

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
March 25-26, 2010
ISO Headquarters
Folsom, California**

March 25, 2010

Mason Willrich, Chair of the ISO Board of Governors, convened the general session meeting at approximately 1:10 p.m. Roll call was taken and the presence of a quorum was determined.

ATTENDANCE

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

Mason Willrich, Chair
Laura Doll
Kristine Hafner
Tom Habashi
Bob Foster

The following members of the officer team were present: Yakout Mansour, Steve Berberich, Jim Detmers, Karen Edson, Keith Casey, Brenda Thomas and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON MINUTES

Governor Doll moved for the approval of the ISO Board of Governors general session minutes for February 10-11, 2010. The motion was seconded by Governor Hafner, and approved 3-2-0, with Governor Habashi and Governor Foster abstaining.

RECOGNITION OF DEPARTING GOVERNORS

Governor Willrich provided remarks acknowledging the contributions made by former Governors Tom Page and Linda Capuano and noted that the Board adopted two resolutions in recognition those contributions. Governor Willrich introduced Bob Foster and Tom Habashi

and provided welcoming remarks. Governor Foster and Governor Habashi each provided brief comments.

APPOINTMENT OF ADR/AUDIT COMMITTEE CHAIR AND MEMBER

Governor Willrich stated that in light of recent departures from the Board, the Board needed to appoint a new ADR/Audit Committee Chair and member. Governor Doll nominated Governor Hafner to serve as chair of the ADR/Audit Committee and nominated Governor Habashi to serve as a member of the ADR/Audit Committee.

Motion

Governor Doll:

Moved, that the ISO Board of Governors appoints Kristine Hafner to serve as chair of the ADR/Audit Committee and elects Tom Habashi to serve as member of the ADR/Audit Committee in accordance with Article IV, Section 1, of the bylaws.

The motion was seconded by Governor Foster, and approved 3-2-0, with Governor Hafner and Governor Habashi abstaining.

CEO REPORT

Yakout Mansour, President and Chief Executive Officer, provided the Board with an overview of the 2010 corporate goals in the areas of operational excellence, infrastructure and market development and organizational effectiveness.

Mr. Mansour then provided comments regarding the appointments of Governors Foster and Habashi and welcomed them to the ISO Board. Mr. Mansour also provided comments in recognition of the contributions made by former Governors Page and Capuano.

DECISION ON 2010-2014 STRATEGIC PLAN

John Anders, Director of Organizational Effectiveness, provided the Board with a background overview of the strategic planning process that began last year with an intensive three-month effort to develop a strategic framework and roadmap for the organization. Mr. Anders stated that that Management engaged with internal and national experts to identify the interdependencies between ISO ongoing and planned activities. Mr. Anders noted that a clear vision of the electric power industry in 2020 underpinned the ISO's strategic direction. Mr. Anders stated that system strategies would continue to focus on core business functions. Mr. Anders then provided an overview of the following additional areas of focus: operations, markets and infrastructure. Mr. Anders noted that strategies related to environmental policy initiatives were interconnected and further addressed renewable resource development. Mr. Anders stated that the people, process and technology strategies aligned with the ISO's core

business strategies. Discussion ensued regarding the Board's involvement during the planning process and distribution of the plan.

No public comment was offered.

Motion

Governor Habashi:

Moved, that the ISO Board of Governors approves the ISO's Five-Year Strategic Plan for 2010-2014, dated March 17, 2010, and directs Management to proceed with implementation of the plan.

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

BRIEFING ON MARKET PERFORMANCE

Briefing

Mark Rothleder, Director of Market Analysis and Development, provided the Board with an overview of market performance since the launch of the new market. Mr. Rothleder noted that while the market has been successful since the launch, there were still several areas in need of improvement, including congestion revenue rights adequacy, quality of data, market model and load forecasting. Mr. Rothleder noted that the frequency and magnitude of price volatility in real-time had generally decreased and that when real-time volatility occurred it was related to system conditions. Mr. Rothleder stated that price convergence between the markets had improved and that exceptional dispatch volumes continued to decrease. Mr. Rothleder discussed congestion revenue right adequacy, price corrections, and day-ahead and real-time market timings. Mr. Rothleder concluded his presentation by providing an overview of areas of future focus.

Public Comment

Jeffrey Nelson, on behalf of Southern California Edison, provided comments and stated that the market has been good but that real-time market functionality was crucial.

Brian Hitson, on behalf of Pacific, Gas and Electric Company, provided appreciative comments to staff and noted that excellent teams were set-up to resolve clean-up matters.

