balancing Authority Areas (IBAA) presentations, comment and discussion.

Steve Greenleaf, Director, Regional Market Initiatives at the CAISO presented an IBAA Overview. As Mr. Greenleaf's overview explained, the IBAA proposal is designed to achieve day-ahead schedules at the interties (which link the CAISO's grid with its neighboring control areas) that are more representative of real-time power flows between the CAISO and neighboring control areas.

**3. Integrated Balancing Authority Areas (IBAA) Public Comments**

The CAISO proposal which sets forth a six-pricing-location approach relies on market participants to reveal accurately to the CAISO grid operators the source of the energy that these participants supply to the CAISO and designated sink for the energy they purchase from the CAISO. In public comments, a number of stakeholders expressed skepticism that market participants would be willing to reveal the actual source of supply of energy or sink for energy, and there was concern raised as to whether the advantages that the CAISO identifies in the its six-pricing-location approach would be borne out in actual practice. In this regard, there was concern expresses that market participants might have an incentive to designate the highest priced sources and the lowest priced sinks, rather than identifying actual sources and sinks.

**4. Review of Eastern Proxy Bus Pricing Mechanisms**

Scott M. Harvey, of LEGC, presented a review of eastern ISO proxy bus pricing mechanisms. He recommended that the CAISO adopt a single pricing location for the SMUD/WAPA/TID/MID IBAA. Several members of the MSC agreed with his recommendation.

**5. Integrated Balancing Authority Areas (IBAA) Open Dialogue**

Following Mr. Harvey's presentation, there was a discussion of the IBAA proposals among stakeholders, CAISO personnel attending the meeting, and MSC committee members.

This discussion was paused for a luncheon break from approximately 12:00 to 1:00 p.m., during which time the meeting was recessed.

Following the luncheon break, the discussion on IBAA was resumed.

**6. Exceptional Dispatch – Market Power Mitigation**

Next, Jim McClain, Senior Market and Product Developer within the CAISO's Market and Product Development Department reviewed the history of the Exceptional Dispatch process, summarized the CAISO's market power mitigation proposal for ED instructions and discussed a number of options to determine supplier payment.

This presentation was followed by a discussion between stakeholders, ISO staff and MSC members on the strengths and weaknesses of the various payment options and the need to mitigate Exceptional Dispatch instructions.

**7. Monitoring Requirements for Integrated Balancing Authority Areas (IBAA)**

Next, Eric Hildebrandt, Manager of Analysis & Mitigation, within CAISO's Department of Market Monitoring, delivered a presentation regarding the Market Monitoring Requirements for the ISO's IBAA Proposal. He emphasized that, if the CAISO decided to implement its six-pricing-location approach, it should include flexibility and discretion for the CAISO to switch quickly to the single-pricing-location approach, if the anticipated benefits were not realized.

The remainder of this segment of the meeting consisted of a discussion between the stakeholders, CAISO staff, MSC members, on details of the six-pricing location approach and the single-pricing-location approach.

Whereupon, the public session of the MSC meeting was adjourned at approximately 4:30 p.m.

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***Executive Session***

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The Executive Session began at approximately 4:40 p.m. and concluded at approximately 6:30 p.m. No action was taken at the Executive Session requiring a vote of the members.

Whereupon, the MSC meeting was adjourned at approximately 6:30 p.m.

The MSC has approved these Minutes of the April 11, 2008 MSC Meeting at the following MSC Meeting:
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Date of approval: May 7, 2008
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