

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
May 28-29, 2014
ISO Headquarters
Folsom, California**

May 29, 2014

The ISO Board of Governors convened the general session meeting at approximately 11:00 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Bob Foster, Chair
Ash Bhagwat
Angelina Galiteva
Richard Maullin
David Olsen

The following members of the executive team were present: Steve Berberich, Petar Ristanovic, Eric Schmitt, Keith Casey, Mark Rothleder, Karen Edson, Roger Collanton and Becky Regan

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged two public comment letters submitted to the Board by Large-Scale Solar Association.

DECISION ON GENERAL SESSION MINUTES

Governor Olsen requested to amend the March 19-20, 2014 general session minutes as follows: Change "Shmuel" to "Oren" on page 5 and changed "was" to "were" on page 6.

Governor Olsen moved for approval of the Board of Governors amended general session minutes for the March 19-20, 2014 meeting. The motion was seconded by Governor Foster and approved 5-0-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of overall conditions and provided highlights of the summer loads and resources assessment. Mr. Berberich next discussed the Energy Imbalance Market Transitional Committee and noted his appreciation to all those who were willing to serve on the committee. Mr. Berberich then provided an overview of the following sections of his report: FERC Order 764 implementation, interconnection process enhancements, the Department of Market Monitoring's annual report and renewable integration peaks.

APPOINTMENT OF EIM TRANSITIONAL COMMITTEE MEMBERS AND DECISION ON EIM CHARTER

Stacey Crowley, Director – Regional Affairs, provided an overview of the Energy Imbalance Market Transitional Committee, an advisory committee to the ISO Board of Governors. Ms. Crowley noted the committee's primary duty is to develop a proposal for a long-term governance structure over the energy imbalance market and to advise the Board on the early operational phase of the energy imbalance market. Ms. Crowley described the sector-based nomination and ranking process. She noted that committee business would begin immediately and that meetings would be subject to the requirements of the ISO Open Meeting Policy. Ms. Crowley concluded her presentation by reviewing the proposed slate of candidates developed by the Board. She noted that the Board increased the number of committee members by one, which also requires an amendment to the committee charter.

Public comment

Julia Prochnik, on behalf of the National Resources Defense Council, provided comments on behalf of Carl Zichella and relayed his support for the energy imbalance market and that, if nominated as a member of the committee, he looked forward to working with everyone throughout the transparent process.

Governor Foster provided supportive comments and noted his appreciation to the appointed members.

Motion 1 – EIM Transitional Committee Charter

Governor Foster:

Moved, that the ISO Board of Governors approves the proposed revisions to the EIM Transitional Committee Charter, as described in, and attached to, the memorandum dated May 21, 2014.

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

Motion 2 – Appointment of EIM Transitional Committee Members

Governor Bhagwat:

Moved, that the ISO Board of Governors appoints the following individuals to the EIM Transitional Committee:

Stephen Beuning

Tony Braun

Dede Hapner

Travis Kavulla

Kevin Lynch

Mark Smith

Rebecca Wagner

Robert Weisenmiller

Carl Zichella

Moved that the ISO Board of Governors appoints Natalie Hocken to the Transitional Committee who will serve on behalf of PacifiCorp, an EIM Entity; and

Moved that the ISO Board of Governors appoints Walter Spansel to the Transitional Committee, who will serve on behalf of NV Energy, an EIM Entity.

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

DECISION ON FLEXI-RAMP CONSTRAINT PARAMETER

Greg Cook, Director – Market and Infrastructure Policy, provided the Board with an overview of Management’s proposal to change the flexible ramping constraint relaxation parameter. Mr. Cook provided a background overview and noted that the flexible ramping constraint was implemented in December 2011 to address reliability needs. Mr. Cook described how the flexible ramping constraint could cause price divergence between the new 15-minute market and 5-minute dispatch.

Mr. Cook further described how existing concerns could be addressed by reducing the flexible ramping constraint relaxation parameter from \$247/MW to \$60/MW. He provided an overview of the stakeholder process and noted that stakeholders generally supported lowering the relaxation parameter but that some concerns remained over decreased compensation to resources. Mr. Cook concluded his presentation by requesting Board approval, as setting the relaxation parameter to \$60/MW would provide reliability benefits without unduly impacting the 15-minute market prices.

Public comment

Fernando Cornejo, on behalf of Southern California Edison, provided comments in support of Management's proposal.

Brian Theaker, on behalf of NRG Energy, provided comments on Management's proposal and noted concern regarding the reduction of compensation to resources providing services to the ISO. Mr. Theaker requested that the ISO conduct a thorough stakeholder process to address market optimization parameters.

Ellen Wolfe, on behalf of the Western Power Trading Forum, provided comments regarding Management's proposal and noted that she was made aware of this through a technical bulletin, as the proposal did not go through the ISO stakeholder process. Ms. Wolfe noted concern regarding the reduction of compensation to resources providing services to the ISO and requested the opportunity to stakeholder the matter.