Discussion ensued regarding comparison of the new market with the pre-nodal market and Management noted this would be addressed in part in the Annual Department of Market Monitoring report. Discussion followed regarding fall and spring data and its impact on demand response as well as comparison of the ISO market to the rest of the country.

Mark Smith, on behalf of Calpine, provided comments regarding the successful implementation of the market and provided further remarks regarding exceptional dispatch.

Brian Theaker, on behalf of Dynegy, provided comments and noted concerns regarding the implementation of convergence bidding and the importance of multi-stage generator modeling in the fall.

Discussion followed and Management noted that the market overview briefing would be provided to the Board quarterly.

BRIEFING ON MARKET INITIATIVES RELEASE PLAN

Steve Berberich, Vice President of Technology and Corporate Services and Chief Financial Officer, provided an update on the 2010-2011 market initiatives release plan and noted that progress was continuing on the following market enhancements: scarcity pricing, procurement of ancillary services in hour-ahead scheduling process, forbidden operating regions, proxy demand resource, multi-stage generator modeling, convergence bidding and participating load refinements. Mr. Berberich provided an overview of some issues surrounding the April 1 release of scarcity pricing and procurement of ancillary services in hour-ahead scheduling process.

Mr. Berberich provided an overview of the following items that were being integrated into the market initiatives release plan: make-whole payment and transmission constraint data release, standard capacity product – phase 2, and ancillary services for non-generation resources. Mr. Berberich concluded his presentation by reviewing the release plan and noted that timelines were largely unchanged from the last update. Discussion followed regarding implementation schedules in response to divergent stakeholder request, the timing associated with summer deployments and the potential impact of Commodities Future Trading Commission on the implementation of convergence bidding. Discussion followed.

DECISION ON PARTICIPATION OF NON-GENERATOR RESOURCES IN ISO ANCILLARY SERVICES MARKETS

Proposal

Greg Cook, Director of Market and Infrastructure Policy, provided the Board with an overview of Management's proposal and noted that modifications to existing ancillary service requirements would enable participation of new non-generation resources in the market. Mr. Cook stated that the proposal aligned ancillary services requirements to current operational needs. Mr. Cook noted that while stakeholders supported the proposed changes, some requested additional functionality to address limitations of storage resources. Mr. Cook stated that further enhancements to ancillary service market would be addressed this summer. Mr. Cook concluded his presentation by reviewing key benefits of the proposal including that it was an important step forward to greater participation of storage and demand response resources.

Public Comment

Ms. Saracino acknowledged public comments letters received from Altairnano and Beacon Power.

Jeffrey Nelson, on behalf of Southern California Edison, provided generally supporting comments on Management's proposal and provided further comments on the continuous energy requirement and regulation energy management.

Susan Schneider, on behalf of Beacon Power, provided supportive comments on Management's proposal and noted the successful use of similar concepts throughout the industry.

Ms. Schneider noted with concern with deferring implementation too far into the future.

Discussion followed regarding the use of similar technologies in the other ISO markets and Mr. Cook addressed Board inquiries and provided a timeline overview of the upcoming new market product stakeholder process and its relation to the proposal before the Board.

Ms. Schneider provided further comments regarding implementation.

Joe Heinzmann, on behalf of Altairnano, provided the Board with an overview of Altairnano and commended the stakeholder process. Mr. Heinzmann discussed the importance of battery storage and addressed the importance of regulation energy management. Mr. Heinzmann commented on the Department of Market Monitoring's findings.

Mr. Mansour noted that energy storage was one of the most important technologies and stated that additional time was needed to research the various technologies in existence.

Kurt Hansen, on behalf of Pacific Gas and Electric Company, provided comments in support of Management's proposal and supported deferring decision on regulation energy management to the second quarter of 2011.

Dr. Hildebrandt provided clarifying comments concerning the Department of Market Monitoring's position on Management's proposal. Dr. Casey addressed factors that supported Management's decision to defer the regulation energy management element of the proposal. Dr. Casey noted that a more comprehensive review would occur in June and that regulation energy management would be addressed early on in that process.

Board Decision

Discussion ensued regarding product deployment and the impact on distribution and transmission. Further discussion followed regarding financing and the importance of demonstrating the technology industry-wide.

Motion

Governor Habashi:

Moved, that the ISO Board of Governors approves the proposal to modify existing ancillary services products, as detailed in the memorandum dated March 17, 2010; 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 Foster, and approved 5-0-0.

