

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
October 26-27, 2016
ISO Headquarters
Folsom, California**

October 27, 2016

The ISO Board of Governors convened the general session meeting at approximately 9:00 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
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, Roger Collanton, Tom Doughty, Stacey Crowley, Ryan Seghesio and Jodi Ziemathis

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Mr. Collanton acknowledged receipt of the following general public comment letters: Cogentrix, Large-Scale Solar Association, Clean Coalition, California Large Energy Consumers Association, and Southern California Edison

Greg Blue, on behalf of Cogentrix, provided highlights of their public comment letter dated October 26, 2016. Mr. Blue emphasized the importance of having multi-year transitional contracts for flexible generation.

Tony Braun, on behalf of California Municipal Utilities Association, provided comments in support of the ISO's decision to maintain the existing bid floor price.

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments in opposition to the ISO's decision to defer the bid floor price stakeholder initiative and requested that the Board direct the ISO address the matter sooner rather than later.

Danielle Mills, on behalf of Large-Scale Solar Association, provided comments in opposition to the ISO's decision to defer the bid floor price stakeholder initiative and requested that the Board direct the ISO address the matter sooner rather than later.

Alex Morris, on behalf of California Energy Storage Alliance, provided comments in opposition to the ISO's decision to defer the bid floor price stakeholder initiative and requested that the Board direct the ISO address the matter sooner rather than later.

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments in support of the ISO's decision to keep the existing bid floor price and requested the ISO continue to analyze the market activity.

Discussion followed and Governor Olsen provided comments to assure stakeholders of the Board's engagement and commitment on these types of matters. Dr. Casey provided comments in response to the stakeholder comments and further explained Management's reasoning for deferral of the bid floor price initiative and noted the ISO remained open to revisiting the initiative. Dr. Hildebrandt provided comments and explained why the Department of Market Monitoring supported the deferral of the initiative at this time and that DMM would continue to work with the ISO to monitor the matter.

Katie Ramsey on behalf of Clean Coalition, provided highlights of their public comment letter dated October 26, 2016. Ms. Ramsey requested that the Board direct the ISO to immediately open a stakeholder initiative on the transmission access charge billing determinant.

Dr. Casey provided clarifying comments and noted that the ISO has already committed to addressing the transmission access charge billing determinant issue in a new initiative mid-2017.

Daryl Michalik, on behalf of Dynamic Grid Council, provided comments and requested that the Board direct the ISO to immediately open a stakeholder initiative on the transmission access charge billing determinant.

Sarah Taheri, on behalf of Southern California Public Power Authority, provided comments in support of the ISO's decision to postpone the transmission access charge billing determinant initiative to mid-2017.

Jan Strack, on behalf of San Diego Gas and Electric Company, provided comments in support of the ISO's decision to postpone the transmission access charge billing determinant initiative to mid-2017.

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments in support of the ISO's decision to postpone the transmission access charge billing determinant initiative to mid-2017.

Meg McNaul, on behalf of Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, provided comments in support of the ISO's decision to postpone the transmission access charge billing determinant initiative to mid-2017.

Tony Braun, on behalf of California Municipal Utilities Association, provided comments in support of the ISO's decision to postpone the transmission access charge billing determinant initiative to mid-2017.

Dr. Casey provided comments in response to stakeholder comments and stated that the ISO takes this issue seriously and is committed to commencing the initiative in mid-2017. He also addressed issues surrounding the appropriate timing to commence the initiative and committed to issuing a paper in the 1st quarter of 2017 on how the transmission access charge works today. Dr. Casey also committed to try to identify during the first half of 2017 the types of analyses that would be needed to assess alternative TAC billing determinants in order to hit the ground running when the initiative commences mid-year.

Governor Ferron provided comments on the October 26, 2016 public comment letter from Clean Coalition and expressed frustration with the false statements made by the company regarding the ISO. Governor Ferron stated that the Board and ISO staff are completely committed to the mission of this public-benefit organization in providing safe, reliable, affordable and clean electricity to its customers through fair and open access to the transmission grid and fair wholesale markets. Chair Maullin, Governor Olsen and Governor Galiteva provided additional supportive remarks and echoed Governor Ferron's comments.

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the August 31 – September 1, 2016 meeting. The motion was seconded by Governor Galiteva and approved 4-0. Governor Ferron moved for approval of the Board of Governors general session minutes for the October 3, 2016 meeting. The motion was seconded by Governor Olsen and approved 4-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: Overall system conditions, successful EIM deployment of Arizona Public Service and Puget Sound Energy, international collaboration, regional governance, bid floor, ISO En Español, renewable energy production and personnel.

EIM GOVERNING BODY BRIEFING

Kristine Schmidt, Chair of the EIM Governing Body, provided the Board an update on recent EIM Governing Body activities and provided congratulatory remarks on the recent successful EIM deployments. Ms. Schmidt provided highlights of the October 5, 2016 EIM Governing Body meeting that was held in Portland and noted that out of the seven active initiatives, four would likely be advisory matters for the EIM Governing Body. Ms. Schmidt stated they also received updates from the Regional Issues Forum, Body of State Regulators as well as a historical briefing by the EIM Transitional Committee on governance, which resulted in a request to stakeholders for comments on the topic. She provided highlights of the upcoming November 30 meeting in Phoenix and noted it would likely include among other items, a report out on the feedback received by stakeholders on governance, the greenhouse gas compliance initiative, the external resource bidding initiative, a guidance document that will explain the role of the EIM Governing Body on policy initiatives, and tentatively the metering initiative. Brief discussion followed and the Board noted its appreciation for the engagement and involvement of the EIM Governing Body.

