

**GENERAL SESSION MINUTES  
BOARD OF GOVERNORS MEETING  
July 25-26, 2018  
ISO Headquarters  
Folsom, California**

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**July 26, 2018**

The ISO Board of Governors convened the general session meeting at approximately 9:30 a.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  
Mark Ferron  
Richard Maullin

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

**GENERAL SESSION**

The following agenda items were discussed in general session:

**PUBLIC COMMENT**

Brian Theaker provided comments on behalf of NRG Energy, Inc. regarding the financial impact to NRG of gas prices on Monday, July 23, 2018. He stressed the importance of accuracy in gas prices and requested the Board and Management explore possible solutions.

Discussion followed and Keith Casey, Vice President – Market and Infrastructure Development, noted that NRG has the option to file with FERC for cost recovery if they can demonstrate they incurred costs for gas procurement that was not recovered through the market, and the ISO is willing to support NRG's filing at FERC if there is a credible case to be made.

## DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the May 16-17, 2018 meeting. The motion was seconded by Governor Olsen and approved 5-0.

## CEO REPORT

Steve Berberich, President and Chief Executive Officer, provided an overview of the following sections of his report: overall system conditions, capacity procurement mechanism significant event, resource adequacy reform, reliability coordinator services, congestion revenue rights, reliability must-run designations, energy imbalance market governance, EIM benefits for Q1 2018, and renewable energy production. Mr. Berberich noted, on behalf of the Board and the ISO executive team, that the ISO plans to proceed with its process of offering an extended day-ahead market regardless of any possible governance change. Governor Olsen added that the Board and the ISO unequivocally support the continued operation and expansion of the energy imbalance market.

## EIM GOVERNING BODY CHAIR REPORT

Valerie Fong, Chair of the EIM Governing Body, provided highlights from the Governing Body's July 12, 2018 meeting, noting that the Governing Body welcomed its newest member Travis Kavulla. Ms. Fong expressed thanks to the EIM Nominating Committee and ISO staff for their work throughout the selection process. She noted that the Governing Body's next meeting will be held on August 22 in Denver, Colorado.

## DECISION ON CONSENT AGENDA

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided an overview of the consent agenda process as set forth in the EIM Governing Body governance documents.

There was no public comment on this item.

### Motion

**Governor Ferron:**

***Moved, that the Board of Governors approves the July 26, 2018 consent agenda comprised of EIM greenhouse gas attribution enhancements; and***

***Moved, that the Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the enhancements described in Management's memorandum to the EIM Governing Body dated July 5, 2018, 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 Bhagwat and approved 5-0.

## **DECISION ON RELIABILITY COORDINATOR SERVICES RATE DESIGN, TERMS AND CONDITIONS**

Phil Pettingill, Director – Regional Integration, provided an overview of Management’s rate design, terms and conditions proposal for reliability coordinator services. Mr. Pettingill noted that the ISO is uniquely positioned to provide reliability coordination services and can do so for roughly 40% of current costs. He explained that the rate design, terms and conditions proposal was developed with input from stakeholders through an open ISO stakeholder process. He next provided an overview of the three parallel development tracks and a summary of the implementation timeline through which the ISO plans to become a reliability coordinator in the western interconnection in 2019.

Ryan Seghesio, Vice President, Chief Financial Officer and Treasurer, provided additional details regarding the proposed rate design elements and the proposed RC services agreement. Mr. Seghesio stated that Management proposes to leverage the ISO’s existing rate design framework, including the activity-based costing structure, to create a funding mechanism for RC services. He explained that the ISO conducted a modified cost-of-service study to determine the percentage of resources that the RC services area will consume, adding that Management proposes a 2% rate beginning July 1, 2019 for the initial RC services area and a 9% rate beginning November 1, 2019 for the full RC services area. Mr. Seghesio next provided a summary of RC revenue streams, other rate design elements, and the proposed pro-forma RC services agreement. He concluded by summarizing stakeholder feedback and indicating that stakeholders broadly support the proposed rate design.