DECISION ON CREDIT POLICIES AFFECTING CONGESTION REVENUE RIGHTS

Proposal

Greg Cook, Director of Market and Infrastructure Policy, provided the Board with a background review of congestion revenue rights. Mr. Cook then provided an overview of Management's proposal and noted that enhancements had been identified that would provide for a better participation in the congestion revenue rights auction. Mr. Cook stated that the proposed enhancements would reduce pre-auction credit requirements and would reduce the cost of participating in congestion revenue rights auctions. Mr. Cook provided an overview of the three proposed pre-auction credit requirement enhancements: (1) reduce minimum credit requirement in monthly auction from \$500,000 to \$100,000; (2) limit the credit requirement for negative valued congestion revenue rights to just the credit margin; and (3) reduce credit margin portion of the credit requirement. Mr. Cook concluded his presentation by providing an overview of key proposal enhancements.

Discussion ensued regarding the potential of financial risks and Management assured the Board that the proposal sufficiently accounted for risks.

No public comment was offered.

Motion:

Governor Foster:

Moved, that the ISO Board of Governors approves the proposal regarding the revision of congestion revenue rights related credit policies, as detailed in the memorandum dated March 17, 2010; 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 Doll, and approved 5-0-0.

DECISION ON INVESTMENT POLICY

Ryan Seghesio, Treasurer, provided the Board with an overview of the proposed revisions to the Investment Policy, a policy that requires Board review every three years. Mr. Seghesio stated the scope of the policy was being extended to include restrictions on the investment of the 2009 bond proceeds and the ISO Medical Retiree Plan Trust. Mr. Seghesio noted titles were revised to reflect the ISO's current organizational structure. Mr. Seghesio concluded his presentation by noting the remaining proposed changes were clarifying non-substantive changes.

Discussion ensued regarding the use of non-US government banks in relation to sovereign debt issues and Management noted that the provision allowed more flexibility in the event of a future banking crisis. Discussion followed regarding rating types.

No public comment was offered.

Motion:

Governor Hafner:

Moved, that the ISO Board of Governors approves the changes to the ISO's Investment Policy, as detailed in the memorandum dated March 17, 2010.

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

DECISION ON MARKET SURVEILLANCE COMMITTEE APPOINTMENT

Yakout Mansour, President and Chief Executive Officer, provided the Board with an overview of the structure and composition of the Market Surveillance Committee. Mr. Mansour informed the Board that the term for Dr. Benjamin Hobbs, an existing member of the Market Surveillance Committee, expires on March 31, 2010. Mr. Mansour provided an overview of Dr. Hobbs' contributions since 2002 as part of his tenure on the Committee and recommended that the Board re-appoint Dr. Hobbs as a member of the Market Surveillance Committee.

Motion:

Governor Doll:

Moved, that the ISO Board of Governors reappoints Dr. Benjamin Hobbs to the ISO Market Surveillance Committee for a three-year term to end March 31, 2013; and

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

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

RECESSED

There being additional general session items to discuss, the general session of the ISO Board of Governors meeting was recessed at approximately 4:30 p.m.

March 26, 2010

RECONVENED

Mason Willrich, Chair of the ISO Board of Governors, reconvened the general session meeting at approximately 9:50 a.m. Roll call was taken and the presence of a quorum was determined.

ATTENDANCE

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

Mason Willrich, Chair
Laura Doll
Kristine Hafner
Tom Habashi
Bob Foster

The following members of the officer team were present: Yakout Mansour, Keith Casey, Jim Detmers, Steve Berberich, Brenda Thomas, Karen Edson, and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

ADR/AUDIT COMMITTEE UPDATE – Acceptance of 2009 Operations Review

Governor Hafner, Chair of the ADR/Audit Committee, recommended that the Board accept the 2009 Operations Review, as already accepted by the ADR/Audit Committee.

MOTION

Governor Doll:

Moved, that the ISO Board of Governors accepts the report issued on February 17, 2010 by PricewaterhouseCoopers, LLC for the testing of the 2009 Operations Review, as attached to the memorandum dated March 17, 2010, and as recommended by the ADR/Audit Committee.

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

DECISION ON FRESNO RELIABILITY TRANSMISSION PROJECTS

Proposal

Gary DeShazo, Director – Regional Transmission North, provided the Board with an overview of Management’s proposal for several individual transmission projects needed in the greater Fresno area by 2014 to maintain reliability. Mr. DeShazo noted that the recommended upgrades were a result of extensive studies performed by the ISO in collaboration with PG&E. Mr. DeShazo stated that the indentified projects constituted the most cost-effective feasible solutions to the reliability issues. Discussion followed regarding the reconductoring process. Mr. DeShazo clarified that no new rights-of-way were needed.

