

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
GENERAL SESSION
March 24-25, 2016
ISO Headquarters, Folsom, CA**

March 25, 2016

The ISO Board of Governors convened the general session meeting at approximately 8:30 a.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
Angelina Galiteva
Dave Olsen

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

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Bhagwat moved for approval of the Board of Governors general session minutes for the February 3, 2016 meeting. The motion was seconded by Governor Olsen and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: Overall conditions, Aliso Canyon gas storage leak, 2016 transmission plan, ISO governance, and renewable generation. Mr. Berberich also acknowledged the April 1, 2016

retirement of Karen Edson, Vice President of Policy and Client Services, and congratulated and commended Ms. Edson for her accomplished career and years of service at the ISO. Mr. Berberich next proposed the following Board resolution in recognition of Ms. Edson:

WHEREAS, Karen Edson, Vice President Policy and Client Services, is retiring from the California Independent System Operator Corporation on April 1, 2016, after joining the ISO in 2005 and serving for over ten years as an indispensable member of the Executive Management Team; and

WHEREAS, Ms. Edson has dedicated more than 30 years of service in the electricity industry in public affairs and policy, including pivotal roles as Commissioner, California Energy Commission, senior legislative positions, in private practice advising local agencies, renewable power producers, energy companies and trade associations, as well as a dedicated passion for community service including volunteer work advising non-governmental organizations; and

WHEREAS, Ms. Edson, in her various roles, has dedicated her career to build a cleaner and healthier energy future; and serving the people of California as an internationally recognized energy and renewable resources expert, and was instrumental in developing clean energy policies that have inspired the world; and

WHEREAS, Ms. Edson contributed greatly to advancing the development of renewable resources and transmission projects, including overcoming significant hurdles to enable projects to receive American Recovery and Reinvestment Act of 2009 funding; and

WHEREAS, Ms. Edson has guided the ISO leadership team through unprecedented change in reshaping California's electricity system, reducing greenhouse gas emissions and incorporating efficiency, renewables, and distributed and customer-sited resources, all the while maintaining a reliable grid; and

WHEREAS, Ms. Edson led the efforts in crafting innovative regional policy strategies that formed the foundation for establishing the first western markets outside of California; and

WHEREAS, Ms. Edson modeled outstanding leadership by encouraging the ISO and her staff to strive to grow and provide superior customer and public service; and

WHEREAS, Ms. Edson served with distinction as an advisor to Chief Executive Officers and to the Board of Governors; and now, therefore be it

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

the California ISO and the State of California, and wishes her the best in her retirement and all future endeavors.

The resolution was moved by Governor Ferron, seconded by Governor Galiteva and approved 5-0.

DECISION ON 2015-16 TRANSMISSION PLAN

Neil Millar, Executive Director – Infrastructure Development, provided an overview of the proposed 2015-16 transmission plan. Mr. Millar explained that Board approval of the plan means Board approval of the plan's determinations and recommendations. He provided an overview of the transmission planning process and noted the process included four consultation windows. Mr. Millar described how new reliability needs reduced in number from prior cycles, both in the number of projects and capital cost.

Mr. Millar provided an overview of the 13 reliability projects identified in the plan as needed projects. He also informed the Board that 13 previously approved local PG&E projects were being cancelled, primarily due to lower load projections. He described how the ISO's policy-driven analysis focused on the 33% Renewables Portfolio Standard and that economic-driven solutions were also explored in the planning process focusing on areas of congestion. Mr. Millar reviewed a graph that projected the regional high voltage transmission access charge and brief discussion ensued. He informed the Board that special studies were conducted that looked at emerging issues preparing for grid transition to a low carbon future. He concluded his presentation by discussing the feedback received during the stakeholder process. Discussion ensued and Mr. Millar provided additional context regarding the step change in the projected high voltage transmission access charge.

Public comment

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments in support of the proposed transmission plan and noted PG&E's appreciation to the ISO for the continued collaboration throughout the process. Mr. Eisenman provided additional context regarding the projected step change to the transmission access charge as related to PG&E.

Discussion ensued regarding what is included as part of the transmission access charge projections and how the projections have historically aligned to actuals. Discussion followed and Management committed to providing the Board further information regarding the projection evaluation process.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the ISO 2015-2016 transmission plan attached to the memorandum dated March 17, 2016.