Mark Smith, on behalf of Calpine, provided comments on the prior agenda item and noted his support for the energy imbalance market and that he looked forward to working with everyone throughout the process. Mr. Smith next provided comments on Management's flexi-ramp constraint relaxation parameter proposal and noted concern regarding the reduction of compensation to resources providing services to the ISO. Mr. Smith also emphasized the importance of having the flexible ramping product in place as soon as possible.

Roy Kuga, on behalf of Pacific Gas and Electric Company, provided comments in support of Management's proposal and further discussed the benefits and efficiencies associated with lowering the flexi-ramp constraint relaxation parameter. Mr. Kuga also emphasized the importance of having the flexible ramping product in place as soon as possible.

Discussion followed regarding the impact of decreased compensation to flexible resources. Mark Rothleder, Vice President of Market Quality and Renewable Integration, informed the Board that the ISO conducted an analysis after the technical bulletin was issued and that an overall decrease in compensation was the

result. Mr. Rothleder emphasized the importance of having an effective ramping capability and bringing on new flexible resource capabilities.

Mr. Cook confirmed that the flexible ramping product initiative was moving forward and on track and that a straw proposal would be issued the following week for stakeholder input. Mr. Cook noted the proposal was on schedule for Board decision at its December 2014 meeting with implementation in fall 2015. Discussion followed regarding why the change to the constraint parameter needed to be fast tracked as a temporary measure so as not to delay moving forward with the flexible ramping product initiative.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposal to reduce the flexible ramping constraint relaxation parameter, as described in the memorandum dated May 21, 2014; 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 tariff change.

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

DECISION ON INTERCONNECTION PROCESS ENHANCEMENTS

Bob Emmert, Manager – Interconnection Resources, provided the Board with an overview of Management’s proposal to enhance the interconnection process for independent study and fast track processes along with FERC Order No. 792 compliance. Mr. Emmert described how the interconnection process enhancement initiative was a continuing effort to improve generation interconnection rules. He noted that a compliance filing for FERC Order Nos. 792 and 792-A was added to the scope of the proposal. Mr. Emmert provided an overview of the following four enhancement areas: further definition of criteria for independent study eligibility, relaxed tests for electrical independence, process and timeline enhancements, and clarifications and modifications to behind-the-meter expansion.

Mr. Emmert next provided an overview of several proposed improvements to the fast track interconnection process, including revisions to align the process with the transmission interconnection requirements. He then described Management’s proposal to address FERC Order No. 792 compliance through fast track and other tariff revisions. Mr. Emmert provided an overview of the stakeholder process and noted that the proposal was broadly supported by stakeholders and discussed how the proposal was refined to address most of their comments and concerns. Mr. Emmert explained why a few of the comments made late in the process could not

be addressed as part of this proposal. Discussion followed regarding the megawatt limitation as related to behind-the-meter expansions.

Public comment

Fernando Cornejo, on behalf of Southern California Edison, provided comments in support of Management's proposal and commended the stakeholder process.

Motion

Governor Maullin:

Moved, that the ISO Board of Governors approves the proposal to modify the independent study and fast track interconnection processes, as described in the memorandum dated May 21, 2014;

Moved, that the ISO Board of Governors approves the proposal to modify the generator interconnection and deliverability allocation procedures in compliance with FERC Order No. 792, as described in the memorandum dated May 21, 2014; 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 tariff change.

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

BRIEFING ON 2014 SUMMER LOADS AND RESOURCES ASSESSMENT

Bob Emmert, Manager – Interconnection Resources, provided the Board with an overview of the 2014 summer loads and resources assessment and stated that it included: forecasts of ISO system and Northern and Southern California zones; drought impact scenarios; and ISO system and Northern and Southern California zone resource margins. Mr. Emmert next provided an overview of the assessment's key findings, including hydro derates due to drought with 1,370 MW in an expected scenario and 1,669 MW in an extreme scenario. He noted that there were adequate reserve margins for the ISO system under both expected and extreme conditions. He described the minor drought impact in San Diego and Orange County local resource adequacy areas. Mr. Emmert emphasized that the potential for fires in proximity of key transmission lines was of more significant concern. Mr. Emmert then provided an overview of a normal and an extreme scenario regarding the ISO system operating reserve margin. He concluded his presentation by discussing plans for the 2015 summer assessment, including the use of more robust modeling tools. Brief discussion followed.

RECESSED

The ISO Board of Governors recessed the general session meeting at approximately 12:30 p.m.

RECONVENED

The ISO Board of Governors reconvened the general session meeting at approximately 1:10 p.m. and the presence of a quorum was established.

ATTENDANCE

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

Bob Foster, Chair
Ash Bhagwat
Angelina Galiteva
Richard Maullin
David Olsen

The following members of the executive team were present: Steve Berberich, Petar Ristanovic, Eric Schmitt, Keith Casey, Mark Rothleder, Karen Edson, Roger Collanton and Becky Regan

GENERAL SESSION

The following agenda items were discussed in general session:

DECISION ON GENERATOR INTERCONNECTION AND DELIVERABILITY ALLOCATION PROCEDURES REASSESSMENT PROPOSAL

Tom Flynn, Infrastructure Policy Development Manager, provided an overview of Management's proposal on the reassessment of generator interconnection and deliverability allocation procedures (GIDAP). Mr. Flynn described how the proposal resolved issues raised by generation developers after the first GIDAP reassessment was performed in 2013. He described how the reassessment was performed annually as part of the generator interconnection study process. Mr. Flynn noted that upgrade requirements could change after the phase II study due to project withdrawals and other changes. He described how Management was proposing limited adjustment to cost caps based on reassessment when specific conditions were met, and to adjust financial security posting requirements based on reassessment. Mr. Flynn described the stakeholder process and noted that the proposal was broadly supported. He stated that the proposal further enhanced the generator interconnection process to better accommodate customers' needs.

