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**CHARTER OF THE MARKET SURVEILLANCE COMMITTEE  
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Revised June 14, 2006



**California ISO**  
Your Link to Power

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**Market Surveillance Committee Charter**

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(5) ~~when~~enlist the necessary, ~~enlisting the~~ assistance of other ~~Committee~~MSC members in accomplishing any of these and any other assigned responsibilities.

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D. Compensation, Reimbursement, ~~and~~ Liability

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(1) Members of the ~~Committee~~MSC shall be compensated on such basis as the ~~ISO CEO~~CEO, in consultation with the Board, shall ~~from time to time~~ determine. Members ~~of the Committee~~ shall receive prompt reimbursement for all expenses reasonably incurred in the execution of their responsibilities under ~~Appendix P2~~the tariff and this ~~Charter~~charter.

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(2) As provided in ~~Section 14.3.1 and 14.3.2 of the ISO Tariff~~tariff, the ~~Committee~~MSC and its members are not liable to any ~~Market Participant~~market participant under any circumstances whatsoever for any matter described in ~~those sections~~the tariff, including but not limited to any financial loss or loss of economic advantage resulting from the performance or non-performance by ~~such ISO entities~~the MSC of ~~their~~its functions under ~~Appendix P2~~the tariff and this ~~Charter~~charter.

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E. Independence of Members

Each member of the ~~Committee~~MSC must meet the following criteria for independence ~~as set forth in order to be appointed~~the tariff:

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(1) ~~Members shall have no material professional or commercial affiliation, through employment, consulting or otherwise, with any Market Participant~~a market participant where such affiliation would tend to affect, or affiliate thereof consistent with ~~give the pertinent Standards appearance of Conduct~~affecting, their judgment in the performance of the Federal Energy Regulatory Commission (FERC); ~~their duties~~;

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(2) ~~Members shall not serve as officers, employees, or partners of a market participant~~;

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(2) (3) ~~Members shall have no material financial interest in any Market Participant~~market participant or affiliate thereof consistent with the ~~pertinent FERC Standards~~exception of ~~Conduct~~mutual funds and non-directed investments;

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(4) ~~Members may not provide paid~~ Members shall not engage in any market transactions other than in the performance of their duties under the tariff; and

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(3)(5) ~~Members shall not be compensated, other than by the ISO, for any expert witness testimony or other commercial services to the ISO or to any other party, in connection with any legal or regulatory proceeding or commercial transaction relating to the ISO or any trade or transaction~~

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~~involving the ISO markets~~ (except that the ~~CommitteeMSC~~ may consult with and make recommendations concerning the functioning of the markets to ISO Management or to the ~~Governing~~ Board in connection with legal or regulatory proceedings).

Each member of the MSC must additionally comply with the ethics provisions outlined in the tariff.

#### F. Potential Conflicts

If any matter before the ~~CommitteeMSC~~ could potentially affect the personal financial interests of a member or the interest of an entity with which the member is affiliated, the member shall, at the earliest opportunity, disclose such interest to the ~~CommitteeMSC and the legal department of the ISO~~. Where necessary to avoid a conflict of interest, the member shall not participate in any manner, including any discussion, in the matter. Any such disclosure and recusal shall be recorded in the minutes of the meeting.

#### G. ~~Confidentiality~~

#### G. ~~Confidentiality~~

Non-public information received or developed by the ~~CommitteeMSC~~ (or its members in their capacity as members) may not be disclosed outside of the ~~CommitteeMSC~~ and the ISO without authorization of the ~~CommitteeMSC~~. The ~~Committee will MSC shall~~ not authorize disclosure of information which has been received subject to a specific disclosure restriction ~~on non-disclosure~~, except after consultation with the ISO General Counsel and in accordance with applicable law.

#### H. Removal of Members Prior to Expiration of Term

The ~~Governing~~ Board may remove, subject to a two-thirds vote, a member of the ~~CommitteeMSC~~ prior to the expiration of that member's appointed term for failure to perform his or her duties or comply with the applicable provisions of Appendix P2 the tariff or this Charter ~~charter~~.

### III. Meetings of the Market Surveillance Committee

#### A. Time and Place

The ~~CommitteeMSC~~ shall meet to vote on any opinion or report to be issued by the ~~CommitteeMSC~~. In addition, the ~~CommitteeMSC~~ shall meet up to eight times per year at least once during each quarter, in accordance with a calendar established by the members in conjunction with the ~~ISO CEO or his or her designee~~, and shall also meet at the call of the Chair ~~Members~~. While in-person participation is strongly encouraged, members may participate in a meeting telephonically. ~~Except when~~

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~~otherwise designated by the Committee, the ISO DMM staff may if circumstances are such that they cannot attend any meeting in person.~~

B. Secretary

Unless otherwise directed by the ~~Committee~~MSC, the Corporate Secretary or his or her designee shall serve as secretary to the ~~Committee to ensure accurate records of their meetings~~MSC.