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

DECISION ON COMMITMENT COST BIDDING IMPROVEMENTS PROPOSAL

Greg Cook, Director – Market & Infrastructure Policy, provided an overview of Management’s commitment cost bidding improvements proposal and stated the proposal would provide significant improvements to resource commitment and cost recovery. Mr. Cook described how the current market design provided limited functionality to address the dispatch of use-limited resources. He stated the proposal would improve management of use-limited resources through opportunity costs reflected in commitment costs bids. He discussed how the proposal included new provisions to provide more flexibility to reflect preferred operating values as well as enhancements to bidding commitment costs into the real-time market.

Mr. Cook provided an overview of the proposed provision for resources to request recovery of commitment costs that exceed the bid cap. He noted the proposal also included commitment costs estimate improvements to allow for more accurate unit commitment. He provided an overview of the stakeholder process and stated that while stakeholders generally support the opportunity cost concept, areas of concern remained. He provided an overview of the remaining concerns and brief discussion ensued. Mr. Cook concluded his presentation by providing an overview of the benefits of the proposal.

Public comment

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of the following public comment letter: California Public Utilities Commission

Roy Kuga, on behalf of Pacific Gas and Electric Company, provided comments on Management’s proposal and stated that PG&E believes it was premature for Board action and requested deferral of the item. Discussion ensued regarding Mr. Kuga’s concerns and Management provided responsive comments.

Victor Kruger, on behalf of San Diego Gas and Electric Company, provided comments on Management’s proposal and provided an overview of remaining concerns. Discussion followed regarding the origin of certain contract provisions and Management provided additional responsive comments. Management committed to working with stakeholders to address concerns regarding the contract limitations cut-off date.

Barbara Barkovich, on behalf of California Large Energy Consumers Association and the demand response community, provided comments on Management’s proposal and provided an overview of remaining concerns. Discussion followed regarding the proposal’s impact on demand response programs.

Anthony Harrison, on behalf of Stem, Inc., provided a brief background of the Stem organization. Mr. Harrison provided comments on Management’s proposal and noted

support with the proposal's direction but commented on remaining concerns. Discussion followed regarding the combination of initiatives and the proposed transition period.

Ellen Wolfe, on behalf of Western Power Trading Forum, provided comments on Management's proposal and noted appreciation for the work of the ISO staff and the Market Surveillance Committee. Ms. Wolfe provided an overview of remaining concerns. Discussion followed and Management provided responsive comments.

Meredith Younghein, on behalf of the California Public Utilities Commission, provided comments on Management's proposal and provided an overview of remaining concerns. Ms. Younghein noted appreciation for the work of the Market Surveillance Committee. Ms. Younghein read various excerpts of the public comment letter the CPUC submitted to the Board. Management provided responsive comments and noted that the proposed motion had been modified to address the CPUC's concerns.

Brian Theaker, on behalf of NRG Energy, provided congratulatory comments to Ms. Edson on her retirement. Mr. Theaker provided comments on Management's proposal and commended the stakeholder process. He next provided an overview of remaining concerns. Brief discussion followed and Management provided responsive comments.

Catherine Hackney, on behalf of Southern California Edison, noted appreciation regarding the stakeholder process. Ms. Hackney next provided an overview of remaining concerns.

Market Surveillance Committee comment

Ben Hobbs, Chair of the Market Surveillance Committee, provided a summary of the March 14, 2016 Market Surveillance Committee opinion titled "Commitment Cost Bidding Improvements."

Department of Market Monitoring comment

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal.

Discussion followed regarding Management's proposal and the importance of having an adequate transition period. Additional discussion followed regarding the impact of the proposal on demand response and Management committed to design an opportunity cost (or equivalent) methodology for commitment costs for demand response and storage through an ongoing stakeholder process.

Mr. Collanton recommended the Board approve the following revised motion language:

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the commitment cost bidding improvements proposal, as described in the memorandum dated March 17, 2016, provided that Management takes steps through the tariff development process to provide an adequate transition period, through at least 2017, for demand response resources to reflect new obligations resulting from this proposal in contracts. Further, Management commits to the design of an opportunity cost (or equivalent) methodology for commitment costs for demand response and storage through an ongoing stakeholder process; 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 Olsen and approved 5-0.

