



Memorandum

To: ISO Board of Governors

From: Steve Berberich, President and Chief Executive Officer

Date: December 10, 2015

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 (MSC) since 2002. His term as a committee member expires on March 31, 2016. During his tenure on the MSC, Dr. Hobbs has provided invaluable expertise and advice to the Board, ISO Management and staff on numerous issues relating to the operation of the ISO market.

The tariff requires that the ISO CEO, subject to approval by the Board of Governors, make appointments to the MSC. Therefore, I request that the ISO Board of Governors 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 forbid a member 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 market and to provide independent expert advice and recommendations to ISO Management, the ISO Governing Board and the FERC on market performance and design. The MSC is currently comprised of three members:

- Benjamin Hobbs (Chair), term expires on March 31, 2016
- Scott Harvey, term expires on March 31, 2017
- James Bushnell, term expires on March 31, 2018

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. Historically, the MSC has served as an impartial source of information on market issues, primarily for the ISO, but also for state policymakers, the FERC and the news media. ISO Management and the 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 ISO Governing Board, and, when appropriate, filed with the 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, and was appointed as the Theodore K. and Kay W. Schad Chair of Environmental Management in 2009. He also holds a joint appointment in the Department of Applied Mathematics & Statistics and is founding director of 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. He is co-director of the new Solutions for Energy, Air, Climate, and Health, a U.S. Environmental Protection Agency-funded center at Yale and Johns Hopkins Universities. He has been named a Fellow of the Institute of Electrical and Electronics Engineers (IEEE) and of the Institute for Operations Research and Management Science (INFORMS) in recognition of his research on electricity market modeling.

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. Additionally, Dr. Hobbs's 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 ISO Board of Governors re-appoint Dr. Benjamin Hobbs to the MSC and authorize execution of a contract for a three-year term.

Motion:

Moved, that the ISO Board of Governors reappoint Dr. Benjamin Hobbs to the Market Surveillance Committee, an advisory committee to the ISO Board of Governors, for a three-year term to end March 31, 2019; and

Moved, that the Chief Executive Officer is authorized and directed to enter into an appropriate Consulting Agreement with Dr. Benjamin Hobbs to compensate him for his participation on the Market Surveillance Committee.