C. Voting

~~Three members constitute a quorum and an affirmative vote of at least two a majority of the members of the Committee is then in office shall be necessary for any Committee action. Provided, however, that two members will constitute a quorum if the Committee has only two members as the result of removal, incapacity or resignation of other members.~~

D. Meeting Procedures

All meetings shall be held pursuant to the ~~ISO's Bylaws~~ISO bylaws and ~~Open Meeting Policy~~open meeting policy as then in effect with regard to notice and waiver thereof and public access to the meetings. Materials, ~~other than those covered by confidentiality concerns,~~ submitted to the ~~Committee~~MSC, and written minutes of each meeting, shall be duly filed in ~~the ISO's~~ISO records.

E. Public Comment

With the exception of meetings held in closed/ ~~executive session,~~ opportunities for public comment will be provided at each meeting.

IV. Functions of the **Market Surveillance Committee**

A. ~~Information Gathering and Evaluation Criteria of Information~~

~~The Committee shall review the initial catalogs of information and data and the evaluation criteria developed by the DMM pursuant to Appendix P and shall propose such changes, additions or deletions to such catalogs or items therein as it sees fit. In so doing, the Committee shall have full discretion to specify database items or evaluation criteria for inclusion in the pertinent catalog.~~

B. ~~Evaluation of Information~~

~~The Committee may, upon request of the DMM, the ISO CEO or the ISO Governing~~The MSC may, upon request of the DMM, the CEO or the Board, or on its own volition, evaluate such information or data as may be collected by the DMM on the

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basis of the evaluation criteria developed by the DMM and such further articulated evaluation criteria developed by the ~~Committee~~MSC.

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~~B~~ Reports and Recommendations

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(1) Required Reports

~~All~~The MSC shall provide all evaluations carried out by the ~~Committee~~ pursuant to ~~P2.2.6.2~~the tariff, and any recommendations emanating from such evaluations, shall be embodied by the ~~Committee~~ in written reports to the ISO-CEO and ~~ISO Governing the Board and~~. The written reports shall be made publicly available subject to ~~due~~ restrictions on dissemination of confidential or commercially sensitive information.

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(2) Additional Reports

The ~~Committee~~MSC may make such additional reports and recommendations as it sees fit, or in response to requests by the ISO-CEO, ~~Governing the Board~~, or FERC, relating to the monitoring program referred to in ~~Appendix P~~the tariff, the analysis of information, the evaluation criteria or any corrective or enforcement actions proposed by the ISO or posed of its own volition.

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~~(3) Annual Policy Calendar~~

~~To focus the Committee's efforts on specific policy issues, the Committee, in conjunction with the ISO-CEO, will develop an annual Policy Calendar at the beginning of the term of each new member of the Committee. That Policy Calendar shall be developed with the assistance of the DMM to identify those specific policy issues on which Committee opinions are or will be requested and will describe the associated deliverables and their due dates. The Policy Calendar may be amended by mutual consent of the Committee and the ISO-CEO to enable the Committee to address new issues that may arise.~~

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~~D~~ ~~C~~ Publication of Reports and Recommendations

Upon request of the ~~Committee~~MSC, the ISO-CEO shall publish reports and recommendations of the ~~Committee~~MSC or incorporate them, ~~if consistent~~, into the ISO's own ~~ISO~~ reports or recommendations.

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~~D~~ ISO Staff Support to the ~~Committee~~MSC

At the request of the ~~Committee~~MSC, but only to the extent practicable, the ISO shall provide administrative support ~~to the Committee~~, through the DMM, to provide data and other information needed by the ~~Committee~~MSC, assistance in analyzing such data, and assistance to the Chair in managing the ongoing ~~work load~~workload of the ~~Committee~~MSC.

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## REVISION HISTORY

<u>VERSION NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
<u>1.0</u>	<u>1998</u>	<u>Adopted by Board of Governors</u>
<u>2.0</u>	<u>2/24/00</u>	<u>Amended by Board of Governors</u>
<u>3.0</u>	<u>3/9/06</u>	<u>Amended by the Board of Governors</u>
<u>4.0</u>	<u>6/14/06</u>	<u>Amended by the Board of Governors</u>
<u>5.0</u>	<u>TBD</u>	<u>Amended by the Board of Governors</u>

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