

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
March 27-28, 2019
ISO Headquarters
Folsom, California**

March 27, 2019

The ISO Board of Governors convened the general session meeting at approximately 12:30 p.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the ISO Board of Governors were in attendance:

Dave Olsen, Chair
Angelina Galiteva, Vice Chair
Ash Bhagwat
Severin Borenstein
Mary Leslie (in-person and then via teleconference for the latter portion)

The following members of the executive team were present throughout the meeting: Steve Berberich, Keith Casey, Mark Rothleder, Petar Ristanovic, Eric Schmitt, Roger Collanton, Tom Doughty, Ryan Seghesio and Jodi Ziemathis

GENERAL SESSION

The following agenda items were discussed in closed executive session:

PUBLIC COMMENT

Raisa Ledesma, on behalf of the California Public Utilities Commission, provided comments related to the ISO's compliance filing to FERC Order No. 831 regarding bid caps. Keith Casey, Vice President – Market and Infrastructure Development, provided responsive comments and noted the ISO would be commencing a cost justification for imports initiative stakeholder process in April or early May that was on track to go to the Board for decision at its July meeting.

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments on the resource adequacy enhancements policy initiative and commended ISO staff on the revised proposal that addressed prior concerns.

DECISION ON GENERAL SESSION MINUTES

Governor Galiteva moved for approval of the Board of Governors general session minutes for the February 6-7, 2019 meeting. The motion was seconded by Governor Borenstein and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his CEO report: overall system conditions, reliability coordinator services, PG&E bankruptcy, and market training to utility commissioners across the West. Mr. Berberich noted there was a new solar peak of 10,852 MWs on March 25th at 1:02 p.m. Mr. Berberich concluded his report by expressing deepest condolences on behalf of the ISO to the Maullin family over the passing of Dr. Richard Maullin. He stated his contributions were many and that he will be deeply missed.

DECISION ON MARKET SURVEILLANCE COMMITTEE MEMBER REAPPOINTMENT

Mr. Berberich next informed the Board that Dr. Benjamin Hobbs has been a member of the Market Surveillance Committee since 2002, with his current term expiring on March 31. He described how Dr. Hobbs has provided invaluable expertise and advice to the Board of Governors, EIM Governing Body, ISO Management and staff on numerous issues relating to the operation of the ISO market. Mr. Berberich requested that the Board reappoint Dr. Hobbs for a three-year term to end March 31, 2022. Brief discussion followed and the Board noted its appreciation for the work of the Market Surveillance Committee.

Motion

Governor Borenstein:

Moved, that the ISO Board of Governors reappoint Dr. Benjamin Hobbs to the ISO Market Surveillance Committee for a three-year term to end March 31, 2022; 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 ISO Market Surveillance Committee.

The motion was seconded by Governor Bhagwat and approved 5-0.

ELECTION OF BOARD OF GOVERNORS CHAIR AND VICE CHAIR

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided an overview of the annual election of the Board Chair and Vice Chair positions and then requested nominations for the two positions. Governor Bhagwat nominated Governor Olsen

for the Chair position and Governor Olsen nominated Governor Galiteva for the Vice Chair position.

There was no public comment on this item.

Motion – Election of Board Chair and Vice Chair

Governor Borenstein:

Moved, that the ISO Board of Governors elects David Olsen to serve as Chair of the ISO Board of Governors, pursuant to Article III, section 4.3 of the ISO's bylaws, effective March 27, 2019 to February 15, 2020, or until a successor is elected, which shall be as soon as practical thereafter; and

Moved, that the ISO Board of Governors elects Angelina Galiteva to serve as Vice Chair of the ISO Board of Governors, whose role will include substituting for the Chair when the Chair is unable to fulfill his or her duties, for example, due to conflicts, absence, or unforeseen reasons, effective March 27, 2019 to February 15, 2020, or until a successor is elected, which shall be as soon as practical thereafter.

The motion was seconded by Governor Leslie and approved 5-0.

EIM GOVERNING BODY CHAIR REPORT

Carl Linvill, Vice Chair of the EIM Governing Body, provided highlights of the EIM Governing Body's advisory input supporting Management's proposed decisional classification rules. Mr. Linvill next provided an overview of the EIM Governing Body's advisory input supporting Management's proposal on local market power mitigation enhancements proposal, including both the primary authority element and the advisory authority elements. Mr. Linvill commended the efforts of ISO staff on the local market power mitigation enhancements initiative.

