

**GENERAL SESSION MINUTES  
BOARD OF GOVERNORS MEETING  
October 17, 2007  
ISO Headquarters  
Folsom, California**

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October 17, 2007

Mason Willrich, Chair of the Board of Governors, called the meeting to order at approximately 11:20 a.m. Roll call was taken and the presence of a quorum was determined.

**ATTENDANCE**

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

Mason Willrich, Chair  
Tim Gage  
Elizabeth Lowe  
Linda Capuano  
Tom Page

**GENERAL SESSION**

The following agenda items were discussed in general session:

**PUBLIC COMMENT**

Carolyn Kehrein, on behalf of Energy Users Forum, discussed issues pertaining to costs to customers and reported that the Board consider keeping reduction of these types of costs in mind when looking at upcoming ISO initiatives. Governor Lowe responded that Ms. Kehrein, and other stakeholder concerned with cost issues, should make themselves part of the process early on, and then provide the Board with relevant information.

**DECISION ON MINUTES**

Governor Gage moved for the approval of the Board of Governors general session minutes for September 6-7, 2007. Motion seconded by Governor Lowe, and approved 5-0-0.

**CPUC UPDATE**

Sean Gallagher, with the California Public Utilities Commission, began his presentation by providing the Board with an update on the Resource Adequacy proceeding. Mr. Gallagher discussed the interim capacity procurement mechanism and stated that the CPUC was supportive of a well-defined backstop procurement mechanism that was narrow in scope and appropriately priced. Mr. Gallagher discussed the integration of existing retail demand response resources with ISO wholesale market design. Mr.

Gallagher discussed interconnection streaming and noted that transmission was critical to meeting California's Renewable Portfolio Standard goals. Mr. Gallagher concluded his presentation by addressing location constrained resource interconnection and noted that CPUC has supported this initiative from the outset. Discussion followed.

## **CEO REPORT**

Yakout Mansour, President and CEO, reported on highlights of events that have affected the California ISO since the last Board meeting and noted that the third quarter scorecard was included with the report. Mr. Mansour noted that the scorecard also addressed some of the cost concerns raised by Ms. Kehrein. Mr. Mansour provided an update on the Market Redesign & Technology Upgrade (MRTU) Program, noting that Integrated Market Simulation Release 3 was launched on September 24, 2007. Mr. Mansour also noted that the Tier 2 – Congestion Revenue Rights annual allocation results posted the evening prior to the meeting. Mr. Mansour reviewed the Market Products section and provided an update pertaining to the expiration of the Reliability Capacity Services Tariff. Mr. Mansour reviewed the Financial Highlights of his report and noted that Management accommodated \$5 million of expenditures that were not budgeted for by streamlining and using processes effectively. Mr. Mansour concluded his report by reviewing the third quarter scorecard.

Governor Capuano noted that Management has presented its view of how the MRTU design and testing is working in general, and the fact that no comments were made during public comment would assume success from the stakeholders as well. Discussion followed regarding the various forms of stakeholder feedback that is received on the MRTU project.

## **BRIEFING ON THE CALIFORNIA ISO RENEWABLE INTEGRATION STUDY**

### BRIEFING

Clyde Loutan, Senior Regional Transmission Engineer, provided an overview of the California ISO's Renewable Integration Study and noted that wind was the focus of the study. Mr. Loutan stated that the study builds on the California Energy Commission's intermittency analysis for the 2007 Integrated Energy Policy Report. Mr. Loutan noted that the transmission studies focused on high concentration of wind resources in the Tehachapi area. Mr. Loutan reviewed graphs that demonstrated why wind energy was difficult to predict and that showed the low levels of wind production on hot days. Mr. Loutan stated that Load Following was necessary to maintain stable operations and noted that MRTU would help with wind integration. Mr. Loutan concluded his presentation by providing an overview of the four recommendations: (1) Advanced Information Needs; (2) Software Enhancement; (3) Generation Fleet Improvements; and (4) Policy Enhancements. Discussion followed.

### PUBLIC COMMENT

Brian Hitson, with Pacific, Gas & Electric Company, commented on the draft report and stated that PG&E agreed with many of the recommendations and noted that the report should be expanded in areas such as NERC and WECC standards.

Yakout Mansour, President and CEO, responded that the draft report was the initial step of what needs to be done in the process.

Wes Williams, with Southern California Edison, commented on the importance draft report and noted several concerns with the report.

Susan Schneider, with California Wind Energy Association, commented on the draft report and agreed with PG&E and SCE that more work needed to be done. Ms. Schneider commented on the stakeholder process and noted that only one meeting occurred. Yakout Mansour, President and CEO, responded to Ms. Schneider's comment by describing the additional stakeholder activities that occurred with individual stakeholder groups.

Further discussion followed regarding the technical nature and purpose of the report.

## **RECESS**

There being additional general session items to discuss, the meeting was recessed at 1:05 p.m. for approximately 15 minutes.

## **RECONVENED**

Chairman Willrich reconvened the meeting at approximately 1:20 p.m.

## **ATTENDANCE**

The following members of the Board of Governors participated:

Mason Willrich, Chair  
Tim Gage  
Elizabeth Lowe  
Linda Capuano  
Tom Page

## **DECISION ON EXTENSION OF GRID MANAGEMENT CHARGE SETTLEMENT INTO 2008**

Bill Regan, CFO and Vice President of Corporate Services, introduced the topic and noted that the purpose of the extension was to address the remaining outstanding issues. Ben Arikawa, Senior Consultant, began his presentation by describing the need for the extension and noted that stakeholders have had three opportunities to comment, not including the present meeting, and there was no opposition to the draft tariff language. Mr. Arikawa stated that MRTU Grid Management Charge issues would be taken to the Board in December 2007.