Public Comment

Manho Yeung, on behalf of Pacific Gas and Electric Company, provided comments in support of the proposed Fresno reliability transmission projects. Mr. Yeung noted that Board approval was critical, as the projected needed to be completed by 2014-15 to meet load growth.

Board Decision

Discussion ensued regarding community involvement on these types of projects. Mr. Yeung provided an overview of the CPUC process and noted that a posting for the general public was upcoming. Management provided the Board with an overview of the CPUC process for large-scale projects. Discussion followed regarding the timing associated with the commencement of the project and Mr. Yeung noted that discussions started in 2005-06. Discussion followed and Mr. DeShazo provided the Board with an overview of the load forecasting process and the impact of the economy on that process.

Motion:

Governor Foster:

Moved, that the ISO Board of Governors finds that the Fresno reliability transmission projects, as described in the memorandum dated March 17, 2010, are necessary and cost-effective transmission upgrades to the ISO controlled grid; and

Moved, that the ISO Board of Governors directs Pacific Gas & Electric Company to continue with the necessary permitting, engineering, and construction of these projects.

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

BRIEFING ON ISO TRANSMISSION PLAN

Keith Casey, Vice President, Market and Infrastructure Development, provided the Board with an overview of the 2010 transmission plan and noted that production of an annual transmission plan was a critically important and fundamental ISO function. Dr. Casey noted that the ISO planning process was compliant with Federal Energy Regulatory Commission Order 890 and North American Electric Reliability Corporation requirements. Dr. Casey stated that the 2010 transmission plan was the product of a 15-month process consisting of the following stages: develop study plan, analysis and result, and approval and completion.

Dr. Casey noted the importance of stakeholder engagement during each stage of planning process. Dr. Casey provided an overview of the planning issues addressed in the plan and those that were deferred for further study. Dr. Casey provided an overview of the 29 transmission projects there were approved in the 2010 planning cycle for NERC reliability compliance. Dr. Casey stated that reliable and efficient integration of renewable resources would be the focal point of future ISO transmission plans. Dr. Casey concluded his presentation by noting that California Transmission Planning Group studies would be a critical input to the ISO 2010 transmission planning cycle. Discussion followed regarding the renewable energy transmission planning process.

Discussion followed regarding the prioritization of the interconnection queue. Discussion followed regarding interconnection studies, CTPG studies, and the number of projects in the cluster. Discussion ensued regarding the role of the ISO in the regional planning process and importance of joint coordination and collaboration of efforts with other entities. Discussion ensued.

DECISION ON CORPORATE POLICIES

Nancy Saracino, Vice President, General Counsel and Corporate Secretary, acknowledged the efforts of Governor Willrich and former Governor Page for their extensive review of the proposed revised corporate policies as part of a separate review effort. Ms. Saracino noted that the revisions in redline as well as the final proposed policies had been posted for public review. Ms. Saracino provided a high-level overview of the proposed changes and stated that they were recommended to ensure that the policies reflected changes in the law, as well as the current activities of the ISO and best practices for the corporation.

Motion:

Governor Foster:

Moved, that the ISO Board of Governors approves the amendments to the documents listed below, as presented with the memorandum dated March 17, 2010:

- *Amended & Restated Bylaws*
- *Open Meeting Policy*
- *Information Availability Policy*
- *Board Selection Criteria*

- *Governors Code of Conduct*
- *Employees Code of Conduct and Ethical Principles*
- *Corporate Governance Principles*
- *Compliance Program Policy*

The revisions to the Employees Code of Conduct and Ethical Principles will be effective May 1, 2010.

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

DECISION ON TRANSMISSION MAINTENANCE COORDINATION COMMITTEE APPOINTMENTS

Steve Ruty, Manager of Grid Assets, provided the Board with an overview of the structure and purpose of the Transmission Maintenance Coordination Committee, an advisory subcommittee to the Board. Mr. Ruty provided an overview of the issues to be addressed by the TMCC in 2010. Mr. Ruty stated that the TMCC charter called for 13 voting members and noted that qualified applicants must have large industrial equipment expertise in one or more of the areas as designated in the charter. Mr. Ruty review the TMCC membership selection timeline and made recommendations of seven candidates as TMCC members.

Motion:

Governor Doll:

Moved, that the ISO Board of Governors approves the seven candidates recommended by Management to serve on the Transmission Maintenance Coordination Committee beginning April 1, 2010, as detailed in the memorandum dated March 17, 2010.

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

ADJOURNED

There being no additional general items to discuss, the general session of the ISO Board of Governors meeting was adjourned at approximately 12:00 p.m.