DECISION ON PROPOSED DECISIONAL CLASSIFICATION RULES

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer acknowledged receipt of a public comment letter from Public Generating Pool.

Greg Fisher, Senior Counsel, provided an overview of Management's proposed revisions to the decisional classification rules. Mr. Fisher described how the Charter for EIM Governance contemplated a review of EIM governance by no later than 2020 and that this proposal was the first step in the EIM governance review. He provided an overview of the proposal that would expand incrementally the primary authority of the EIM Governing Body to include proposed changes to generally applicable real-time market rules if the primary driver for the change is the energy imbalance market. Mr. Fisher informed the Board that they would continue to have the ability to remove these items that fall within the EIM Governing Body's primary authority from the Board's

consent agenda for the Board's full consideration. He stated there was broad stakeholder support for the proposal.

He stated the proposed changes were reflected in the decisional classification rules set forth in the following two governance documents for the Western EIM: the *Charter for Energy Imbalance Market Governance* ("Charter") and the *Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body* ("Guidance Document"). Mr. Collanton clarified that while the policies were not included in the materials, the policy redlines were fully described and outlined in the memo to the Board. Brief discussion followed regarding the decisional classification process.

EIM Governing Body advisory input

Carl Linvill, Vice Chair of the EIM Governing Body, had no further comments.

Public comment

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments in support of Management's proposal but noted that PG&E would request that the Board pull items from the consent agenda for full consideration in circumstances where the EIM Governing Body approved a matter that PG&E opposed.

Eric Little, on behalf of Southern California Edison, provided comments in opposition to Management's proposal noting that there was a fundamental difference between California participants and the participants in the voluntary energy imbalance market. Mr. Little requested that decisional classification rules remain as they are. Brief discussion followed and Management confirmed that this proposal only impacts the energy imbalance market and that governance would need to be readdressed for the extended day-ahead market initiative.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the proposed revisions to the Charter for Energy Imbalance Governance and the Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body, as described in and attached to the memorandum dated March 20, 2019.

The motion was seconded by Governor Galiteva and approved 5-0.

BRIEFING ON EIM GOVERNANCE REVIEW PROCESS NEXT STEPS

Peter Colussy, Manager – Regional Affairs, provided a background overview of the governance review process and noted the stakeholder process that was conducted last December. Mr. Colussy stated the proposal included standing up a Governance Review Committee by commencement of any extended day-ahead market stakeholder process. He reviewed a slide that depicted the timeline for the formation of the Governance Review Committee. He described how the scope of the EIM Governance Review Committee work would be determined once decisions were made on feasibility of moving forward with the extended day-ahead market. Mr. Colussy stated there would be close collaboration between the Board of Governors and the EIM Governing Body throughout the process.

DECISION ON LOCAL MARKET POWER MITIGATION ENHANCEMENTS PROPOSAL

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer acknowledged receipt of public comment letters from the following: Powerex, Public Generating Pool and Bonneville Power Administration.

Management's proposal

Greg Cook, Executive Director – Market and Infrastructure Policy, provided an overview of Management's local market power mitigation enhancements proposal. Mr. Cook provided an overview of the following proposed enhancements to the ISO's market power mitigation process: (1) new default energy bid option for hydro resources, (2) enhancement to market power mitigation provisions to prevent EIM BAAs to change from importing to exporting at mitigated prices, (3) modify processes for reference level adjustments, and (4) update gas price indices used for mitigation. Mr. Cook noted that one element, the optional feature to limit the EIM from dispatching additional energy from resources in balancing authority areas outside of the ISO in the event of bid mitigation, was approved by the EIM Governing Body at its March 12, 2019 meeting and therefore was on the Board's consent agenda for decision. Discussion followed regarding a slide that depicted how the current process of extending a mitigated bid for the remainder of the hour could result in exporting energy at the mitigated bid price.

Mr. Cook provided an overview of the stakeholder process and stated that while stakeholders supported the hydro resource default energy bid element, the Department of Market Monitoring and the Market Surveillance Committee raised some concerns. He noted that some stakeholders would like the new default energy bids to be offered to all resources. Mr. Cook stated that stakeholders supported the remaining elements of the proposal. He concluded his presentation by stating the ISO was committed to monitoring the effectiveness of the proposal to ensure it meets the objectives of attracting more resources while providing effective market power mitigation. Brief discussion followed regarding the stakeholder feedback.

EIM Governing Body advisory input

Carl Linvill, Vice Chair of the EIM Governing Body, had no further comments.

