

**GENERAL SESSION MINUTES
CAISO BOARD OF GOVERNORS MEETING
September 8-9 2008
CAISO Headquarters
Folsom, California**

September 9, 2008

Mason Willrich, Chair of the ISO Board of Governors, called the general session meeting to order at approximately 9:45 a.m. Roll call was taken and the presence of a quorum was determined. Governor Willrich provided welcoming remarks to Laura Manz, Vice President of Market and Infrastructure Development.

ATTENDANCE

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

Mason Willrich, Chair
Tim Gage
Linda Capuano
Tom Page
Laura Doll

The following members of the officer team were present: Yakout Mansour, Nancy Saracino, Karen Edson, Laura Manz, Steve Berberich, and Jim Detmers.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was provided at this time.

DECISION ON MINUTES

Governor Gage moved for the approval of the ISO Board of Governors general session minutes for July 9, 2008. Motion seconded by Governor Doll, and approved 5-0-0.

CEO REPORT

Yakout Mansour, President and Chief Executive Officer, reported on highlights of events that have affected the ISO since the last Board meeting. Mr. Mansour discussed technology challenges associated with a November 1 MRTU Go Live date. Mr. Mansour

acknowledged the continued support of market participants. Mr. Mansour noted that the Board would be briefed as part of the next agenda item regarding a February 1, 2009 Go Live date. Mr. Mansour discussed the budget impact associated with an extension of the Go Live date and noted the proposed increase in budget was approximately \$8 million.

Mr. Mansour discussed the operations section of his report and commented on the mild summer weather. Mr. Mansour noted that the drought conditions were the number one concern for next summer.

Mr. Mansour discussed the financial highlights of his report and discussed the grid management charge (GMC). Mr. Mansour stated that the ISO was tracking towards a 2009 GMC of about 76.8 cents.

Mr. Mansour provided welcoming remarks to Laura Manz, Vice President of Market and Infrastructure Development, as well as John Anders, Director of Organizational Effectiveness.

DECISION ON MRTU BUDGET AND BRIEFING ON MRTU

Steve Berberich, Vice President of Corporate Services, provided the Board with an overview of MRTU project status. Mr. Berberich reviewed the progress made since the last Board meeting and noted that the market simulation had resumed on August 20. Mr. Berberich reviewed a listing of outstanding issues and noted that they did not impact fundamental stability. Mr. Berberich stated that results were being published on time and that participant interfaces were now available. Mr. Berberich reviewed progress made and outstanding issues for the day-ahead market, real-time market, settlement statements, and charge codes. Mr. Berberich noted that the market simulation quality of solution was good and that he expected the LECG final report to be presented at the October Board meeting. Mr. Berberich discussed next steps and noted that participant scenarios still needed to be completed. Mr. Berberich provided an assessment of the 19 exit criteria that are needed for completion of simulation. Mr. Berberich concluded his presentation by reviewing Management's request for additional budget authority due to the program delay which resulted in a revised completion estimation of \$199,500,000. Discussion followed regarding costs, the decreasing burn rate, and the settlement process.

MOTION

Governor Doll:

Moved that the CAISO Board of Governors authorizes Management to proceed with executing MRTU in accordance with the revised budget; and

Moved that the CAISO Board of Governors acknowledges that the overall MRTU budget is increased to \$199.5 million and that \$189.223 million has already been authorized in previous approvals. Management is authorized to execute contracts and

expenditures for the remaining \$8,277,000 and an additional \$2 million in contingency subject to the established protocols and procedures for budgeting, expenditure approvals and updating the Board on the progress and expenditures related to MRTU, as set forth in the memorandum dated August 29, 2008 and presented to the Board on September 9, 2008.

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

Debi Le Vine, Director of Market Services and MRTU Program Manager, provided the Board with a status overview of the congestion revenue rights process. Discussion followed. Governor Gage inquired about potential impediments to a February 1, 2009 Go Live date. Mr. Berberich responded that a February 1, 2009 Go Live was possible if the market was ready and exit criteria was met. Further discussion followed and the Board requested a motion pertaining to MRTU Go Live. Ms. Saracino stated that Management would prepare a draft motion and present it to the Board later on in the day.

