

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
February 16, 2017
ISO Headquarters
Folsom, California**

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The ISO Board of Governors convened the general session meeting at approximately 2:10 p.m. and the presence of a quorum was established.

ATTENDANCE

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

Richard Maullin, Chair
Ash Bhagwat
Mark Ferron, via teleconference
Angelina Galiteva
Dave Olsen

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

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Roger Collanton, Vice President and General Counsel, acknowledged receipt of a public comment letter from Cogentrix, which had been provided to the Board of Governors.

Greg Blue, on behalf of Cogentrix, provided highlights of the public comment letter dated February 16, 2017, regarding the flexible resource adequacy criteria and must offer obligation – phase 2 initiative, and requested that the Board direct Management to accelerate the stakeholder process. Keith Casey, Vice President of Market and Infrastructure Development, provided responsive comments and noted his appreciation for the concern regarding the urgency of the initiative. Mr. Casey stated that the process was taking longer than anticipated, and noted there were vastly different views

from stakeholders on the proposal to take into consideration. Mr. Casey suggested that he and Mr. Blue engage in further discussions regarding the elements of the FRACMOO initiative, such as resource eligibility, that could be expedited and taken to the Board for decision by year-end, which could be targeted to take effect in the 2019 Resource Adequacy year. Brief discussion followed.

DECISION ON GENERAL SESSION MINUTES

Governor Bhagwat moved for approval of the Board of Governors general session minutes for the December 14-15, 2016 meeting. The motion was seconded by Governor Galiteva and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: Overall system conditions, Southern California Gas curtailment watches, western energy imbalance market, excess energy production, ISO symposium, and renewable energy production.

EIM GOVERNING BODY BRIEFING

Kristine Schmidt, Chair of the EIM Governing Body, provided the Board with an update on recent EIM Governing Body activities, and provided highlights of the February 1, 2017 EIM Governing Body meeting at the ISO Folsom campus. Ms. Schmidt noted the Regional Issues Forum has begun its self-evaluation process per the EIM Governing Body Charter. Ms. Schmidt advised that the next EIM Governing Body meeting would take place on February 28 in Las Vegas, Nevada, and noted that the meeting would be held jointly with the Regional Issues Forum and concurrently with the Body of State Regulators. Ms. Schmidt concluded by discussing outreach activities of the EIM Governing Body.

BRIEFING ON WESTERN ENERGY IMBALANCE MARKET

Mark Rothleder, Vice President, Market Quality & Renewable Integration, provided a western energy imbalance implementation update. Mr. Rothleder stated that the following EIM entities were now in the implementation phase: Portland General, Idaho Power, and Seattle City Light. He stated the following entities were exploring whether or not to join the EIM: CENACE, Balancing Authority of Northern California, Los Angeles Department of Water & Power, Salt River Project, and Northwestern Energy. Mr. Rothleder stated that the gross economic benefits since the start of the energy imbalance market was \$142.62M. He stated the ISO continued to observe reduced renewable curtailment in 4th quarter, 2016. He reviewed tables that depicted the flexible ramping procurement diversity savings for 4th quarter, 2016, as well as daily average prices in energy imbalance market areas. Mr. Rothleder concluded by discussing a diagram that depicted energy transfer capability in 4th quarter, 2016.

BRIEFING ON POLICY INITIATIVES ROADMAP

Greg Cook, Director – Market and Infrastructure Policy, provided the Board an overview of the 2017 stakeholder initiatives roadmap process. Mr. Cook stated the final stakeholder initiatives catalog was published on November 4, 2016. He provided an overview of a table ranking discretionary initiatives using a high-level cost/benefit analysis. Mr. Cook next provided an overview of the following changes made to December 15, 2016 draft final proposal: (1) added donation by third party for transmission capacity available for energy imbalance market transfers; (2) added exploring narrow issue of energy imbalance market wheeling rate; (3) added energy imbalance greenhouse gas enhancements and renamed the initiative to regional integration greenhouse gas compliance; and (4) deferred consideration of the grid management charge enhancements to 2018. Mr. Cook concluded by providing an overview of the 2017 discretionary items ranking results. Discussion followed regarding the ranking results, and the Board inquired about prioritization of the energy imbalance market wheeling charge in relation to the export charges initiative in light of current overgeneration concerns. Mr. Cook provided responsive comments regarding the process and noted Management would reevaluate the priority of export charges during the next roadmap process. Brief discussion followed regarding the response to the public comment letter from Six Cities, as well as other recent stakeholder feedback. Mr. Cook stated the comments, including modification of the process, would be addressed as part of the next roadmap initiative process. Mr. Berberich provided responsive comments, and noted the importance of maintaining a reliable grid and credible market has continued to be a driving force in the roadmap process.

