



**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
August 16, 2011, 9:00 AM
General Session Teleconference Meeting
Offices of the ISO,
250 Outcropping Way
Folsom, CA 95630**

The Market Surveillance Committee convened the general session meeting at approximately 9:00 a.m. and the presence of a quorum was established.

ATTENDANCE

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

James Bushnell, via teleconference
Benjamin Hobbs, via teleconference
Steven Stoft, via teleconference
Scott Harvey, via teleconference

The following ISO staff members were present: Don Tretheway, David Zlotlow and Eric Hildebrandt. 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 to the next agenda item.

Decision on Meeting Minutes

Motion

Committee member Harvey:

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 July 1, 2011.

The motion was seconded by Committee member Bushnell, and approved 4-0-0.

DRAFT OPINION ON CONVERGENCE BIDDING ON INTERTIES

Discussion

Dr. James Bushnell provided a summary of the opinion titled *Opinion on Intertie Convergence Bidding and the Imbalance Energy Offset*. According to Dr. Bushnell, the opinion outlines issues and covers ground previously outlined in other ISO documents. In the opinion, the MSC supports the CAISO position that the suspension of convergence bidding on interties is the only option that can reliably remove the ability of firms to profit from HASP and RTD price differences through convergence bids. He also described how the opinion stresses that, even with the suspension of convergence bidding on interties, HASP – RTD price differences are likely to remain. He briefly described various options covered in the opinion that could be adopted to address these remaining price differences.

Next, Chairman Hobbs asked if the other committee members had anything else they would like to add to the discussion. Having nothing further, Chairman Hobbs thanked Dr. Bushnell for his summary and opened the call up for any stakeholder comments.

Chris Carpenter, on behalf of DC Energy, had a question about whether the MSC gave much consideration to the ISO's original proposal of an hour ahead real-time settlement reversal rule or whether the CAISO's proposal would be better than the status quo.

Dr. Bushnell provided responding remarks and stated that the MSC felt that this is the strongest measure that can be taken right now to reduce this aspect of the imbalance energy charge.

Brian Theaker, on behalf of NRG Energy, asked if the MSC had any recommendations for a long term solution regarding the mismatch between the markets. He also inquired as to how eliminating convergence bidding on the interties is going to make the imbalance offset go away.

David Hastings with SESCO had a brief remark about whether convergence bidding (in some form) would reappear in the future.

Brian Keir, of Cargill, had a question about the timeline involved to suspend convergence bidding. Don Tretheway of the ISO provided responding remarks and stated that the ISO would be filing tariff language immediately following the

board meeting. Assuming a sixty-day FERC response, the ISO would make the tariff change effective in 60 days

Chairman Hobbs asked if there was a motion to adopt the draft opinion dated August 11, 2011.

Motion

Committee member Bushnell:

Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopts the draft opinion titled "Opinion Intertie Convergence Bidding and the Imbalance Energy Offset", as final.

The motion was seconded by Committee member Harvey, and approved 4-0-0.

DRAFT OPINION ON FLEXIBLE RAMPING CONSTRAINT COMPENSATION

Dr. Hobbs provided the public with a summary of the opinion on the flexible ramping constraint. Dr. Hobbs stated that the proposal would implement a new set of constraints in the real-time market in order to reserve unloaded rampable capacity to meet ramping needs in real-time dispatch. The proposal would also provide payments for this reserved capacity based on marginal opportunity costs as calculated in the real-time predispach process. The draft opinion supports the ISO's proposal strictly as an interim measure to increase the supply of the upward ramp in the real-time market, pending market reforms that would result from the renewable integration review.

Next, Chairman Hobbs asked if the other committee members had anything else they would like to add to the discussion. Receiving nothing further, Chairman Hobbs opened the call up for stakeholder comments.

Peter Griffes, on behalf of PG&E, had a clarifying question regarding the unintended consequences for bidding behavior and bid cost recovery.

Ellen Wolfe, of Resero Consulting asked if there was going to be any information provided about the differences between RTD and RTPD prices when the measured opportunity cost has been low.

Receiving no further comments, Chairman Hobbs stated that there were some outdated references to draft DMM reports in footnotes 5 and 11. Chairman Hobbs asked if there were any objections to having a motion to adopt the opinion with modifications to note the updated references.

Motion

Committee member Stoft:

Moved that the Market Surveillance Committee, an Advisory Committee to the Board of Governors of the California Independent System Operator Corporation, adopts the draft opinion titled "Opinion on Payment for Provision of Flexible Ramping", as final.

The motion was seconded by Committee member Bushnell, and approved 4-0-0.

ADJOURNED

There being no additional general session items to discuss, the general session of the Market Surveillance Committee was adjourned at approximately 10:10.

The MSC has approved these Minutes of the August 16, 2011, MSC Meeting at the following MSC Meeting:

Date of approval: September 30, 2011