

Memorandum

To: ISO Board of Governors

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

Date: March 6, 2013

Re: Briefing on MSC Activities from January 25 - March 3, 2013

This memorandum does not require Board action.

Over the period covered by this memorandum, members of the Market Surveillance Committee engaged in various activities in preparation for the upcoming March 19 MSC meeting in Folsom. This included participating in public calls and meetings, as well as calls with ISO staff concerning various ISO initiatives. The MSC has also been coordinating with the Department of Market Monitoring on analyses to support the May 2013 report that the MSC is required to submit to FERC on local market power mitigation.

MSC Member Scott Harvey participated in the February 12 call on Order 764, and there have been follow-up communications between MSC members and staff. Many of the important issues regarding Order 764 concern incentives to participate in the proposed 15-minute market relative to the day-ahead market.

MSC Members Shmuel Oren and James Bushnell attended the Resource Adequacy Summit held by the California Public Utilities Commission and the ISO on February 26. Dr. Bushnell made a presentation on the Panel Discussion on "Applying Alternative Models to the California Market Construct." The meeting appears to have contributed significantly to progress towards building a consensus on many of the issues involved in designing resource adequacy mechanisms that will look more than one year ahead.

In its Order accepting the ISO's revisions to the Local Market Power Mitigation procedures,¹ the Federal Energy Regulatory Commission directed the MSC to report findings regarding the appropriateness of the three-pivotal-supplier test and whether an alternative competitive screen to identify market power opportunities for generation in load pockets is necessary. This report is required by May 1, 2013. During the period covered by this memorandum, we have been working with the ISO's Department of Market Monitoring on designing and completing the analyses necessary for the report ordered by the FERC.

¹ Federal Energy Regulatory Commission, "Order Accepting Tariff Revisions," 138 FERC ¶ 61,154, www.caiso.com/Documents/2012-03-01_ER12-423_LMPMorder.pdf

Finally, MSC members have been reviewing with ISO staff and stakeholders issues that have been raised recently concerning the liquidity and transparency in the energy market.

We look forward to discussing the above initiatives and issues with ISO staff and stakeholders. The MSC anticipates preparing a written opinion for submission to the Board later this year on the issues involved in compliance with FERC Order 764, as well as an opinion addressing resource adequacy markets and California's future needs for flexible capacity.