

**MMIP 1.2 Definitions**

**MMIP 1.2.1 Master Definitions Supplement**

Any word or expression defined in the Master Definitions Supplement to the ISO Tariff shall have the same meaning where used in this Protocol. References to a Section or Appendix are to a Section or an Appendix of the ISO Tariff. References to MMIP are to this Protocol or to the stated section, paragraph or appendix of this Protocol.

**MMIP 1.2.2 Special Terms for This Protocol**

In this Protocol, the following words and expressions shall have the meanings set opposite them:

**“Market Surveillance Unit”** means the unit established under MMIP 3.1.

**“ISO Market Surveillance Committee (ISO MSC)”** means the committee established under MMIP 5.1.

**“Activity Rules”** means the rules relating to the activities of ISO or PX Participants set forth in or referred to in the ISO and PX Tariff and Protocols.

**“ISO Home Page”** means the ISO internet home page at <http://www.caiso.com> or such other internet address as the ISO shall publish from time to time.

**MMIP 1.2.3 Rules of Interpretation**

**MMIP 1.2.3.1** Unless the context otherwise requires, if the provisions of this Protocol and the ISO Tariff conflict, the ISO Tariff will prevail to the extent of the inconsistency. The provisions of the ISO Tariff have been summarized or repeated in this Protocol only to aid understanding.

**MMIP 1.2.3.2** A reference in this Protocol to a given agreement, ISO Protocol or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made.

**MMIP 1.2.3.3** The captions and headings in this MMIP are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Protocol.

**MMIP 1.2.3.4** This Protocol shall be effective as of January 1, 1998.

- MMIP 2.3.4.2** the use of contracts for differences for eliminating the incentive for Generators to bid ISO prices to artificially high levels enabled by the presence of market power;
- MMIP 2.3.4.3** calling upon Reliability Must-Run Units to operate; and to modify Reliability Must-Run Contracts;
- MMIP 2.3.4.4** bid floors to prevent or mitigate the possible exercise of below-cost bidding or predatory pricing that may arise from the incentives provided by the combined effect of the CTC and the rate freeze when the IOUs are net buyers of Energy.

The CEO and the ISO MSC shall consult on such recommendations and each may, after due consideration, propose any of such measures to the ISO Governing Board. In the event that the ISO Governing Board adopts, and where necessary obtains regulatory approval for, any measure proposed pursuant to MMIP 2.3.4, the Market Surveillance Unit shall develop an implementation plan for such measure, and shall submit such plan to the CEO and ISO MSC. Upon approval of such plan by the CEO, the Market Surveillance Unit shall monitor the implementation and effect of such measure on the state of the ISO Markets and shall periodically report on them to the CEO and the ISO MSC.

### **MMIP 3 ISO MARKET SURVEILLANCE UNIT**

#### **MMIP 3.1 Establishment**

There shall be established on or before ISO Operations Date within the ISO a Market Surveillance Unit that shall be responsible for the ongoing development, implementation, and execution of the ISO Market monitoring and information scheme described in this MMIP and the adherence to its objectives, as set forth in MMIP 1.1.

#### **MMIP 3.2 Composition**

The Market Surveillance Unit shall be adequately staffed by the ISO with full-time ISO staff with the experience and qualifications necessary to fulfill the functions referred to in this MMIP. Such qualifications may include professional training pertinent to and experience in the operation of markets analogous to ISO Markets, in the electric power industry, and in the field of competition and antitrust law, economics and policy. The Market Surveillance Unit shall be directed by a Compliance Director who shall be under the management of the ISO Chief Legal Counsel and the ISO CEO.

**MMIP 3.3      Accountability and Responsibilities**

**MMIP 3.3.1      Market Surveillance Unit**

The Market Surveillance Unit shall report and be accountable to the ISO CEO through the Chief Legal Counsel on all matters pertaining to policy and other matters that may affect the effectiveness and integrity of the monitoring function referred to in this Protocol, including matters pertaining to market monitoring, information development and dissemination and pertaining to generic or entity-specific investigations, corrective actions or enforcement.

**MMIP 3.3.2      CEO and ISO MSC**

The ISO CEO and the ISO MSC shall each have the independent authority to refer any of the matters referred to in MMIP 3.3.1 to the ISO Governing Board for approval of recommended actions.

**MMIP 3.3.3      Chief Executive Officer (CEO)**

**MMIP 3.3.3.1** The Market Surveillance Unit shall report to and be accountable to the ISO CEO through the Chief Legal Counsel on all matters relating to the day-to-day administration of the Market Surveillance Unit and the internal resources and organization of the ISO in accordance with MMIP 3.3.3.2.

**MMIP 3.3.3.2** The ISO CEO shall ensure that the Market Surveillance Unit has adequate resources and full access to data and the full cooperation of all parts of the ISO organization in developing the database necessary for the effective functioning of the Market Surveillance Unit and the fulfillment of its monitoring function. The ISO CEO shall institute within the ISO such data collection, organization and analytic activities as may be necessary for the Market Surveillance Unit to fulfill its functions and responsibilities.

**MMIP 3.3.4      Regulatory and Antitrust Enforcement Agencies**

Where considered necessary and appropriate, or where so ordered by the regulatory or antitrust agency with jurisdiction over the matter in question, or by a court of competent jurisdiction, the Market Surveillance Unit shall refer a matter through the ISO CEO to the regulatory or antitrust enforcement agency concerned, *e.g.*, in cases of serious abuse requiring expeditious investigation or action by the agency. In all such cases of direct referral, the ISO CEO shall promptly inform the ISO Governing Board and the ISO MSC of the fact of and the content of the referral.

