

**MEETING MINUTES OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR (CAISO) MARKET SURVEILLANCE COMMITTEE**

Meeting Date: **March 12, 2009, 10:00 a.m.**

Held at: **Office of California ISO
101 Blue Ravine Road
Folsom, CA 95630**

**With Simultaneous Meeting Web Cast (Web conference via Internet (visual)
and telephone (audio))**

A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice (final released March 10, 2009), posted on the CAISO Web site at <http://www.caiso.com/meetings/index.cgi?showonly=BOARD>. This meeting was a joint CAISO stakeholder with regard to topics on the public notice.

COMMITTEE MEMBERS ATTENDING

Frank Wolak	Committee Chairman
James Bushnell	Committee Member
Benjamin Hobbs	Committee Member
Absences:	None

GENERAL SESSION

Chairman Frank Wolak officially called the meeting to order at approximately 10:00 a.m. with all MSC committee members in attendance in person.

Chairman Wolak also advised the meeting was being Web cast to participants, as had been stated on the Public Notice, and via Internet and telephone access prescribed in the Public Notice.

It was noted that the meeting was intended to serve both as an MSC meeting and a CAISO stakeholder meeting for the discussion of the MSC opinion on the Standardized Resource Adequacy Product and other topics of currently under consideration by the ISO.

Public Comment

The meeting then proceeded with Chairman Wolak asking if any member of the public wished to make general public comment before the committee addressed the items on the agenda. There being no public comment, Chairman Wolak went on to the first item on the agenda.

1. Decision on the December 11, 2008 Minutes

Chairman Wolak then turned to the agenda item for MSC decision on the meeting minutes for the December 11, 2008 joint Stakeholder/MSM meeting. He noted that this item called for the members to review and approve the meeting minutes.

Upon motion duly made and seconded, to approve the draft meeting minutes for the meeting, a vote was taken as follows:

Yes: 3
No: 0

Meeting minutes for the December 11, 2008 meeting were approved

2. Draft Opinion on Standard Resource Adequacy Capacity Product

Chairman Wolak provided a summary of the MSM Draft Opinion on Standard Resource Adequacy Capacity Product, a copy of which has been posted to the ISO Web site along with the meeting notice. Following Mr. Wolak's summary, MSM Members, Dr. Bushnell and Dr. Hobbs commented on the draft opinion. Committee members responded to various questions and comments from meeting attendees about the draft opinion. Thereafter, upon motion duly made and seconded, the Committee members voted unanimously to adopt the opinion.

3. Discussion regarding Demand Response Products

Next, the Committee turned to the next agenda item, in which several presentations were made to the Committee to provide further information regarding the ISO's development of a demand response product known as Proxy Demand Resource (PDR).

Margaret Miller (Senior Market and Product Economist, California ISO) presented a proposal for design of a Proxy Demand Resource mechanism that would better enable active demand participation in the ISO markets. She explained that the ISO examined three different design options, one of which was developed by a stakeholder working group, and that the ISO was recommending the option developed by the stakeholder working group. She then provided a detailed example of how under this particular option, the demand resource would be bid, scheduled, and settled in the ISO markets. Throughout her presentation MSM members asked various clarifying questions and expressed concerns about the effectiveness of the general design given the difficulties with determining a customer's baseline because of the various adverse selection and moral hazard problems associated with a program that relies on determining what a demand resource would have consumed but for the request for a demand reduction.

Following Ms. Miller's presentation, Mr. Muir Davis, a representative from Southern California Edison (SCE) provided a presentation discussing various ways to mitigate potential gaming concerns associated with PDR mechanism. Mr. Muir's presentation was then followed by a presentation by Bruce Kaneshiro from the California Public Utilities Commission Energy Division staff, on methodologies for establishing baselines for retail demand response programs.

As this agenda item did not call for any decision of the Committee, discussion of the demand response products did not conclude with a call for the Committee to vote on any action.

Executive Session

There was no executive session.

Whereupon, the Joint MSC/Stakeholder meeting was adjourned at approximately 4:00 p.m.

The MSC has approved these Minutes of the March 12, 2009 MSC Meeting at the following MSC Meeting:
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Date of approval: June 17, 2009