Public comment

Mike Benn, on behalf of Powerex, provided comments in support of Management's proposal and commended the stakeholder process.

Department of Market Monitoring comment

Eric Hildebrandt, Executive Director – Market Monitoring, provided highlights of the written comments submitted by the Department of Market Monitoring and concluded that DMM was supportive of the overall proposal in light of the concerns raised in the written comments. Discussion followed and Dr. Hildebrandt responded to various inquiries from the Board.

Market Surveillance Committee comment

Dr. Benjamin Hobbs, Market Surveillance Committee Chair, provided highlights of the Market Surveillance Committee Opinion titled "Opinion on Local Market Power Mitigation Enhancements" and stated the Market Surveillance Committee, despite the concerns raised in their opinion, supported the overall proposal and recommended that Management closely monitor implementation. Discussion ensued and Dr. Hobbs and Management responded to various inquiries from the Board.

Motion:**Governor Bhagwat:**

Moved, that the ISO Board of Governors approves the local market power mitigation enhancements proposal described in the memorandum dated March 20, 2019; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposal described in the memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

The motion was seconded by Governor Galiteva and approved 5-0.

DECISION ON CONSENT AGENDA

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided an overview of the consent agenda process.

Motion:

Governor Galiteva:

Moved, that the ISO Board of Governors approves the March 27, 2019 consent agenda comprised of the optional feature to limit the EIM from dispatching additional energy from resources in balancing authority areas outside of the ISO in the event of bid mitigation.

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the optional feature described in Management's memorandum to the EIM Governing Body dated March 5, 2019, including any filings that implement the overarching enhancements but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

The motion was seconded by Governor Olsen and approved 5-0.

DECISION ON RELIABILITY MUST-RUN AND CAPACITY PROCUREMENT MECHANISMS ENHANCEMENTS PROPOSAL

Management's proposal

Keith Johnson, Infrastructure and Regulatory Policy Manager, provided an overview of Management's reliability must-run and capacity procurement mechanism enhancements proposal. Mr. Johnson described how capacity is procured through the resource adequacy program and the ISO's capacity procurement mechanism and reliability must-run agreements backstop provisions to ensure reliable grid operations. He noted that changes in the industry have created a need to update the ISO's backstop capacity procurement authority. Discussion ensued and Mr. Johnson and Management responded to various inquiries from the Board.

Mr. Johnson provided an overview of the proposed enhancements to the ISO's backstop capacity procurement authority. He provided an overview of the stakeholder feedback on the proposal noting that there were both support and concerns on certain elements. Mr. Johnson concluded his presentation and requested the Board approve the proposal, as it will result in efficient backstop capacity procurement provisions for maintaining reliable grid operations. Discussion followed.

Public comment

Pamela Mills, on behalf of San Diego Gas & Electric Company, provided comments on Management's proposal. Ms. Mills stated that while SDG&E commended the ISO staff and the stakeholder process, she noted that concerns remained. Ms. Mills provided an overview of SDG&E's remaining concerns.

Eric Little, on behalf of Southern California Edison, provided comments on Management's proposal and commended the efforts of ISO staff. Mr. Little provided an overview of SCE's remaining concerns.

Partha Malvadkar, on behalf of Pacific Gas and Electric Company, provided comments on Management's proposal and commended the efforts of ISO staff. Mr. Malvadkar provided an overview of PG&E's remaining concerns.

Brian Theaker, on behalf of NRG, provided comments on Management's proposal and commended ISO staff and the stakeholder process. Mr. Theaker provided an overview of NRG's remaining concerns.

Mark Smith, on behalf of Calpine, provided comments in general support of Management's proposal and commended the efforts of ISO staff. Mr. Smith provided an overview of Calpine's remaining concerns. Discussion followed and Mr. Smith responded to various inquiries from the Board. Discussion ensued and Management provided responses to various inquiries from the Board regarding the resource adequacy process and efforts undertaken leading up to the current proposal.

Department of Market Monitoring comment

Eric Hildebrandt, Executive Director – Market Monitoring, provided highlights of the written comments submitted by the Department of Market Monitoring and concluded that DMM was supportive of the overall proposal in light of the concerns raised in the written comments and recommended moving forward with the proposal as a first step.

Market Surveillance Committee comment

Dr. Benjamin Hobbs, Market Surveillance Committee Chair, provided highlights of the Market Surveillance Committee Opinion titled "Opinion on Reliability Must Run and Capacity Procurement Mechanism Enhancements" and stated the Market Surveillance Committee supported the proposal and recommend the Board adopt the proposal as a step forward.

