

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

Meeting Date: June 30, 2008, 9:00 a.m.

Held at: Teleconference Meeting
Call hosted from: Offices of the CAISO, Pyramid
Conference Room (110 Building)
151 Blue Ravine Road
Folsom, California 95630

A meeting of the Market Surveillance Committee (MSC) was held at the time and place referenced above, pursuant to the Public Notice (final released June 26 , 2008) posted on the CAISO Web site at www.aiso.com.

COMMITTEE MEMBERS ATTENDING (by telephone)

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

GENERAL SESSION

Keith Casey, CAISO Director of Market Monitoring initiated the telephone conference call from the CAISO conference room, and noted that MSC members, public members and CAISO employees had joined by telephone conference. Mr. Casey noted that CAISO representatives Kimberli Perez, Sidney Davies, Anjali Sheffrin and Anna McKenna were also present, from the CAISO. CAISO representatives Bill Di Capo and Shucheng Liu attended by telephone conference call. Other members of the public joined in the conference call; these parties are listed on a conference participant list compiled by the telephone service provider.

Chairman Frank Wolak officially called the meeting to order at approximately 9:00 a.m. with committee members Wolak, Bushnell and Hobbs all in attendance in via telephone.

1. Approval of MSC Meeting Minutes from May 7, 2008 Meeting.

Chairman Wolak noted that the first item on the agenda was review and approval of MSC Meeting minutes for the MSC meeting on May 7, 2008.

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After discussion of the minutes, and upon motion duly made to approve the meeting minutes, a vote was taken as follows:

VOTE
Ayes: 3
Nays: 0
Resolved: Meeting Minutes for the date May 7, 2008 are approved.

2. Draft Opinion on Uneconomic Adjustment Policy for Market Redesign and Technology Upgrade (MRTU) for Locational Marginal Pricing Scheduling and Pricing Runs.

Summary

Chairman Wolak indicated that the Committee would next consider adoption of the MSC Opinion on CAISO's proposed Uneconomic Adjustment Policy for MRTUY for LMP scheduling and pricing runs, item 3 on the Public Notice. Mr. Wolak began the discussion with a brief summary of the matter.

Chairman Wolak noted that the California Independent System Operator has put forth a proposal for determining the circumstances when, and by how much, self-schedules, existing transmission rights (ETCs), transmission ownership rights (TORs), ancillary services requirements, and physical characteristics of the transmission network would be relaxed to obtain a feasible schedules in the day-day-and real time markets. He noted that the CAISO summarizes this process as an uneconomic adjustment policy.

Mr. Wolak went on to note that, under the proposal, the CAISO proposed to relax the CAISO's commitment to give priorities to ETCs, TORs, and self schedules over economic bids into the day-ahead and real-time energy and ancillary services markets. The CAISO proposed to do this only under certain extreme circumstances, and in line with reliable grid operation and consistent with reasonable market prices.

In discussing the MSC's reaction to the proposal, Chairman Wolak noted that the major issue is that treating the priorities as absolute could result in very large values, both positive and negative, in locational marginal prices (LMPs) even if suppliers exercise no unilateral market power. Consequently, Chairman Wolak noted that it was the MSC's conclusion that it agreed in principle with the CAISO approach.

Comment

After providing this summary, Mr. Wolak asked if any committee member wished to add any further comment. There followed a short discussion by the Committee members. Mr. Wolak then asked if there was any public comment,

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Mr. Anthony Braun of CMTA commented that he had a concern about what the proposed CAISO approach would have in terms of indirect effect on ETCs. CAISO Anna McKenna responded that there was no intention under the CAISO proposal to change the priorities of the ETCs. She noted that the CAISO adjustment would not adjust all economic bids, but simply all effective economic bids, in order to protect the system, and that the CAISO would continue to honor the perfect hedge construct to make suppliers whole even if the CAISO made an adjustment to priorities under the proposal.

Thereafter, several additional stakeholders commented about the proposal. Ellen Wolfe of Resero Consulting made a comment regarding how the CAISO's adjustment parameters would be documented, urging that a written discussion be set forth in a BPM. Other commentators noted that only a small number of ETCs and TORs are left within the CAISO market.

Vote

Following the discussion, a motion was made, and seconded, that the Draft Opinion on Uneconomic Adjustment be approved, The following vote was then taken:

<u>VOTE</u>
Ayes: 3
Nays: 0
Resolved: Draft Opinion on "Uneconomic Adjustment Policy for Market Redesign and Technology Upgrade (MRTU) for Locational Marginal Pricing Scheduling and Pricing Runs: is approved .

Executive Session

No Executive Session was held.

Adjournment

Whereupon, Chairman Wolak adjourned the MSC meeting at approximately 10:05 am.

The MSC has approved these Minutes of the June 30, 2008 MSC Meeting at the following MSC Meeting:
Date of approval: July 30, 2008