

Memorandum

To: ISO Board of Governors

From: Benjamin F. Hobbs, Chair, ISO Market Surveillance Committee

Date: March 15, 2012

Re: Briefing on MSC Activities from February 1, 2012 to March 12, 2012

This memorandum does not require Board action.

Over the period covered by this memorandum, the Market Surveillance Committee drafted formal opinions on two ISO proposals that are scheduled for the March Board meeting, and participated in staff discussions and stakeholder telephone meetings on those proposals. The opinions concern the ISO proposals on Regulation Pay for Performance and Integration of Transmission Planning and Generation Interconnection. The opinions were approved in a public teleconference meeting of the MSC on March 9, 2012.

1. Regulation Pay for Performance

The Federal Energy Regulatory Commission adopted Order 755 on October 20, 2011 to ensure that providers of frequency regulation receive just and reasonable and not unduly discriminatory or preferential rates. The final rule requires a two-part payment for regulation: (1) a payment for regulation capacity and (2) a payment for the performance of the resource in response to the regulation signal, as measured by its cumulative movement or so-called 'mileage'.

The ISO has released a draft final proposal for market rules that would comply with that order.¹ Over the past month, we have discussed the initial and revised ISO proposals with ISO staff and stakeholders both informally and in public ISO stakeholder calls. These discussions were a follow-up to a MSC teleconference meeting on the subject on January 24, 2011. The final MSC opinion was adopted during a MSC public teleconference meeting on March 9, 2012 and posted to the ISO's website on March 12, 2012. The opinion is attached to ISO Management's March Board memo on this topic.

¹ISO, Pay for Performance Regulation, Draft Final Proposal Addendum, February 22, 2012, www.caiso.com/Documents/Addendum-DraftFinalProposal-Pay_PerformanceRegulation.pdf

2. Integration of Transmission Planning and Generator Interconnection

The ISO is considering how the two separate transmission planning processes that it oversees can be better integrated. The issues involved in their integration have been previously discussed by the MSC at the December 8, 2011 MSC meeting and the January 24, 2012 teleconference meeting. The ISO has released a draft final proposal,² which is the subject of a draft MSC opinion that was prepared during the month of February. The final MSC opinion was adopted during a MSC public teleconference meeting on March 9, 2012 and posted to the ISO's website on March 12, 2012. The opinion is attached to ISO Management's March Board memo on this topic.

² ISO, Draft Final Proposal - Transmission Planning and Generator Interconnection Procedures Integration, Feb. 15, 2012, www.caiso.com/Documents/DraftFinalProposal_TransmissionPlanning_GeneratorInterconnectionProceduresIntegration.pdf