Motion:

Governor Galiteva:

Moved, that the ISO Board of Governors approves the reliability must-run and capacity procurement mechanism enhancements proposal described in the memorandum dated March 20, 2019; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposal described in the memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any ruling on the proposed tariff amendment.

The motion was seconded by Governor Bhagwat and approved 5-0.

DECISION ON ISO 2018-2019 TRANSMISSION PLAN

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged a public comment letter received from LS Power.

Neil Millar, Executive Director – Infrastructure Development, provided an overview of the proposed 2018-19 transmission plan. Mr. Millar explained that Board approval of the plan meant Board approval of the plan's determinations and recommendations. He next provided an overview of the transmission planning process. Mr. Millar stated that 11 reliability projects and 2 economic-driven projects were recommended for approval in the 2018-19 transmission plan. He also informed the Board that six previously approved projects were no longer required and that one project required further evaluation in future planning cycles. He informed the Board that no policy-driven projects were being recommended. Brief discussion followed and Mr. Millar responded to various inquires from the Board.

Mr. Millar provided an overview of phase 2 of the transmission planning process (sequential technical studies), and noted that while it has been challenging, the following studies were critical to managing study requests: (1) reliability analysis – NERC compliance and local capacity needs, (2) policy-driven analysis – RPS portfolio analysis, and (3) economic analysis - congestion studies and identify economic transmission needs. He next provided an overview of other key findings of the transmission planning process. Mr. Millar reviewed a graph that projected the regional high-voltage transmission access charge. He next provided an overview of special study efforts conducted in 2018, and provided an overview of the feedback received during the stakeholder process. Brief discussion followed and Mr. Millar responded to various inquiries from the Board regarding the integrated resource planning process.

Public comment

Dave Gabbard, on behalf of Pacific Gas and Electric Company, provided comments in support of the 2018-19 transmission plan and commended the efforts of ISO staff. Mr.

Gabbard provided an overview of PG&E's remaining concerns heading into phase 3 of the process.

Justin Campbell, on behalf of GridLiance, provided comments in support of the 2018-19 transmission plan and commended the efforts of ISO staff.

Sandeep Arora, on behalf of LS Power, provided comments on the 2018-19 transmission plan and commended the efforts of ISO staff. Mr. Arora provided highlights of the public comment letter submitted by LS Power and provided an overview of remaining concerns with the proposed plan.

Motion:

Governor Olsen:

Moved, that the ISO Board of Governors approves the ISO 2018-2019 transmission plan attached to the memorandum dated March 20, 2019.

The motion was seconded by Governor Borenstein and approved 5-0.

DECISION ON INVESTMENT POLICY

Ryan Seghesio, Vice President, Chief Financial Officer and Treasurer, stated that the Board was responsible for reviewing and approving the investment policy not less than once every three years as well as any substantive modifications or amendments to the policy in the interim. Mr. Seghesio stated that in addition to some minor wording edits and clarifications, Management was proposing a change to the allocation limits to fixed income mutual funds, which may impact the way the ISO invests corporate funds. Mr. Seghesio provided an overview of the proposed changes and recommended the Board approved the amended policy.

Motion:

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the amended Investment Policy as attached to the memorandum dated March 20, 2019.

The motion was seconded by Governor Olsen and approved 5-0.

DECISION ON AUDIT COMMITTEE MEMBERSHIP

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, noted that in light of term expirations, the full Board has been acting as the Audit Committee since December 2018. Mr. Collanton stated that now that the Board had its full membership of five members, it would be appropriate timing to consider reconstituting the Audit Committee. Governor Bhagwat nominated Governor Olsen and Governor

Borenstein as members. Election of an Audit Committee Chair was deferred to the next Board meeting. Brief discussion followed.

Motion:

Governor Bhagwat:

Moved that the ISO Board of Governors elects David Olsen and Severin Borenstein to serve as members of the Audit Committee, effective April 1, 2019.

The motion was seconded by Governor Galiteva and approved 5-0.

INFORMATIONAL REPORTS

There were no comments or questions on the following informational reports: business practice manual change management report, Department of Market Monitoring update, market performance report, master stakeholder engagement and release plans, regulatory report, state, regional and federal affairs update, 2018 annual investment performance report, Transmission Maintenance Coordination Committee update, Western energy imbalance market and benefits update, and Market Surveillance Committee report.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 5:00 p.m.