

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
May 1-2, 2017
ISO Headquarters
Folsom, California**

May 1, 2017

The ISO Board of Governors convened the general session meeting at approximately 2:30 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, via teleconference
Ash Bhagwat, Acting Chair
Mark Ferron
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, General Counsel and Chief Compliance Officer, acknowledged receipt of the following public comment letter that was submitted to the Board: DC Energy

Seth Cochran, on behalf of DC Energy, provided highlights of the April 28, 2017 public comment letter submitted by DC Energy regarding the congestion revenue rights working group. Mr. Cochran expressed continued support in working collaboratively with the ISO to explore the scope and methodology for an analysis of the differences between congestion revenue rights purchase prices and congestion payments to CRR holders.

James Caldwell, on behalf of the Center for Energy Efficiency and Renewable Technologies (CEERT) and the City of Oxnard, provided comments and stated there was a local capacity requirement need in the Moorpark area. He stated there was a non-combustion alternative to meet this need, and requested that the ISO conduct a study regarding possible preferred resource alternatives to the Puente Power Project. Keith Casey, Vice President of Market and Infrastructure Development, provided responsive comments noting the Puente project was currently in a California Energy Commission proceeding and that the ISO would continue to work collaboratively with the CEC and CPUC throughout the process. Discussion followed regarding the status of the CEC proceeding, the timing of the proposed study work, and the importance of collaboration among the agencies throughout the process. Mr. Berberich also provided responsive comments and committed to reach out to the CEC to explore the request for the ISO to conduct a special study. Brief discussion followed.

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the March 15, 2017 meeting. The motion was seconded by Governor Bhagwat and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall system conditions, the “duck,” solar eclipse, Bonneville Power Administration / ISO coordinated transmission agreement, and renewable energy production. Mr. Berberich also provided congratulations to Kristine Schmidt, Chair of the EIM Governing Body, on her reappointment to the EIM Governing Body for a three-year term, and to Governing Body members Doug Howe and Valerie Fong for the appointments as Chair and Vice-Chair, respectively.

EIM GOVERNING BODY CHAIR UPDATE

Kristine Schmidt, Chair of the EIM Governing Body, provided the Board with highlights of her report on recent EIM Governing Body activities that included the following sections: April 19, 2017 EIM Governing Body meeting, Body of State Regulators update, Regional Issues Forum update, Portland General Electric readiness to participate in EIM, ISO policy outlook, Western EIM update, Charter for EIM Governance proposed changes, Western EIM Governing Body reappointment (Ms. Schmidt) effective July 1, 2017 to June 30, 2020, and elections of Western EIM Governing Body Chair (Douglas Howe) and Vice Chair (Valerie Fong), effective July 1, 2017 to June 30, 2018.

DECISION ON AMENDMENTS TO CHARTER FOR ENERGY IMBALANCE MARKET GOVERNANCE

Greg Fisher, Senior Counsel, provided an overview of the proposed amendments to the Charter for Energy Imbalance Market Governance. Mr. Fisher described how the proposed language more clearly identifies EIM Governing Body's role in the review process for proposed Charter modifications. He discussed how substantive changes to the Charter would be presented to the EIM Governing Body for its advisory input, before being presented to the Board for approval. He noted one exception to this was proposed revisions to the sections of the Charter relating to the Body of Regulators and the Regional Issues Forum.

Kristine Schmidt, Chair of the EIM Governing Body, provided the Board with additional background information that led to the proposed Charter amendments, noting the changes primarily provided clarification. Ms. Schmidt stated that ISO Management presented the proposed revised Charter to the EIM Governing Body at its April 19, 2017 meeting and the EIM Governing Body unanimously voted to endorse the proposed amendments.

Public comment

There was no public comment on this item.

Motion

Governor Ferron:

Moved, that the Board approves the amendments to the Charter for Energy Imbalance Market Governance, attached to the memorandum dated April 24, 2017, as endorsed by the EIM Governing Body.

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

DECISION ON BLACK START AND SYSTEM RESTORATION PROPOSAL

Scott Vaughan, Lead Engineer – Grid Assets, provided an overview of Management's black start and system restoration proposal. Mr. Vaughan explained that the ISO has identified a need to provide additional black start resources in the Greater Bay Area. He provided an overview of the cost allocation methodology and principles for the new black start resources. He provided an overview of six steps that the ISO is proposing to take to procure and contract new black start resources in the Greater Bay Area. Mr. Vaughan provided an overview of the benefits of the proposal to allocate incremental black start costs to local areas.