### Public comment

Jeff Rehfeld provided comments on behalf of NaturEner USA, LLC’s two generation-only balancing authorities, NaturEner Power Watch and NaturEner Wind Watch. Mr. Rehfeld expressed their disappointment and disagreement with the aspect of the proposed rate design that would charge generation-only balancing authorities the same MWh volumetric rate as balancing authorities that have both load and transmission. He suggested that a different rate structure should apply to generation-only balancing authorities.

Discussion ensued and Eric Schmitt, Vice President – Operations, noted that the ISO carefully considered stakeholder comments regarding cost to generation-only balancing authorities. He explained that operational engineering analysis supports the proposed

rate design and added that the ISO will learn more in the months to come as it provides RC services and can re-visit stakeholder concerns in the future.

Jim Shetler provided comments on behalf of the Balancing Authority of Northern California. Mr. Shetler stated that BANC supports Management's proposal and recommends the Board approve the proposal. He announced that on July 25, 2018, the BANC commission authorized transition of its RC services from Peak RC to the ISO, and looks forward to doing so in the coming months.

Matt Lecar provided comments on behalf of Pacific Gas & Electric. Mr. Lecar stated that PG&E supports Management's rate design proposal and believes the cost allocation and accounting principles are reasonable and will provide cost-savings to California customers. He suggested the ISO should not create a separate governance structure for RC services as that could lead to a dilution of authority.

### **Motion**

#### **Governor Ferron:**

***Moved, that the ISO Board of Governors approves the proposal to implement the reliability coordinator services as described in the memo dated July 18, 2018; 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 INTERCONNECTION PROCESS ENHANCEMENTS**

Deb Le Vine, Director – Infrastructure Contracts and Management, provided an overview of Management's proposed 2018 interconnection process enhancements, which focus on refinements, clarifications, and streamlining of the interconnection process. Ms. Le Vine summarized each of the seven enhancements included in the proposal and explained that most stakeholders support the enhancements. She explained that the proposed enhancements improve efficiencies, facilitate additional transparency for customers, clarify requirements, improve customer awareness, and reduce financial posting amounts when upgrades are no longer required. Discussion ensued regarding timely return of funds for study deposits, and Ms. Le Vine explained that the process for refunds was improved in March 2016 as part of the interconnection process enhancements.

**Motion****Governor Galiteva:**

***Moved, that the ISO Board of Governors approves the proposed interconnection process enhancements, as described in the memorandum dated July 18, 2018; 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 proposed interconnection process enhancements, 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 Bhagwat and approved 5-0.

**DECISION ON INTERIM RELIABILITY MUST-RUN AGREEMENT**

Keith Johnson, Infrastructure and Regulatory Policy Manager, provided an overview of Management's proposal to file with FERC a limited, interim version of the pro forma reliability must-run agreement. Mr. Johnson explained that the ISO is in the process of making substantive enhancements to its backstop procurement authority. He noted that the ISO's holistic review of reliability must-run procurement and the capacity procurement mechanism will take time that the interim RMR agreement would provide. He explained that Management is not proposing changes to current rates, terms or conditions and that the proposal would add authority to terminate the interim agreement and immediately re-designate units under a new comprehensive agreement following FERC acceptance. Mr. Johnson stated that stakeholders generally support the proposal, which would facilitate moving to enhanced backstop provisions sooner than would otherwise be the case.