Public comment

Fernando Cornejo, on behalf of Southern California Edison, provided comments in support of Management's proposal and commended the ISO throughout the stakeholder process to address concerns raised by Southern California Edison.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposal to make adjustments to an interconnection customer's maximum cost responsibility for network upgrades and interconnection financial security posting requirement, as described in the memorandum dated May 21, 2014; 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 tariff change.

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

AUDIT COMMITTEE UPDATE

Governor Bhagwat, Chair of the Audit Committee, provided a brief overview of the general session held earlier in the day including an overview of the audit of the ISO's financial statements and FERC Form No. 1. Governor Bhagwat also informed the Board that congestion management was determined to be the focus of the 2014 operations audit.

Governor Bhagwat recommended that the Board approve the following motion:

Governor Maullin:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the financial statements of the ISO for the years ended December 31, 2013 and 2012, as audited by PricewaterhouseCoopers, and as attached to the memorandum dated May 21, 2014; and

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the FERC Form No. 1 for the years ended December 31, 2013 and 2012, as audited by PricewaterhouseCoopers, and as attached to the memorandum dated May 21, 2014.

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

BRIEFING ON POLICY ROADMAP

Greg Cook, Director – Market and Infrastructure Policy, provided the Board with an overview of the annual Market and Infrastructure Policy roadmap process. Mr. Cook described how the Market and Infrastructure Policy department gathered market participant input through an annual iterative stakeholder process. He noted that the roadmap was based on the strategic plan and market design vision, stakeholder input, FERC mandates, and resource constraints. Mr. Cook next described how stakeholder input was used to rank discretionary market design initiatives and then reviewed the list of the highest ranked discretionary market design initiatives. He next provided an overview of the progress to date on the ranked initiatives and described how initiatives would facilitate preferred resource participation. Mr. Cook provided an overview of the new policy initiatives that would be commenced in 2014. He concluded his presentation by describing how planned and ongoing market design and infrastructure policy initiatives would provide significant improvements. Discussion followed regarding energy storage interconnection rules and assessments conducted around congestion management as related to flows between the ISO and EIM entities.

BRIEFING ON THE 2013 ANNUAL REPORT ON MARKET ISSUES AND PERFORMANCE

Keith Collins, Manager – Monitoring and Reporting, provided an overview of the Department of Market Monitoring's 2013 Annual Report. Mr. Collins reviewed a graph that depicted how total annual wholesale costs increased 30 percent primarily because of natural gas price increases. He next described several other factors that affected wholesale costs. Mr. Collins then discussed a graph that showed how significant new summer capacity was added due to the state's longer-term procurement process. He also described how wind and solar generation had increased significantly in 2013 as compared to previous years. Mr. Collins concluded his presentation by providing an overview of key areas of focus going forward, including market redesign related to FERC Order No. 764 implementation, expansion of the network model to a regional level, energy imbalance market, and procurement of flexible capacity multiple years in advance.

RESOLUTION – Kim Hubner

Steve Berberich, President and CEO, provided remarks regarding the departure of Kim Hubner, Executive Administrator to the CEO, and provided comments in appreciation of her years of service to the organization. Various members of the Board provided additional remarks in appreciation of Ms. Hubner.

Governor Foster read the following resolution into the record and noted it was executed by all members of the Board.

Resolution

WHEREAS, Kim Hubner joined the California Independent System Operator Corporation in 2000 and was an integral part of the Executive Management Team serving as Executive Assistant to the President and Chief Executive Officer; and

WHEREAS, Ms. Hubner also served concurrently for more than three years as Executive Assistant to the Vice President and General Counsel; and

WHEREAS, Ms. Hubner seamlessly managed the affairs, offices and schedules for all of the ISO executives she served with great professionalism, thoroughness and congeniality; and

WHEREAS, Ms. Hubner earned the admiration and respect of the entire ISO executive team, her colleagues, the ISO Board, stakeholders, and agency officials and staff; and

WHEREAS, Ms. Hubner served at all times with great composure and tact during various grid events; and

WHEREAS, Ms. Hubner established and maintained at all times the highest standards for the role of Executive Assistant to the President and Chief Executive Officer, now, therefore be it

RESOLVED, that the California ISO Board of Governors hereby expresses its upmost gratitude and sincerest appreciation to Ms. Hubner for her service to the California ISO and the State of California.

INFORMATIONAL REPORTS

There were no questions or comments on the following informational reports: regulatory update, legislative and state regulatory update, business practice manual change management report, Market Surveillance Committee update, master stakeholder engagement and release plans, and quarterly financial report.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 2:00 p.m.