Public comment

Andy Brown, on behalf of Diamond Generation, provided generally supportive comments on the proposal, but noted concern with an element of the proposal as relating to the potential conflict of interest in the bid review process by the transmission owner.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided supportive comments and noted appreciation for the expedited approach on this initiative. Mr. Eisenman discussed the importance of having black start capabilities for reliable grid operations and stated that PG&E looked forward to working with the ISO throughout the process.

Mr. Casey provided responsive comments and stated that the appropriate steps in the bid review process would be followed to ensure the integrity of the review process to prevent a conflict of interest. Mr. Casey also stated that draft contracts would be posted for public review.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the proposal for black start and system restoration, as described in the memorandum dated April 24, 2017; 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.

DECISION ON PROPOSED TRANSMISSION ACCESS CHARGE AREA

Debi Le Vine, Director – Infrastructure Contracts and Management, provided an overview of Management’s proposed creation of the transmission access charge area for the Metropolitan Water District in order to address allocation of local resource adequacy. Ms. Le Vine described how the termination of the SCE agreement necessitated that the ISO and Metropolitan Water District address resource adequacy requirements. She provided an overview of a graph of the Metropolitan Water District transmission system. Ms. Le Vine stated that the tariff allows for the Board to create new transmission access charge areas. She concluded her presentation by providing an overview of the benefits of the proposal and noted there was no stakeholder opposition to the proposal.

Public comment

There was no public comment on this item.

Motion**Governor Galiteva:**

Moved, that the ISO Board of Governors authorizes Management to create a separate transmission access charge area for The Metropolitan Water District of Southern California for the purpose of separately allocating resource adequacy requirements, as described in the memorandum dated April 24, 2017.

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

BRIEFING ON WESTERN ENERGY IMBALANCE MARKET

Mark Rothleder, Vice President – Market Quality and Renewable Integration, provided a western energy imbalance market implementation update. Mr. Rothleder stated that the following EIM entities were now in the implementation phase: Portland General, Idaho Power, Salt River Project, BANC/SMUD and Seattle City Light. He stated the following entities were exploring future entry to the EIM: CENACE, Los Angeles Department of Water & Power, and Northwestern Energy. Mr. Rothleder stated that the gross economic benefits since the start of the energy imbalance market was \$173.72M. He described how the energy imbalance market continued to help avoid curtailments. He reviewed tables that depicted the flexible ramping procurement diversity savings for 1st quarter 2017, as well as daily average prices in energy imbalance market areas. Mr. Rothleder concluded by discussing a diagram that depicted energy transfer capability in 1st quarter 2017.

BRIEFING ON SOLAR ECLIPSE

Amber Motley, Manager – Short Term Forecasting, provided the Board an overview of the ISO's impact analysis of the August 21, 2017 solar eclipse. Ms. Motley discussed a map that depicted the expected effect of the solar eclipse on the ISO balancing area. She reviewed a graph that reflected the potential megawatt impact on grid-connected solar. Ms. Motley next discussed expected capacities of behind-the-meter solar and the potential impact of behind-the-meter solar on ISO load. She reviewed a table that reflected the expected impact on EIM entities and provided an overview of lessons learned from Europe's experience with a similar eclipse. She provided an overview of the various market mechanisms and processes that the ISO will use during the solar eclipse. Ms. Motley concluded her presentation by discussing a timeline of next steps.

AUDIT COMMITTEE UPDATE

Governor Ferron, Acting Audit Committee Chair, provided the Board with highlights of the general session Audit Committee meeting held earlier in the day that covered the following items: code of conduct certification process report for 2016, ISO financial statements and FERC Form 1 audit reports, and a briefing on the scope of the operations audit. Governor Ferron recommended that the Board accept the following two audits as accepted by the Audit Committee.

Motion - Board acceptance of code of conduct certification process report

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the Code of Conduct Certification Process Report issued on February 10, 2017 by PricewaterhouseCoopers LLP for the testing of the ISO's code of conduct certification procedures for 2016, as attached to the memorandum dated April 24, 2017.

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

Motion – Board acceptance of ISO financial statements and FERC Form 1 audit reports

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the audited financial statements issued on April 7, 2017 by PricewaterhouseCoopers, as attached to the memorandum dated April 24, 2017; and

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the FERC Form No. 1 audit report, issued on April 12, 2017 by PricewaterhouseCoopers, as attached to the memorandum dated April 24, 2017.

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

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, and market performance update.

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 4:30 p.m.