**Motion****Governor Olsen:**

***Moved, that the ISO Board of Governors approves the proposal to implement the interim RMR agreement proposal described in the memorandum dated July 18, 2018; 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 interim RMR agreement proposal described in the memorandum dated July 18, 2018, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal***

***Energy Regulatory Commission guidance in any initial ruling on the proposed tariff amendment.***

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

**DECISION ON RELIABILITY MUST-RUN DESIGNATION FOR THE ELLWOOD GENERATING STATION AND THE ORMOND BEACH GENERATING STATION**

Neil Millar, Executive Director – Infrastructure Development, provided a summary of Management’s request for Board authorization to designate the Ellwood Generating Station and one unit at the Ormond Beach Generating Station for reliability must-run to meet local reliability needs in the Moorpark sub-area. Mr. Millar explained that the needs were identified in the 2017-2018 transmission plan, and were confirmed more recently in the 2019 local capacity technical study. He noted that a reliability must-run designation does not necessarily lead to an agreement being executed, and that it does not bar load-serving entities from entering into bilateral contracts. Mr. Millar concluded by noting that Board authorization would allow ISO staff to work with NRG, the responsible utility, and the CPUC to review NRG’s proposed cost-of-service study, which NRG would be expected to develop. He added that the ISO will continue to coordinate with Southern California Edison on any efforts they may have to make to procure these resources under resource adequacy.

Public comment

Eric Eisenman provided comments on behalf of Pacific Gas & Electric. Mr. Eisenman noted that PG&E remains neutral as to the proposed RMR designations and is appreciative of the ISO’s efforts to improve transparency and clarity in the RMR designation process. He suggested that the backstop procurement authority enhancements discussed by Mr. Johnson earlier in the meeting should have greater urgency and move at a faster pace.

Discussion ensued and Mr. Casey explained that the enhancements are complicated and controversial and it will take time for the ISO to develop a highly-vetted and defensible proposal with holistic solutions. Governor Bhagwat added that he shares PG&E’s sense of urgency and encouraged ISO staff to explore the possibility of moving more rapidly.

Motion

**Governor Olsen:**

***Moved, that the ISO Board of Governors authorizes Management to designate the Ellwood Generating Station and one unit at the Ormond Beach Generating Station for reliability must-run service contingent upon execution of a reliability must-run contract with rates, terms and conditions acceptable to Management, as described in the memorandum dated July 18, 2018.***

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

## **BRIEFING ON DISPATCH OPERATING TARGET TARIFF CLARIFICATIONS**

Don Tretheway, Senior Advisor – Market Design Policy, provided an overview of dispatch operating target tariff clarifications, which provide additional clarity in the ISO tariff. He explained that, consistent with FERC Order No. 764 policy, Management will add a rule that explicitly allows eligible intermittent resources to generate as capable unless told otherwise. He added that all other resources must continue to follow their dispatch operating target pursuant to the tariff. Mr. Tretheway explained that the rule already exists in the business practice manual, and that Management is now codifying the rule in the tariff for clarity. He further explained that the tariff clarifications provided consistency with NERC standards in the use of dispatch instruction and operating instruction and provide a clearer distinction between the two. Discussion ensued regarding deviations from dispatch operating targets and general support for the clarification.

### Public comment

Roger Collanton, Vice President, General Counsel, and Corporate Secretary, acknowledged receipt of a public comment letter from Large-Scale Solar Association.

Carrie Bentley provided comments on behalf of Western Power Trading Forum. Ms. Bentley expressed thanks to ISO staff for taking the time to walk through the clarifications with stakeholders. She stated that WPTF has one item of concern over transparency, and explained their view that an exceptional dispatch provides greater transparency than an operating instruction.

Brief discussion followed and Mr. Casey clarified that it is the ISO's intent to be transparent when it issues operating instructions.

## **INFORMATIONAL REPORTS**

There were no comments or questions on the following informational reports: business practice manual change management report, market performance report, Market Surveillance Committee update, Department of Market Monitoring update, master stakeholder engagement and release plans, regulatory report, state, regional and federal affairs update, and quarterly financial report.

## **FUTURE AGENDA ITEMS**

There were no items to discuss.

## **ADJOURNED**

There being no additional general session matters to discuss, the session was adjourned at approximately 11:20 a.m.