BRIEFING ON WESTERN ENERGY IMBALANCE MARKET

Khaled Abdul-Rahman, Executive Director - Power Systems & Smart Grid Technology Development, provided the Board an update on the western energy imbalance market. He stated that Arizona Public Service Company and Puget Sound Energy successfully went live on October 1. He stated that Portland General Electric will be ready for integration into the energy imbalance market in Fall 2017.

Mr. Abdul-Rahman also stated that Idaho Power Company is on track to enter the energy imbalance market in Spring 2018. He listed four additional entities who were exploring future EIM entry. He informed the Board that gross economic benefits since the start of the energy imbalance market are \$114.36 million. He provided an overview of graphs that depicted daily average prices and transfer capability capacities. Brief discussion followed.

DECISION ON RELIABILITY SERVICES INITIATIVE PHASE 2 PROPOSAL

Greg Cook, Director – Market and Infrastructure Policy, provided an overview of Managements reliability services initiative phase 2 proposal. Mr. Cook discussed the following two proposed enhancements to the resource adequacy rules: (1) relax substitution obligations of system resource adequacy that is located in a local capacity area, and (2) align system, local and flexible resource adequacy capacity requirements of small load serving entities. He also noted two process enhancements that did not require Board decision. Mr. Cook provided a summary of the stakeholder process and stated that while a majority of stakeholders support the proposal, some concerns remain regarding the system substitution proposal. He described how the proposal aligns the category of capacity procured with substitution requirements. He concluded his presentation by discussing the benefits of the proposal.

Public comment

Mr. Collanton acknowledged receipt of the following public comment letter: Southern California Edison

Mark Smith, on behalf of Calpine, provided comments in support of Management's proposal stating it is fair and simple proposal but that the ISO should continue to look at a longer-term solution.

Victor Kruger, on behalf of San Diego Gas and Electric Company, provided comments in opposition to Management's proposal on forced outage substitution rules for system RA resources located in a local area and requested that the Board reject the applicable portions of the proposal.

Michele Kito, on behalf of California Public Utilities Commission, provided comments in opposition to Management's proposal on forced outage substitution rules for system RA resources located in a local area and requested that the Board reject the applicable portions of the proposal.

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments in support of Management's proposal but requested that the ISO continue to look at a longer-term solution.

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments and requested that the proposal be delayed until after implementation of several other related initiatives. Mr. Eisenman provided further comments of concern as outlined in the stakeholder matrix and requested that the Board reject those portions of the proposal.

Brian Theaker, on behalf of NRG Energy, first provided comments on the transmission access charge billing determinant issue and expressed support for deferral of the initiative. Mr. Theaker provided further comments in support of the reliability services phase two proposal.

Dr. Casey provided comments in response to the stakeholder comments. He described why the forced outage substitution element was an important piece of the proposal. He addressed concerns raised about market power and noted that both the Market Surveillance Committee and the Department of Market Monitoring are supportive of the proposal. Dr. Casey addressed additional concerns raised in the comments.

Dr. Hildebrandt provided comments on the bid floor matter and expressed support to defer the initiative. Dr. Hildebrandt also commented that the Department of Market Monitoring supports the ISO's reliability services phase two proposal, noting it is a good step forward.

Discussion followed and various Board members noted this initiative was a step in the right direction. The Board expressed some concern with the issues raised by the CPUC and large utilities during public comment. Dr. Casey provided responsive comments and described how the proposal was modified throughout the process to address concerns and emphasized the importance of not deferring a decision on the forced outage substitution rules given the extensive stakeholder process on this issue and the ongoing risk the current rules create for generators. Brief discussion followed regarding the stakeholder process.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the reliability services initiative phase 2 proposal, as described in the memorandum dated October 19, 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 Olsen and approved 4-0.

DECISION ON LOAD SERVING ENTITY DEFINITION REFINEMENT PROPOSAL

Greg Cook, Director – Market and Infrastructure Policy, provided an overview of Management’s proposal to refine the definition of load serving entity in the tariff. Mr. Cook explained that the existing definition is too narrow and does not capture all of the applicable market participants. Mr. Cook stated the definition needed to include market participants serving their own load through the purchase of wholesale electricity. He stated that stakeholders generally supported the revised definition and recommended that the Board approve the proposal as it will ensure equal treatment under the tariff for participants that have been granted authority pursuant to state and local law or regulation to serve their own load.

There was no public comment on this item.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the load serving entity definition refinement proposal, as described in the memorandum dated October 19, 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 Ferron and approved 4-0.

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, market performance update, quarterly financial report, update on results of reliability must-run contract extensions for 2017, and the Transmission Maintenance Coordination Committee update.

ADJOURNED

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