Public comment

Roger Collanton, Vice President and General Counsel, acknowledged receipt of a public comment letter from Bonnie Blair, on behalf of the Six Cities, which had been provided to the Board of Governors.

Tony Braun, on behalf of California Municipal Utilities Association, provided comments regarding the importance of streamlining the roadmap process. He also noted CMUA's appreciation for moving up the priority of the congestion revenue rights auction efficiency initiative, and noted the importance of timing to ensure timely implementation.

Katie Ramsey, on behalf of Clean Coalition, provided comments in support of the proposed policy roadmap and in appreciation of the ISO's prioritization of the transmission access charge structure initiative. She also requested that the impact of distributed energy resources on transmission planning be addressed in the initiative. Brief discussion followed, and Keith Casey, Vice President of Market and Infrastructure Development, clarified that the initial fact sheet on track for posting in March was limited to covering how transmission rates are currently determined and recovered to kick off the initiative, and that suggestions outside of that scope would be addressed as part of the stakeholder process. Discussion followed regarding how the ISO currently

considers the impact of distributed generation as part of the transmission planning process.

Daryl Michalik, on behalf of Dynamic Grid Council, provided comments in support of the proposed policy roadmap and in appreciation of the ISO's prioritization of the transmission access charge structure initiative. Mr. Michalik echoed comments raised by Ms. Ramsey pertaining to the impact of distributed energy resources on the transmission access charge process, and further discussed requested priorities within the initiative.

Ruta Skucas, on behalf of Financial Marketers Coalition, provided comments on the congestion revenue rights auction efficiency initiative, noting both concern and support as to various aspects of the proposal. Ms. Skucas provided generally supportive comments on the ranking process, but requested that the process be more transparent.

Kristine Schmidt, Chair of the EIM Governing Body, provided comments in support of the proposed roadmap and expressed appreciation to the ISO for its work throughout the initiative. Ms. Schmidt asked the Board and Management to take into consideration the following as recommended by the Body of State Regulators: keep EIM-related initiatives a priority for completion in 2017, and commit to an earlier release of the preliminary issue list for the EIM imbalance settlement initiative. Ms. Schmidt noted that a third recommendation related to the prioritization of the real-time market enhancements and management of the EIM imbalance settlement initiatives had already been addressed.

Ms. Schmidt further requested, on behalf of the EIM Governing Body, that Management commit to providing a mid-summer update on the roadmap initiative process, and that the EIM greenhouse gas enhancements initiative be reclassified from E1 (EIM Governing Body decisional authority) to E3 (hybrid decisional authority of Board of Governors and EIM Governing Body) in order to allow the Board of Governors to also deliberate and decide on the matter.

Mr. Casey provided responsive comments to Ms. Schmidt. He noted that four out of the six prioritized initiatives were EIM-related, and that Management was committed to making them a priority throughout 2017. Mr. Casey discussed challenges associated with an early start for the EIM imbalance settlement initiative, but committed to ensuring there would be ample time for stakeholder input throughout the process. Finally, Mr. Casey suggested that the EIM greenhouse gas initiative remain an E1 classification and that the EIM Governing Body reflect in its motion that the proposal go before the Board for deliberation and decision given the impact the proposal has on California. Brief discussion followed.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments in support of the policy roadmap process.

BRIEFING ON PARTICIPATING INTERMITTENT RESOURCE PROGRAM PROTECTIVE MEASURES

Don Tretheway, Senior Advisor – Market Design and Regulatory Policy, provided the Board with an update on the participating intermittent resource program that was established in 2002. Mr. Tretheway described how the resources provide the necessary meteorological data to enable the ISO to develop the forecast. He described how the FERC Order 764 market design changes oriented the real-time market around renewable resources. Mr. Tretheway stated the participating intermittent resource program protective measures were proposed as a three-year transitional measure for renewable resources that were not able to take advantage immediately of Order 764's functionality. He provided an overview of the revised September 2013 motion language and noted that nineteen resources had expressed the need for protective measures as part of the 2013 process. He noted that fifteen resources had been approved for protective measures, and that nine resources were currently receiving them. He stated that, although the protective measures have not been beneficial in all months, they have provided an overall benefit. He concluded by discussing next steps leading up to the May 1, 2017, expiration of the transitional period including a proposal to the Board at its March meeting. Discussion followed regarding the status of the nine remaining sources in relation to the May 1, 2017 deadline.

INFORMATIONAL REPORTS

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

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 3:50 p.m.