

Memorandum

To: ISO Board of Governors

From: Frank A. Wolak, Chairman, ISO Market Surveillance Committee

Date: December 8, 2008

Re: *Market Surveillance Committee Activities from October 10, 2008, to December 1, 2008*

This memorandum does not require Board action.

The Market Surveillance Committee (MSC) has been involved in four types of activities since October 10, 2008. The first is meeting with stakeholders either in person or through teleconferences to hear their concerns about market outcomes from Market Simulation of Release 1 of the Market Redesign and Technology Upgrade (MRTU) and other aspects of the MRTU design. The second is concerned with assisting the Department of Market Monitoring (DMM) with refining their market monitoring protocols and reviewing the results of market simulations in preparation for the start of MRTU. The third is participating in stakeholder activities related to the implementation of MRTU. The fourth is interacting with ISO Board members to update them on the progress of the implementation of the start of MRTU.

Meetings with Stakeholders to Discuss MRTU Implementation

Frank Wolak and James Bushnell of the MSC and Keith Casey of DMM had an all-day meeting on October 15, 2008, in Rosemead with staff from Southern California Edison to discuss the results of the MRTU Market Simulation and other concerns they had with the MRTU design. Since that time, Bushnell and Wolak have participated in several follow-up conference calls with staff from Southern California Edison and Pacific Gas and Electric related to these issues.

Meetings with Department of Market Monitoring

The MSC has held two executive session meetings with DMM since October 10. The first meeting on October 23 discussed indexes and metrics that DMM plans to use to monitor market participant behavior and the overall performance of MRTU's locational marginal pricing market. The November 17 meeting was devoted to analyzing the results of the base case analysis performed by the ISO. This meeting discussed market outcomes from the day-ahead market and residual unit commitment (RUC) process for the four base case runs considered by the ISO. The hour-ahead scheduling process (HASP) and real-time (RT) market runs for these scenarios were not available for this meeting. All three MSC members found this meeting extremely informative and are very grateful to DMM staff for their efforts in putting the meeting materials together in real time.

Joint Stakeholder/MSC Meeting on Uneconomic Adjustment under MRTU

On November 21, 2008, James Bushnell attended the MRTU Quality of Solution Review stakeholder meeting at the ISO. This meeting reviewed the outcome of the base case day-ahead and RUC simulations. One outcome of this meeting was an agreement among stakeholders and the ISO to run controlled base case analyses for the HASP and RT markets that are currently in process.

Conference Calls with ISO Board Members

Frank Wolak and James Bushnell participated in a number of conference calls with several ISO Board members to update them on the progress of the MTRU market simulations and base case analyses in preparation for the November 24, 2008, ISO Board meeting.