A 10-minute break was taken at this time.

DECISION ON PHASE 1 FREQUENCY RESPONSE PROPOSAL

Greg Cook, Director – Market & Infrastructure Policy, provided the Board with an overview of Management’s phase 1 frequency response proposal. Mr. Cook described the new NERC reliability obligation for balancing authorities to provide sufficient frequency response during contingency events and noted the compliance obligation would begin on December 1, 2016. He provided an overview of a graph that depicted how the primary frequency response was activated in the first 30 seconds following a contingency. He reviewed the provisions that Management was proposing to help ensure compliance with the new NERC requirement. Mr. Cook described how the proposal would allow for transfers of a portion of the ISO’s frequency obligation to another balancing area through a competitive solicitation process. He stated the proposal would align the ISO tariff requirements with the NERC guidelines for frequency response. He provided an overview of the stakeholder process and stated that stakeholders largely supported stronger generator requirements and transferring a portion of the ISO’s obligation. Mr. Cook concluded his presentation by providing an overview of the benefits of the proposal.

Public comment

Ellen Wolfe, on behalf of Western Power Trading Forum, provided comments on Management’s proposal and provided an overview of remaining concerns, and requested that Management commence a phase 2 stakeholder process. Brief discussion followed and Management provided responsive comments. Mr. Cook noted that the phase 2 stakeholder process was on track to commence later this year.

Brian Theaker, on behalf of NRG Energy, provided comments on Management's proposal and provided an overview of concerns with the proposal. Brief discussion followed and Management provided responsive comments.

Barbara Barkovich, on behalf of California Large Energy Consumers Association and the demand response community, provided comments on Management's proposal and discussed a few remaining concerns.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the phase 1 frequency response proposal, as described in the memorandum dated March 17, 2016; 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 Galiteva and approved 5-0.

DECISION ON LOCAL MARKET POWER MITIGATION ENHANCEMENTS PROPOSAL

Greg Cook, Director – Market & Infrastructure Policy, provided the Board an overview of Management's local market power mitigation enhancements proposal. Mr. Cook described how the current real-time market local market power mitigation provisions work in a predictive manner. He stated that Management is proposing enhancements to improve the accuracy of the ISO's real-time local market power mitigation. He provided an overview of the stakeholder process and stated that stakeholders supported the proposed changes to improve the accuracy of the ISO's real-time local market power mitigation.

There was no public comment on this item.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the local market power mitigation enhancements proposal, as described in the memorandum dated March 17, 2016; 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 Bhagwat and approved 5-0.

AUDIT COMMITTEE UPDATE

Governor Bhagwat, Chair of the Audit Committee, provided an overview of the Code of Conduct Certification Process report for 2015 that went before the Audit Committee during its general session held earlier in the day. Governor Bhagwat recommended that the Board accept the audit as recommended by the Audit Committee.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the Code of Conduct Certification Process Report issued on February 19, 2016 by PricewaterhouseCoopers LLP for the testing of the ISO's code of conduct certification procedures for 2015.

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

BRIEFING ON PRELIMINARY 2016 SUMMER LOADS AND RESOURCES ASSESSMENT RESULTS

Robert Emmert, Manager – Interconnection Resources, provided an overview of the preliminary 2016 Summer Loads and Resources Assessment results. Mr. Emmert reviewed the following key results: (1) Adequate reserve margins to meet peak summer demand, (2) Hydroelectric capability was projected to be near normal for 2016 spring and summer seasons, and (3) Additional 2,300 MW of new generation (85% solar, 335 MW retired). He provided an overview of a graph that depicted that hydroelectric capability is projected to be near normal. He also reviewed a graph that showed the median ISO operating reserve margin percentage result at 24.4%. Mr. Emmert concluded his presentation by discussing next steps and noted the final report is on track for publication in early May.

INFORMATIONAL REPORTS

There were no questions on the following informational reports: regulatory update, 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 report, Transmission Maintenance Coordination Committee update, and the investment performance report.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 12:15 p.m.