

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

Meeting Date: **December 11, 2008, 10:00 a.m.**

Held at: **Marriott Hotel**
 11211 Point East Drive
 Rancho Cordova, CA

**With Simultaneous Meeting Web Cast (Web conference via Internet (visual
and telephone (audio))**

A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice (final released December 9, 2008), posted on the CAISO Web site at <http://www.caiso.com/meetings/index.cgi?showonly=BOARD>. This meeting was a joint MSC meeting and CAISO stakeholder meeting with regard to topics on the public notice.

COMMITTEE MEMBERS ATTENDING

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

GENERAL SESSION

Chairman Frank Wolak officially called the meeting to order at approximately 10:00 a.m. with all MSC committee members in attendance in person.

Chairman Wolak also advised that the meeting was being Web cast to participants, as had been stated on the Public Notice, and via Internet and telephone access prescribed in the Public Notice.

It was noted that the meeting was intended to serve both as an MSC meeting and a CAISO stakeholder meeting for the discussion of standard resource adequacy capacity product and residual unit commitment procedure in MRTU.

Public Comment

The meeting then proceeded with Chairman Wolak asking if any member of the public wished to make general public comment before the committee addressed the items on the agenda.

There being no public comment, Chairman Wolak proceeded to the agenda topics for the meeting.

1. Decision on the MSC September 25 Minutes

Chairman Wolak turned to the agenda item for MSC decision on the meeting minutes for the September 25, 2009 joint Stakeholder/MSM meeting. He noted that 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 September 25, 2008 meeting were approved.

2. Discussion regarding Standard Resource Adequacy Capacity Product

ISO Market and Product Development Staff (Cynthia Hinman and Keith Johnson) presented an updated ISO proposal for a Standard Resource Adequacy Capacity Product and outlined the stakeholder process and outstanding issues. Throughout the staff presentation, MSC members and market participants provided comments and questions on various aspects of the design proposal, including availability standards and performance incentives, unit substitution, credit requirements, and transition and grandfathering.

3. Discussion regarding Residual Unit Commitment Procedure in MRTU

Next, Keith Casey (Director, Market Monitoring) presented analysis on market performance of the Residual Unit Commitment (RUC) process under MRTU. This was followed by two other presentations, the first made by Lorenzo Kristov (Principal Market Architect, ISO) on potential near-term and longer term changes to the RUC design. Finally, Jeffrey Nelson (Southern California Edison) presented his analysis and assessment of the RUC design, which raised several concerns with the functioning of the RUC market. One primary concern was for the extreme prices that occurred in the market simulations, as a result of accepting high RUC energy offers from non-resource adequacy generation units, in place of zero RUC energy offers from resource adequacy units that would only require paying the start-up and no-load cost of those resource adequacy generation units.

During the joint stakeholder and MSC meeting, and in follow up discussions with stakeholders, the MSC considered various alternatives to the current RUC market, both as a short-term contingency plan and a long-term change in the RUC process.

The informal conclusion of the MSC from its analysis of the structured simulation outcomes is that the current RUC mechanism is not a reason to delay an April 1 go-live for MRTU, but the ISO should have in place a contingency plan in case some unintended adverse consequences of the current RUC design arise. Moreover, because of the many changes in the ISO's resource adequacy procurement process, backstop capacity procurement process and exception dispatch mechanism, the ISO should consider initiating a stakeholder process to integrate the key features of the RUC product into this new procurement paradigm.

Executive Session

There was no executive session.

Whereupon, the MSC meeting was adjourned at approximately 4:00 p.m.

The MSC has approved these Minutes of the December 11, 2008 MSC Meeting at the following MSC Meeting:

Date of approval: March 12, 2009