

7 Market Surveillance Committee

7.1 Market Surveillance Committee

Historically, the Market Surveillance Committee (MSC or Committee) has served as an impartial voice on a wide array of wholesale energy market issues. CAISO management and the FERC have adopted a number of Committee recommendations since its inception. The MSC has been recognized consistently by the industry and the public as useful and effective, due in large part to the stature of its members as nationally recognized experts as well as their perceived independence. Both characteristics have led to the MSC being shown considerable deference by state and federal regulators.

7.1.1 Current Members

In 2007, the Committee was comprised of the following members: Frank Wolak of Stanford University, Benjamin Hobbs of Johns Hopkins University and James Bushnell of the University of California Energy Institute at Berkeley. Frank Wolak served as the chairman of the Committee.¹ The following is a brief description of each member's background.

Since April of 1998 Dr. Wolak has been Chairman of the MSC. In this capacity, he has testified numerous times at the FERC, and at various Committees of the US Senate and House of Representatives on issues relating to market monitoring and market power in electricity markets. Dr. Wolak has also worked on the design and regulatory oversight of the electricity markets internationally, including markets in Europe, Australia/Asia, Latin America, and the US (CAISO, NY-ISO, PJM, ISO-NE). He lectures internationally on issues related to electricity market monitoring and regulatory oversight. He has contributed to the design of market monitoring and regulatory oversight protocols in a number of electricity markets.

Dr. Frank Wolak is a Professor of Economics at Stanford University. He received his undergraduate degree from Rice University, and an S.M. in Applied Mathematics and Ph.D. in Economics from Harvard University. His fields of research are industrial organization and empirical economic analysis. He specializes in the study of privatization, competition and regulation in network industries such as electricity, telecommunications, water supply, natural gas and postal delivery services. He is the author of numerous academic articles on these topics. He is a Research Associate of the National Bureau of Economic Research and a Visiting Researcher at the University of California Energy Institute in Berkeley. Professor Wolak has served as a consultant to the California and U.S. Departments of Justice on market power issues in the telecommunications, electricity, and natural gas markets. He has also served as a consultant to the Federal Communications Commission and Postal Rate Commission on issues relating to regulatory policy in network industries.

Dr. Benjamin F. Hobbs, a member of the MSC since 2002, is a Professor of Geography & Environmental Engineering and Applied Mathematics & Statistics in the Whiting School of Engineering, at Johns Hopkins University since 1995. He is a former Professor of Systems Engineering and Civil Engineering at Case Western Reserve University. He has previously held

¹ More information is available at <http://www.caiso.com>.

positions at Brookhaven National Laboratory and Oak Ridge National Laboratory. He is presently Scientific Advisor to The Energy Research Centre of the Netherlands and a member of the Public Interest Advisory Committee for the Gas Technology Institute. His research interests include stochastic electric power planning models, environmental and energy systems analysis and economics, multi-objective and risk analysis, ecosystem management, and mathematical programming models of imperfect energy markets. Dr. Hobbs has published numerous journal articles and magazine articles on these topics and has co-authored two books. Dr. Hobbs has a Ph.D. in Environmental Systems Engineering from Cornell University, and is a Fellow of the IEEE.

Dr. James Bushnell, a member of the MSC since 2002, is currently the Research Director of the University of California Energy Institute at Berkeley. He also serves as Lecturer at the Haas School of Business at UC Berkeley. He is a former member of the Market Monitoring Committee of the California Power Exchange (CALPX). His research interests include industrial organization and regulatory economics, energy policy, and environmental economics. He has published numerous articles on the economics of electricity deregulation and has testified extensively on energy policy issues. Much of his research has focused on examining market incentives in particular; market rules and structures created; and in developing empirical methods for measuring the impact of market power on deregulated electricity markets. Dr. Bushnell has a Ph.D. in Industrial Engineering and Operations Research with a B.S. in Economics and Industrial Engineering.

7.1.2 Accomplishments

Members participated in several formal stakeholder meetings and worked closely with CAISO staff on a number of market design issues. Their efforts have culminated in the preparation and adoption of numerous MSC opinions in 2007, addressing a wide range of market design and policy issues, including the following:

- Various policy aspects of Congestion Revenue Rights under MRTU.
- Interim measures to address potential load under-scheduling under MRTU.
- Market power mitigation for start-up and minimum load bids under MRTU.
- Long-term policy framework for ensuring resource adequacy.
- CAISO backstop capacity procurement mechanisms.
- Design options for carbon dioxide emissions trading in California – implications to the wholesale energy market.

The actual MSC Opinions on these items can be found at the following web page:

<http://www.aiso.com/docs/2000/09/14/200009141610025714.html>.

7.1.3 MSC Meetings

In 2007, the MSC conducted numerous public meetings and teleconferences to hear CAISO staff presentations and stakeholder comments on various market design issues. Two of these meetings were held at state agencies.

In June 2007, the MSC held a technical workshop at the California Air Resources Board to discuss methods for best achieving California's Greenhouse Gas policy goals while minimizing potential adverse impacts to the wholesale electricity market in California. Stakeholders were given the opportunity to raise the major issues followed by questions and comments by the MSC. The MSC continued to follow this issue, and developed a written position entitled, "Opinion on Load-Based and Source-Based Trading of Carbon Dioxide in California," that was adopted in late November 2007.

In October 2007, the MSC held a meeting at the California Public Utilities Commission headquarters in San Francisco to discuss the design elements/issues associated with a long-term resource adequacy framework for California. Through panelist discussions, the goal of the meeting was to identify deficiencies and strengths of the current resource adequacy process and to further identify potential enhancements to that process.

During 2007, the MSC continued to work with CAISO staff on a number of topics. Various members moderated stakeholder meetings on Capacity Market Design and how to best involve demand in the ISO's energy and ancillary services.