

Memorandum

To: ISO Board of Governors
From: Steve Berberich, President and Chief Executive Officer
Date: March 13, 2013
Re: **Decision on Market Surveillance Committee Reappointment**

This memorandum requires Board action.

Executive Summary

Dr. Benjamin Hobbs has served as a member of the ISO Market Surveillance Committee since 2002. His term as a Committee member expires on March 31, 2013. During his tenure on the MSC, Dr. Hobbs has provided invaluable expertise and advice to the Board, ISO Management and staff on numerous market issues relating to the operation of the ISO market.

The tariff requires that the ISO Chief Executive Officer, subject to approval by the Board, make appointments to the MSC. Therefore, I request that the Board re-appoint Dr. Hobbs as a member of the MSC and authorize execution of a contract for a three-year term.

Background

The tariff (Appendix O, Section 4) requires that the Market Surveillance Committee be comprised of three or more experts whose combined professional experience encompasses the following:

- Economics, with an emphasis on antitrust, competition, and market power issues in the electricity industry;
- Operational aspects of generation and transmission in electricity markets;
- Antitrust or competition law in regulated industries; and
- Financial expertise relevant to energy or other commodity trading.

The tariff (Appendix O, Section 9) also outlines strict criteria for independence that forbids members of the MSC from, among other things, having a material financial interest in a market participant, engaging in market transactions, and receiving outside compensation for providing commercial services in any legal or regulatory proceeding relating to the ISO. The MSC has a specific tariff-assigned role to provide independent, external expertise in monitoring the ISO's market and to provide independent expert advice and recommendations to ISO Management, the ISO Board and FERC on market performance and design. The MSC is currently comprised of four members:

- Benjamin Hobbs (Chairman), term expires on March 31, 2013;
- James Bushnell (Member), term expires on March 31, 2015;

- Scott Harvey (Member), term expires on March 31, 2014; and
- Shmuel Oren (Member), term expires on March 31, 2015.

The tariff authorizes MSC members to develop and publish opinions and reports at the request of ISO Management, or independently, when deemed appropriate by the Committee. While MSC processes do not constitute a stakeholder process, Committee members have shown a keen interest in listening to stakeholder concerns. Historically, the MSC has served as an impartial source of information on market issues, primarily for the ISO, but also for state policymakers, FERC and the news media. ISO Management and FERC have adopted a number of Committee recommendations since its inception.

Formal reviews and recommendations by the MSC are provided in written opinions to ISO Management and the Board, and, when appropriate, filed with FERC. MSC opinions are also available to the public through the ISO website. The MSC has been consistently recognized by the industry and the public as being useful and effective due in large part to the stature of its members as nationally recognized experts as well as their perceived independence. Both characteristics have led to the MSC being shown considerable deference by state and federal regulators.

Dr. Hobbs has been a member of the MSC since 2002. He has served as a Professor in the Department of Geography & Environmental Engineering at Johns Hopkins University since 1996. He also holds a joint appointment in the Department of Applied Mathematics & Statistics and directs the Johns Hopkins Environment, Energy, Sustainability & Health Institute. Previously, he was at Brookhaven and Oak Ridge National Laboratories and a member of the Systems Engineering and Civil Engineering faculty at Case Western Reserve University. Dr. Hobbs has held visiting appointments at the Helsinki University of Technology, University of Washington, the Netherlands Energy Research Center, and the Electricity Policy Research Group at Cambridge University.

During his tenure on the MSC, Dr. Hobbs has become a highly respected expert on the various market design and policy challenges confronting the ISO and California (e.g., renewable integration, transmission planning, resource adequacy, convergence bidding and long-term transmission rights). Additionally, Dr. Hobbs' diverse and exceptional expertise in engineering, power systems and economics makes him a highly valued member of the MSC and an excellent complement to the other MSC members.

For these reasons, I request that the Board re-appoint Dr. Benjamin Hobbs to the MSC and authorize execution of a contract for a three-year term.

MOVED, that the ISO Board of Governors reappoints Dr. Benjamin Hobbs to the ISO Market Surveillance Committee for a three-year term to end March 31, 2016; and

MOVED, that the ISO Board of Governors authorizes and directs the Chief Executive Officer to enter into an appropriate consulting agreement with Dr. Benjamin Hobbs to compensate him for his participation on the ISO Market Surveillance Committee.