

Memorandum

To: ISO Board of Governors

From: Frank A. Wolak, Chairman, ISO Market Surveillance Committee

Date: March 17, 2010

Re: *MSC Activities from January 26, 2010 to March 3, 2010*

This memorandum does not require Board action.

The California Independent System Operator Corporation's Market Surveillance Committee has been involved in two major activities over the past two months:

- Review of the ISO's local market power mitigation mechanism under the new market design; and
- Review of the ISO/RTO market monitoring metrics suggested by the Federal Energy Regulatory Commission.

MSC members have also participated in phone calls with ISO staff and stakeholder conference calls on these issues.

Review of ISO's Local Market Power Mitigation Mechanism

The MSC has been asked by the FERC to evaluate the ISO's current methodology for mitigating local market power under the new market design. To that end, the MSC is currently engaged in its own review of the operation of ISO's market power mitigation mechanism, market power mitigations in other ISOs in the United States and around the world, and the study currently underway within the Department of Market Monitoring (DMM). DMM is currently performing this study as part of its competitive path assessment which determines the transmission paths that are considered competitive and uncompetitive in the ISO's local market power mitigation mechanism.

Review of FERC's Suggested Performance Metrics for ISOs/RTOs

FERC recently released suggested metrics for monitoring the performance of ISO/RTO markets. These metrics fall into three categories: (1) reliability, (2) market, and (3) organizational effectiveness. The MSC members reviewed these metrics and held conference calls with stakeholder groups to discuss the suggested modifications of these metrics. The MSC is currently considering whether to file its own comments on these metrics.