

Memorandum

To: ISO Board of Governors
From: Keith Casey, Director, Market Monitoring
CC: ISO Officers
Date: June 7, 2006
Re: ***Confirmation of MSC Chair and Approval of MSC Charter Modifications***

This memorandum requires Board action.

EXECUTIVE SUMMARY

CAISO Management is seeking Board approval on two Market Surveillance Committee (MSC) matters, approval of Dr. Frank Wolak as MSC Chair for a one-year term from April 1, 2006, through March 31, 2007, and approval to certain modifications to the MSC Charter. Each of these matters is described in more detail below.

Board Motions

- 1) ***Approve the Market Surveillance Committee's nomination of Dr. Frank Wolak as Chair of the MSC for a one-year term from April 1, 2006, through March 31, 2007.***
- 2) ***Approve the redlined modifications to the MSC Charter shown in Attachment A.***

ISSUE STATEMENT

MSC Chair Selection

Each year, the Market Surveillance Committee elects an MSC Chair. The responsibilities of the MSC Chair are described in the MSC Charter and consist of the following:

1. Preside over meetings;
2. Manage and facilitate the Committee's work load;
3. Ensure the quality and timely completion of any deliverables required of the Committee;
4. Serve as the Committee's primary contact to the ISO; and
5. When necessary, enlist the assistance of other Committee members in accomplishing any of these and other assigned responsibilities.

Since its inception, the election of the MSC Chair was at the sole discretion of the Committee. This year, the Board has requested that the MSC's selection of a Chair be subject to confirmation by the Board. Accordingly, the MSC Charter has been modified to incorporate this provision (see Attachment A).

On May 2, 2006, the MSC held a public teleconference meeting in which it elected Dr. Frank Wolak as MSC Chair for a one-year term from April 1, 2006, to March 31, 2007. The meeting was publicly noticed through a CAISO Market Notice on April 25, 2006. Prior to calling the vote, the MSC requested public comment but no comments were offered.

Dr. Wolak has served as MSC Chair since the MSC was formed in the spring of 1998. He is a Professor of Economics at Stanford University and his fields of research are industrial organization, regulatory economics, energy economics and econometric theory. He specializes in the study of methods for introducing competition into infrastructure industries – telecommunications, electricity, water delivery and postal delivery services – and on assessing the impacts of these competition policies on consumer and producer welfare. Dr. Wolak is a visiting scholar at University of California Energy Institute and a Research Associate of the National Bureau of Economic Research (NBER).

He earned a B.A. in Economics from Rice University in 1979, a M.A. in Economics in 1980 from University of New Mexico, and a S.M. in Applied Mathematics from Harvard University. In 1985, he obtained a PhD in Economics from Harvard University. Dr. Wolak's current 3-year term as an MSC member expires on March 31, 2008.

MSC Charter Modifications

In addition to approving Dr. Frank Wolak as MSC Chair, CAISO Management is also seeking Board approval to several minor modifications to the MSC Charter. These changes, which are shown as redline edits in the attached Charter, consist of the following:

1. Modification indicating that the MSC's election of a Chair is subject to Board approval;
2. Modification indicating that the Corporate Secretary or his designee shall serve as secretary to the Committee (as opposed to the DMM Director or his designee).
3. Deletion of a sentence referencing consultation with the Compliance Unit of the California Power Exchange Corporation.
4. Replace references to the former Market Monitoring Information Protocol (MMIP) with updated references to the new Simplified and Reorganized ISO Tariff (S&R Tariff).

As discussed above, the first modification was requested by the Board. The second modification was requested by the CAISO General Counsel to ensure the MSC meeting minutes are captured and documented in a manner consistent with current Board meeting practices. The third modification is simply a clean-up item to reflect the fact that the California Power Exchange no longer exists. The fourth and final modification is to correct references to the ISO Tariff with the new Simplified and Reorganized Tariff.

MANAGEMENT RECOMMENDATION

Board Motions

- 1) *Approve the Market Surveillance Committee's nomination of Dr. Frank Wolak as Chair of the MSC for a one-year term from April 1, 2006, through March 31, 2007.*
- 2) *Approve the redlined modifications to the MSC Charter shown in Attachment A.*