**MMIP 4.7 Cooperation with PX Compliance Unit and Market Monitoring Committee**

In carrying out its responsibilities under this Protocol, the Market Surveillance Unit may at its discretion consult or cooperate in the manner it considers most appropriate with the PX's Compliance Unit and Market Monitoring Committee, or other entities within the PX that fulfill the analogous market monitoring functions, with respect to the following:

- (a) exchange of data subject to any limitations on the ISO's ability to disclose commercially sensitive information from other Scheduling Coordinators to the ISO, monitoring methodologies and results, and information on corrective, referral or enforcement actions taken;
- (b) monitoring of market performance;
- (c) joint analysis of data, subject to any limitations on the ISO's ability to disclose commercially sensitive information from other Scheduling Coordinators to the ISO, and monitoring results of markets and Market Participant behavior;
- (d) investigations of specific market abuses; and
- (e) proposals for concerted action on enforcement measures, e.g., as to suspensions from trading.

**MMIP 4.8 Liability for Damages**

As provided in Section 14.1 and 14.2 of the ISO Tariff, the Market Surveillance Unit, the ISO MSC, the ISO CEO and other ISO staff shall not be liable to any Market Participant under any circumstances whatsoever for any matter described in those sections, including but not limited to any financial loss or loss of economic advantage resulting from the performance or non-performance by such ISO entities of their functions under this Protocol.

**MMIP 5 ISO MARKET SURVEILLANCE COMMITTEE**

**MMIP 5.1 Establishment**

There shall be established on or before ISO Operations Date an ISO Market Surveillance Committee (ISO MSC), whose role it shall be to provide independent external expertise on the ISO market monitoring process as described in this Protocol and, in particular, to provide independent expert advice and recommendations to the

ISO CEO and Governing Board. Members of the Committee are not employees or agents of the ISO. Members are not available to provide expert witness services to the ISO or any other party in a FERC proceeding relating to the ISO, except to the extent that the ISO MSC makes an advance determination that providing such service is not inconsistent with the independence of the ISOMSC.

Issued by: N. Beth Emery, General Counsel and Vice President  
Issued on:

Effective: Upon approval of settlement

Members of the ISO MSC shall receive prompt reimbursement for all expenses reasonably incurred in the execution of their responsibilities under this MMIP 5.

**MMIP 5.5      Liability for Damages**

As provided in Section 14.1 and 14.2 of the ISO Tariff, the Market Surveillance Unit, the ISO MSC, the ISO CEO and other ISO staff shall not be liable to any Market Participant under any circumstances whatsoever for any matter described in those sections, including but not limited to any financial loss or loss of economic advantage resulting from the performance or non-performance by such ISO entities of their functions under this Protocol.

**MMIP 6                      SPECIFIC FUNCTIONS OF ISO MARKET SURVEILLANCE  
COMMITTEE (ISO MSC)**

**MMIP 6.1                  Information Gathering and Evaluation Criteria**

The ISO MSC shall review the initial catalogs of information and data and of evaluation criteria developed by the Market Surveillance Unit pursuant to MMIP 4 and shall propose such changes, additions or deletions to such catalogs or items therein as it sees fit. In so doing, the ISO MSC shall have full discretion to specify database items or evaluation criteria for inclusion in the pertinent catalog.

**MMIP 6.2                  Evaluation of Information**

The ISO MSC may, upon request of the Market Surveillance Unit, the ISO CEO or the ISO Governing Board, or on its own volition, evaluate such information or data, including as may be collected by the Market Surveillance Unit on the basis of the evaluation criteria developed by the Market Surveillance Unit or on such further articulated evaluation criteria developed by the ISO MSC. In carrying out such evaluations, the ISO MSC may consult the PX's Compliance Unit and Market Monitoring Committee with respect to any matter relating to such evaluations.

**MMIP 6.3                  Reports and Recommendations**

**MMIP 6.3.1                Required Reports**

All evaluations carried out by the ISO MSC pursuant to MMIP 6.2, and any recommendations emanating from such evaluations, shall

be embodied by the ISO MSC in written reports to the ISO CEO and ISO Governing Board and shall be made publicly available subject to due restrictions on dissemination of confidential or commercially sensitive information. The ISO MSC may submit any report to FERC, subject to due restrictions on dissemination of confidential or commercially sensitive information.

**MMIP 6.3.2 Additional Reports**

The ISO MSC may make such additional reports and recommendations as it sees fit relating to the monitoring program referred to in this Protocol, the analysis of information, the evaluation criteria or any corrective or enforcement actions proposed by the Market Surveillance Unit or proposed of its own volition.

**MMIP 6.4 Publication of Reports and Recommendations**

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

**MMIP 7 IMPLEMENTATION OF RECOMMENDATIONS**

**MMIP 7.1 Plan and Activity Rule Changes**

Upon recommendation of the ISO CEO, acting on the advice of the Market Surveillance Unit, or based on the independent recommendation of the ISO MSC, the ISO Governing Board may make such changes as it believes are appropriate to any ISO Protocol or Agreement or to any Activity Rules applicable in accordance with MMIP 9.

**MMIP 7.2 Tariff Changes**

Upon recommendation of the ISO CEO, acting on the advice of the Market Surveillance Unit, or based on the independent recommendation of the ISO MSC, the ISO Governing Board shall consider and may adopt proposed ISO Tariff changes in accordance with MMIP 9.

**MMIP 7.3 Sanctions and Penalties**

Upon recommendation of the ISO CEO, acting on the advice of the Market Surveillance Unit, or based on the independent

recommendation of the ISO MSC, and after an audit by the Market  
Surveillance Unit the ISO Governing Board may impose such