DECISION ON IRON POINT FACILITY

Steve Berberich, Vice President of Corporate Services, began his presentation by stating the Iron Point facility agenda item was no longer a decisional item as negotiations with the principal contractor had not yet been resolved. Mr. Berberich provided an overview of achievements made since the last update and reviewed the current project status. Mr. Berberich noted that 60% of the design development would be completed in mid-September. Mr. Berberich provided an overview of the life cycle costs associated with the achievement of a LEED Gold rating.

DECISION ON CONDITIONAL APPROVAL TO EXTEND EXISTING RELIABILITY MUST-RUN CONTRACTS

Proposal

Gary DeShazo, Director of Regional Transmission North, provided the Board with an overview of Management's request to extend certain reliability must-run (RMR) contracts through the calendar year 2009. Mr. DeShazo stated that RMR contracts ensured adequate capacity and/or required services not covered by resource adequacy contracts. Mr. DeShazo described the conditional nature of the RMR designation extensions and concluded his presentation by reviewing the pre-determined timeline. Discussion followed regarding the applicability of the RMR process once MRTU goes live

Public Comment

Pamela Mills, with San Diego Gas & Electric, provided comments on management's proposal and requested that certain CalPeak units not be included as part of the conditional extension.

Board Decision

Mr. Mansour and Mr. DeShazo provided responsive comments to Ms. Mills and clarified the conditional nature of the requested approval. Discussion followed regarding the process timeline and applicable criteria that would be used.

MOTION

Governor Gage:

Moved, that the CAISO Board of Governors authorizes Management to extend the RMR contracts for any RMR Units in Attachment 1 consistent with the criteria described in the memorandum dated August 29, 2008.

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

DECISION ON MRTU BUDGET AND BRIEFING ON MRTU - CONTINUED

Ms. Saracino read the proposed motion language for the record. Governor Willrich inquired as to whether there was any public comment on the proposed motion. There being no comment, a brief discussion ensued.

MOTION

Governor Capuano:

Whereas, Management has reported to the CAISO Board of Governors in detail on the readiness of the Market Redesign and Technology Upgrade (MRTU) and the progress on developing and testing the system over at least the past nine months; and

Whereas, CAISO has delayed the “go live” date for MRTU due to the determination that the systems were not yet ready and based on CAISO’s commitment not to take MRTU live unless and until those systems were ready; and

Whereas, on September 9, 2008 Management reported that all systems are at the point that CAISO is confident that the organization is on track to certify readiness for an MRTU Go Live date of January 31, 2009; and

Whereas, the Board expects to receive confirmation of system readiness from Management, consistent with the exit criteria, during the October meeting of the Board of Governors, and encourages market participants and other interested parties to address the Board at that time on MRTU readiness; and

Whereas, the Board desires to make a firm commitment that it is prepared to act and to encourage Management to prepare for the 60-day readiness certification;

Therefore, the Board directs Management to prepare the 60-day readiness certification so that it can be filed by December 1, 2008, for a January 31, 2009 Go Live date.

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

ADR/AUDIT COMMITTEE UPDATE

Governor Gage, Chair of the ADR/Audit Committee, provided the Board with two recommendations for acceptance.

MOTION

Governor Page:

MOVED, that the CAISO Board of Governors accepts the FERC Form 1 for the years ended December 31, 2007 and 2006, audited by PricewaterhouseCoopers LLP, as attached to the memorandum dated August 29, 2008.

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

MOTION

Governor Page:

MOVED, that the CAISO Board of Governors accepts the audited financial statements of the California ISO Retirement Savings Benefits Plan for the years ended December 31, 2007 and 2006, audited by PricewaterhouseCoopers LLP, as attached to the memorandum dated August 29, 2008.

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

MARKET PERFORMANCE REPORT – June and July 2008

Alan Isemonger, Manager – Market Information, provided a brief overview of the June and July 2008 market highlights, including an overview of the June 20 peak. Mr. Isemonger reviewed the monthly market performance metrics, peak loads, price spikes overview, ancillary services costs and inter-zonal congestion costs.

INFORMATIONAL REPORTS

There were no comments or questions regarding the informational reports.

NEW GENERAL BUSINESS ISSUES AND FUTURE AGENDA ITEMS

No items were discussed.

ADJOURNED

There being no additional general session items to discuss, the general session of the ISO Board of Governors meeting was adjourned at approximately 11:50 a.m.