



**GENERAL SESSION MINUTES
MARKET SURVEILLANCE COMMITTEE MEETING
June 4, 2010
ISO Headquarters**

**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 June 2, 2010), posted on the CAISO Web site at <http://www.caiso.com/23c2/23c2c4412f6c0.html>. This meeting was also a joint CAISO stakeholder meeting with regard to topics contained in the Public Notice.

COMMITTEE MEMBERS ATTENDING

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

GENERAL SESSION

The Director of Market Monitoring, Dr. Eric Hildebrandt, officially started the meeting shortly after 10:00 a.m., beginning with a quick run-down of the agenda.

The meeting was then turned over to Chairman Wolak, who thanked everyone for attending and introduced the two other committee members.

Decision on the March 19, 2010 Meetings

Chairman Wolak then turned to the agenda item for the MSC decision on the meeting minutes from the March 19, 2010, Market Surveillance Committee meeting. He noted that this item called for the members to review and approve the meeting minutes.

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

Yes: 3
No: 0

Meeting minutes for March 19, 2010, were approved.

Public Comment

The meeting then proceeded with Chairman Wolak asking for public comment. Receiving no public comment, the MSC moved onto the next item on the agenda.

Draft Opinion on Commitment Costs

Next, the MSC provided a summary of their draft opinion on the ISO's May 5, 2010 proposal for changing procedures for bidding and mitigation of commitment costs, which include start-up, minimum load, and transition costs for multistage generators (MSGs).

The MSC indicated its support for many of these changes, as well as the ISO's recommendation not to consider opportunity cost bidding at this time on the grounds that the complexity of procedures required are not justified by the potential of market efficiency benefits from its implementation. The MSC also noted that given the lack of stakeholder response to the ISO's requests for information on O&M costs, it was appropriate for the ISO to exclude the additional O&M adder option from the proposal. The MSC did suggest a change to the MSG transition costs mitigation procedure in order to allow bid-in transition costs to be decreased by the same percentage relative to the proxy transition costs.

Several stakeholders commented that they felt the current and proposed rules may make it difficult for generation owners to recover actual costs from their SU/ML payments.

Following the discussion, a motion was made, and seconded, to adopt the draft Opinion on Changes to Bidding and Mitigation of Commitment Costs. The following vote was then taken:

Ayes: 3

Nays: 0

Draft MSC Report on 3-Pivotal Supplier

Chairman Wolak began by providing a presentation summarizing the MSC's Report on Performance of the California ISO's Local Market Power Mitigation (LMPM) Mechanism.

The presentation reviewed the MSC's assessment of the performance of the ISO's LMPM over the prior year, the strengths and weaknesses of the current LMPM approach, and an alternative residual-demand approach. The presentation concluded that the ISO continue with the current LMPM approach, but recommended that the ISO initiate a process to consider a more dynamic LMPM mechanism, including a process based on a residual demand curve.

This presentation was followed by a discussion of the issues and recommendations in the MSC's report. Stakeholders representing several generation owners commented that the determination of whether the market is working well should be based on a broader evaluation of market conditions such as the ability of an existing generator to earn sufficient revenues to cover fixed costs or to incent investment in new capacity. The MSC explained that in response to the FERCs request, their report focused on the LMPM mechanism and not the question of overall market effectiveness.

Following the discussion, a motion was made, and seconded, that the Report on Performance of the California ISO's Local Market Power Mitigation Mechanism be formally adopted by the Committee for filing at FERC. The following vote was then taken:

Ayes: 3
Nays: 0

Briefing on Modifications to Incorporate Bid-in Demand to Local Market Power Mitigation Procedures

Dr. Hildebrandt provided a briefing on options for modifying local market power mitigation procedures to incorporate bid-in demand. Dr. Hildebrandt reviewed several options that were considered in a prior stakeholder process evaluating LMPM options for convergence bidding.

Discussion ensued regarding these on incorporating bid-in demand into LMPM. The MSC and numerous market participants expressed support for support an approach being recommended by DMM, but acknowledged the need for more analysis.

This agenda item was a discussion item only and did not require any action be taken by the MSC.

Discussion of Residual Demand Approach to Assessment of Market Power

Dr. Lin Xu of DMM provided a presentation on the residual demand concept as a potential method for mitigating market power.

The MSC, DMM and stakeholders discussed questions and comments on this concept. DMM expressed concerns about the need to work out the computational details of the residual demand approach in an LMP-market with dynamic constraints, and the feasibility of incorporating this into the market software as the means of automated market power mitigation.

This agenda item was a discussion item only and did not require any action be taken by the MSC.

Executive Session

There was no executive session.

Adjourned

There being no additional general session items to discuss, the Market Surveillance Committee meeting was adjourned at approximately 4:00 p.m.

The MSC has approved these Minutes of the June 4, 2010, MSC Meeting at the following MSC Meeting:

Date of approval: October 18, 2010