## **Motion**

**Governor Lowe:**

*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 extension of the currently effective GMC rate design, as outlined in the memorandum dated October 9, 2007.*

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

## INFORMATIONAL REPORTS

Chairman Willrich inquired of the Board as to whether there were any questions or comments on the Market Surveillance Report. There were no questions or comments.

## BRIEFING ON FUTURE MARKET ENHANCEMENTS

Greg Cook, Manager – Market Design and Regulatory Policy, began his presentation by describing the process of scoping future market enhancements. Mr. Cook noted that the first release must take place within twelve-months of MRTU implementation. Mr. Cook provided an overview of the stakeholder process that took place. Mr. Cook reviewed the items that were included in the proposed market release 1A and further described why dispatchable demand response was in the packet. Mr. Cook concluded his presentation by providing an overview of other high priority enhancement that had been recommended by stakeholders. Further discussion followed regarding the time and resources needed to successfully embrace Release 1A and the timing of Release 2.

## DECISION ON LOCATION CONSTRAINED RESOURCE INTERCONNECTION POLICY

### Proposal

Chuck King, Vice President – Market Development and Program Management, began his presentation by providing an overview of the history of the Location Constrained Resource Interconnection Policy “LCRI” initiative stated that the next step was to file tariff language by October 31, 2007. Mr. King further described the need and purpose of the initiative and noted that it was key in order to enable California to meet its Renewable Portfolio Standards goal. Mr. King concluded his presentation by reviewed the seven eligibility principles associated with the initiative and describing the associated stakeholder process.

### Public Comment

Eric Eisenman, with Pacific, Gas and Electric Company, provided generally supporting comments and noted a few concerns.

Wes Williams, with Southern California Edison, provided generally supporting comments and noted a few concerns.

Tony Braun, with California Municipal Utilities Association, provided generally supporting comments on the process efforts and noted a few concerns regarding implementation. Yakout Mansour, President and CEO, responded to the concerns addressed by Mr. Braun.

Susan Schneider, with California Wind Energy Association, provided generally supporting comments and noted a few concerns.

Mr. King responded to the stakeholder comments provided. Mr. King stated that the proposal was consistent with the FERC Order and noted that the ISO could reassess if modifications were needed six months down the road. Further discussion followed regarding the importance of obtaining a balance over the next two weeks.

### Decision

Governor Gage:

*Moved, that the ISO Board of Governors approve the Location Constrained Resource Interconnection Policy as outlined in the memorandum dated October 9, 2007, and related attachments; and  
That the ISO Board of Governors authorize Management to make all the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.*

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

Governor Lowe requested a report on how things went at the December Board meeting.

### **BRIEFING ON FERC ORDER 890**

Gary DeShazo, Director of Regional Transmission North, began his presentation by providing an overview of the nine principles set forth by FERC Order No. 890 against which the transmission planning process of all transmission providers would be measured. Mr. DeShazo reviewed the activities by ISO that have occurred to address Order No. 890 Compliance. Mr. DeShazo concluded his presentation by providing an overview of the stakeholder process and reviewing the stakeholder outreach and compliance schedule.

### **ADR/AUDIT COMMITTEE UPDATE**

Governor Gage, Chair of the ADR/Audit Committee, recommended that the Board accept the Report on Compliance Assessment relating to specified control room operational process for 2006 issued by PricewaterhouseCoopers on October 11, 2007, as accepted for recommendation to the Board earlier by the ADR/Audit Committee.

Governor Gage:

Motion:

*Moved, that the ISO Board of Governors accept the "Report on Compliance Assessment Relating to Specified Control Room Operational Processes" for 2006 issued by PricewaterhouseCoopers on October 11, 2007.*

The motion was seconded by Governor Page, and approved 4-0-1. Governor Capuano was not present for the vote.

#### **MARKET PERFORMANCE REPORT – July & August 2007**

Alan Isemonger, Manager – Market Information, addressed concerns raised by the Board regarding the timing and content of the Market Performance Report presentations. Mr. Isemonger assured the Board that the most current finalized information that is available is what would be presented to the Board.

Mr. Isemonger provided an overview of July 2007 market highlights, including the moderate July heat wave. Mr. Isemonger reviewed the monthly market performance metrics for 2007, real time balancing energy prices, cost of balancing energy, ancillary services markets, RA unit commitment costs, FERC MOO commitment costs, and inter-zonal congestion costs.

Mr. Isemonger then provided an overview of August 2007 market highlights, including the heat wave that began on August 29<sup>th</sup>. Mr. Isemonger reviewed the monthly market performance metrics for 2007, natural gas prices, real time balancing energy prices, cost of balancing energy, ancillary services markets, RA unit commitment costs, FERC MOO commitment costs, and inter-zonal congestion costs. Further discussion followed regarding bilateral contracts.

#### **DEPARTMENT OF MARKET MONITORING REPORT**

Jeff McDonald, Manager – Monitoring and Reporting, provided an overview of two items. Mr. McDonald first reviewed summer 2007 market performance including, average loads for super peak hours, average hourly hydroelectric output for month 2005 – 2007, and peak hour resource adequacy capacity and availability from hydroelectric units. Mr. McDonald then reviewed matters pertaining to generator forced outage reporting compliance. Discussion followed. Governor Capuano commented on the content of the report and the type of information that should be going to the Board.

#### **INFORMATIONAL REPORTS - CONTINUED**

No comments were provided at this time.

#### **NEW GENERAL SESSION BUSINESS ISSUES AND FUTURE AGENDA ITEMS**

There were no new general session business issues.

#### **ADJOURNED**

There being no additional general session items to discuss, the general session of the Board of Governors was adjourned at approximately 3:30 p.m.