



**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING**

March 9, 2012, 2:30 p.m.

General Session Teleconference Meeting

Offices of the ISO

250 Outcropping Way

Folsom, CA 95630

A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice announcing the meeting (final notice released March 6, 2012), posted on the CAISO Web site at:
<http://www.caiso.com/Informed/Pages/BoardCommittees/MarketSurveillanceCommittee/Default.aspx>

ATTENDANCE

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

Benjamin Hobbs, Chair
James Bushnell
Scott Harvey

The following ISO staff members were present via teleconference: Brad Cooper, David Zlotlow, Lorenzo Kristov, Tom Flynn, Don Tretheway, and Keith Johnson. 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

Receiving no public comment the MSC moved onto the next agenda item.

DECISION ON MEETING MINUTES

Motion

Committee member Bushnell:

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 January 24, 2012.

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

Draft Opinion on Integration of the Transmission Planning Process and Generator Interconnection Procedures.

Lorenzo Kristov provided a brief update regarding some changes to the final proposal as a result of input from stakeholders and the MSC. Changes included explanation of the distinction between area delivery network upgrades versus local delivery network upgrades, as well as the addition of a summary that describes how the two upgrades differ as well as the study methodology. Dr. Kristov then explained that the NQC adjustment is really characterized in the January 31 technical bulletin published by the ISO and is not an element of the current proposal. He then gave responses to questions that parties asked about the restudy and the impacts it will have on signed generator interconnection agreements and when the ISO would do an annual study.

Next, Dr. Bushnell provided a brief summary of the draft opinion on Integration of the Transmission Planning Process and Generator Interconnection Procedures. In the opinion, the MSC tried to characterize what it sees as the key challenges to transmission investment. Furthermore, the MSC supports the ISO's current proposal because the Committee feels that the proposal corrects the incentive problem. It creates a proactive transmission planning process rather than a reactive generation interconnection request process. Therefore the process provides a high level sense of the best amount and location of transmission. The MSC is supportive of the proposal and what is being tried, but Dr. Bushnell went on to say that the MSC does have some concerns such as cost control. Finally, the opinion discusses the resource adequacy process.

Chairman Hobbs then turned to the phone lines for any questions from the public.

Pushkar Wagle, representing Flynn RCI, praised the MSC for its well written opinion and the ISO for the updates to the proposal.

Keith White, representing the California Public Utilities Commission, offered several comments. First, Mr. White noted that basing allocation criteria on the procurement process and contracting seemed to be using strongly market-based criteria. Second, information on the cost of the delivery network upgrades should be feed into the procurement process and should be appropriately valued by the generators. Finally, resource adequacy seems to be overly valued and energy-only contracts may be undervalued.

Receiving no further comments, Chairman Hobbs turned to the members of the MSC to request a motion to adopt the opinion.

Subject to some minor editorial changes Committee member Harvey:

Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopt the draft opinion (as amended) titled "Opinion on the Integration of Transmission Planning and Generator Interconnection Procedures"

The motion to adopt the amended opinion was seconded by Committee member Bushnell, and approved 3-0-0.

Discussion on pay for performance regulation

Moving to the next agenda item, Chairman Hobbs summarized some of the main points in the draft opinion on the ISO's proposal on pay-for-performance regulation.

Under FERC Order 755, independent system operators are required to develop a mechanism to pay frequency regulation resources. In response to the order, the ISO developed a proposal for the regulation payment mechanism. The MSC believes the ISO's current proposal on pay-for-performance represents an effective response to the issues but there seems to be some uncertainty regarding the effect of implementation. The opinion summarizes some determinants of the value and costs of regulation services. The opinion also considers some market design choices and how they affect potential gaming behaviors. Further, the opinion discusses certain parameters governing the requirements for mileage in the market software as well as the capability of resources to provide that mileage, and the need for consistency in their definition. Finally, the opinion addresses three other issues in regulation markets, including payments for imbalance energy, bid caps, and cost allocation.

Chairman Hobbs then turned to the other members of the MSC to provide any additional comments.

Receiving nothing from the committee Hobbs moved onto comments from the public.

A caller from Southern California Edison had a question regarding the possible measures represented on pages 11-12 of the opinion and wondered if the ISO is receptive to the changes as outlined. Don Tretheway, representing the ISO, responded by saying if the problem became larger, the ISO would respond with a fundamental change rather than a parameter change.

No further comments were received from the public.

Committee member Bushnell moved:

Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopt the draft opinion titled "Opinion on Pay-for-Performance Regulation"

The motion to adopt the amended opinion was seconded by Committee member Harvey, and approved 3-0-0.

ADJOURNED

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 3:30 p.m.

The MSC has approved these Minutes of the March 9, 2012, MSC Meeting at the following MSC Meeting:

Date of approval: June 22, 2012