

Memorandum

To: ISO Board of Governors
From: Frank A. Wolak, Chairman, ISO Market Surveillance Committee
Date: March 18, 2009
Re: *Market Surveillance Committee Activities from January 16, 2009 to March 11, 2009*

This memorandum does not require Board action.

The Market Surveillance Committee (MSC) has continued to work with the California Independent System Operator (ISO) Department of Market Monitoring (DMM) reviewing the results of market simulations and the market monitoring protocols in preparation for the start of the Market Redesign and Technology Upgrade (MRTU). The MSC also held an executive session meeting with ISO Management to discuss market simulation issues related to the readiness of the ISO for the start of MRTU, and individual members have had several informal discussions with ISO Management and staff concerning MRTU readiness. As part of this process, members of the MSC subsequently met with various stakeholder groups to hear their outstanding concerns with a March 31, 2009, MRTU go-live. The MSC has also participated in the design of the ISO's Standardized Capacity Product proposal and has prepared an opinion on this topic.

MRTU Readiness Discussions with ISO Management

Frank Wolak and James Bushnell met with ISO Management, DMM and ISO Market and Product Development (MPD) staff on January 26, 2009, to discuss the major MRTU readiness issues. The major goal of this meeting was to clarify any remaining concerns that the MSC had with respect to the March 31, 2009, go-live date for MRTU. One outcome of this meeting was an agreement that MSC members would meet with a number of stakeholder groups to hear and respond to their outstanding unresolved issues with MRTU. Another outcome was the need for the ISO to provide greater clarity to market participants on the ISO's price validation process under MRTU.

The MSC held an executive session meeting with ISO Management on February 26, 2009, to review the progress of MRTU readiness with regard to MRTU quality of solution issues, which included a discussion of confidential market simulation information. MSC members were generally optimistic about the progress towards a March 31, 2009, go-live date. A major issue raised during the meeting was the need to alert stakeholders, policymakers and market observers that increased levels of price volatility are likely under MRTU and to assure them that this is to be expected because more transmission and reliability constraints are being priced under MRTU.

MRTU Readiness with ISO Stakeholders

As agreed in the January 26, 2009, meeting with ISO Management, James Bushnell met with a number of Southern California municipal utilities on March 2, 2009, and Frank Wolak met with a number of Northern California market participants on February 4, 2009. James Bushnell then attended the ISO Board meeting on February 10, 2009, to share the views of the MSC on MRTU readiness as of that date.

Frank Wolak attended a stakeholder meeting on February 19, 2009, that dealt with MRTU implementation. A major topic for discussion at this meeting was the DMM report on the structured market simulation results of December 9-12, 2008. The ISO staff also outlined the major features of its proposed price validation process. The final topic of the meeting was a very informative presentation explaining a number of MRTU quality of solution issues.

Opinion on Standardized Capacity Product

The MSC has completed its opinion on the ISO's Standard Resource Adequacy Capacity Product proposal, the 2nd draft of which was released on February 27, 2009, for the March 2009 ISO Board meeting. To this end, the MSC participated in a joint stakeholder/MSR meeting on December 11, 2008, to discuss the ISO staff's Standardized Capacity Product proposal at that time with stakeholders.