

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
February 5-6, 2015
ISO Headquarters
Folsom, California**

February 5, 2015

The ISO Board of Governors convened the general session meeting at approximately 1:20 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
Angelina Galiteva
Dave Olsen

The following members of the executive team were present at the meeting: Steve Berberich, Keith Casey, Mark Rothleder, Eric Schmitt, Karen Edson, 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 Galiteva moved for approval of the ISO Board of Governors general session minutes for the December 17-18, 2014 and January 5, 2015 meetings. The motion was seconded by Governor Bhagwat and approved 4-0-0.

**CEO REPORT and DECISION ON MARKET SURVEILLANCE COMMITTEE
REAPPOINTMENT**

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall conditions, energy imbalance market, capacity procurement mechanism and renewable generation. Mr. Berberich next described how the tariff requires that the CEO

nominate members of the Market Surveillance Committee to the Board for appointment. He provided an overview of the qualifications of Dr. James Bushnell and stated he was pleased to nominate Dr. Bushnell for reappointment to the Market Surveillance Committee.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors reappoints Dr. James Bushnell to the Market Surveillance Committee for a three-year term beginning April 1, 2015 through March 31, 2018; and

Moved, that the Chief Executive Officer is authorized and directed to enter into an appropriate consulting agreement with Dr. James Bushnell to compensate him for participation on the Market Surveillance Committee.

The motion was seconded by Governor Galiteva and approved 4-0-0.

EIM TRANSITIONAL COMMITTEE CHAIR REPORT

Rebecca Wagner, Chair of the EIM Transitional Committee, provided an overview of recent activities of the EIM Transitional Committee. Ms. Wagner provided an overview of the roles and responsibilities of the following three recently developed working groups: market design, stakeholder and governance. She stated that twenty-six sets of comments were recently received on the governance issue paper and review of those comments was currently in progress. Ms. Wagner noted the next EIM Transitional Committee would be held on March 5 in Portland, Oregon.

DECISION ON CAPACITY PROCUREMENT REPLACEMENT FRAMEWORK

Greg Cook, Director – Market and Infrastructure Policy, provided an overview of Management’s proposal on the capacity procurement mechanism framework proposal. Mr. Cook stated the current tariff provisions resulted from a 2012 settlement agreement and further described how the ISO’s capacity backstop tariff authority would expire on February 16, 2016. He discussed how the proposal included a simple market-based mechanism and stated the competitive solicitation process would include provisions for market power mitigation. Mr. Cook described how the proposal also addressed a gap in the current rules for procurement eligibility and partial resource adequacy resources. He described how the ISO engaged with stakeholders to develop a settlement agreement prior to filing in order to avoid a potentially costly litigation process at FERC. He concluded his presentation by providing an overview of the benefits of the proposal. Discussion followed regarding the need for daily capacity procurement and relation of incremental investments to the current proposal.

Public comment

Catherine Hackney, on behalf of Southern California Edison, provided comment in support of Management's proposal and commended the efforts of ISO staff.

Brian Theaker, on behalf of NRG Energy, provided comments in support of Management's proposal, noting there was still work to be done, and commended efforts made to address concerns of NRG Energy throughout the process.

Mark Smith, on behalf of Calpine, provided comments in support of Management's proposal and commended the efforts throughout the settlement process.

Meredith Younghein, on behalf of the California Public Utilities Commission, provided comments in support of Management's proposal and stated the CPUC was looking forward to reviewing the final tariff language in order to ensure final signoff of the proposal.

Peter Griffes, on behalf of Pacific Gas and Electric Company, provided comments on Management's proposal and noted it was a reasonable approach. He commended the efforts involved throughout the settlement process. Brief discussion followed regarding continued settlement discussions on remaining non-substantive matters.

Steven Kelly, on behalf of Independent Energy Producers, provided comments in support of Management's proposal and commended the efforts throughout the settlement process.

Motion**Governor Bhagwat:**

Moved, that the ISO Board of Governors approves the proposed capacity procurement mechanism replacement framework, as described in the memorandum dated February 4, 2015;

Moved, that the ISO Board finds that the proposed backstop capacity framework does not diminish the five state policies specified in the memorandum; 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 4-0-0.

AUDIT COMMITTEE UPDATE

Governor Bhagwat, Audit Committee Chair, provided an overview of the settlement systems audit report and requested that the Board adopt the following motion as recommended by the Audit Committee:

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the settlements system audit report issued on January 9, 2015 by PricewaterhouseCoopers LLP for the testing of specified charge code calculations implemented in 2014, as attached to the memorandum dated January 29, 2015.

The motion was seconded by Governor Maullin and approved 4-0-0.

BRIEFING ON POLICY DEVELOPMENT ROADMAP

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of a public comment letter from NCPA.

Greg Cook, Director – Market and Infrastructure Policy, provided an overview of the 2015 policy development roadmap. Mr. Cook stated the annual policy development roadmap was developed based on: strategic plan and market design vision, stakeholder input, FERC mandates, and resource constraints. He described how the ISO gathered market participant input through an annual iterative stakeholder process. He stated the base roadmap was developed to determine what resources were available to address discretionary initiatives. Mr. Cook next provided an overview of a graphical timeline of the base roadmap with identified initiatives. He next described how there were insufficient resources to address all of the high-ranked discretionary initiatives.

Public comment

Deane Burk, on behalf of California Department of Water Resources, provided comments on the proposed roadmap and noted concerns with the process stating there was a disconnect between stakeholder input and the final roadmap. Brief discussion followed regarding discretionary initiatives and Mr. Casey committed to work with DWR to address their concerns.

Dave Dockham, on behalf of the Northern California Power Authority, provided highlights of the public comment letter provided and stated NCPA would like the Market Surveillance Committee to conduct an analysis of the issues identified in the letter. Brief discussion followed and Mr. Casey stated that staff would conduct an internal analysis this year and

provide it to the Market Surveillance Committee for review.

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, Market Surveillance Committee update, Department of Market Monitoring update, master stakeholder engagement and release plans, market performance update, and the quarterly financial report

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 2:30 p.m.