



**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
May 30 - 31, 2007
ISO Headquarters
Folsom, California**

May 30, 2007

Mason Willrich, Chair of the Board of Governors, called the meeting to order at approximately 3:00 p.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:

DECISION ON GENERAL SESSION MINUTES

Governor Lowe moved for the approval of the General Session minutes for April 18-19, 2007 and April 30, 2007. Motion seconded by Governor Gage, and approved 5-0-0.

CEO REPORT

Yakout Mansour, President and Chief Executive Officer, reported on highlights of events that have affected the CAISO since the last Board meeting. Mr. Mansour began his presentation by welcoming Nancy Saracino as Vice President, General Counsel and Corporate Secretary, effective May 29, 2007. Mr. Mansour provided an update on the status of the investigation pertaining to the April 15-16, 2007 incident and noted that an independent investigator had been selected. Mr. Mansour provided an update on the status of MRTU Program, including a review of the Integrated Market Simulation. Mr. Mansour provided a planning project update pertaining to the Trans Bay Cable project and concluded his presentation by reviewing the financial highlights and people sections of his report.

DECISION ON CONGESTION REVENUE RIGHTS CREDIT POLICY

Proposal

Shucheng Liu, Principal Market Developer, began his presentation by explaining why a credit policy was critical to the success of the Congestion Revenue Rights “CRR” market. Mr. Liu stated that sufficient credit was required to participate in the CRR Auction and noted that the same criteria applied to all CRR holders. Mr. Liu explained how compliance measures would be taken on defaults on credit requirements/ payment obligations. Mr. Liu provided an overview of the stakeholder process that began in February 2007. Mr. Liu concluded his presentation by noting that Board approval was necessary as the credit policy needed to be filed with FERC in time to receive FERC approval prior to the first CRR auction in October 2007. Discussion followed.

Public Comment

No public comment provided.

Board Decision

Motion:

Governor Gage:

Moved, that the ISO Board of Governors approve the credit policy for Congestion Revenue Rights as outlined in the memorandum dated May 21, 2007; 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 Capuano, and approved 5-0-0.

DECISION ON NERC RELIABILITY STANDARDS

Proposal

Nancy Traweek, Director – Operations Support, began her presentation by providing an overview of CAISO compliance with Reliability Standards. Ms. Traweek reviewed the stakeholder process and the outcome of the working sessions. Ms. Traweek provided an overview of the need for two items that resulted from the working sessions: 1) Development of a pro forma Reliability Standards Agreement, and 2) Clarification to current Tariff framework to accommodate provision in pro forma agreement. Discussion followed.

Public Comment

Ryan Stanley, on behalf of Pacific Gas & Electric Company, provided supporting comments to Management’s proposal.

Board Decision

Motion:

Governor Lowe:

***Moved, that the ISO Board of Governors approve the policy principles related to the development of tariff modifications and a pro forma agreement necessary to identify compliance tasks and allocate penalties arising from the mandatory reliability standards described in the memorandum dated May 21, 2007; and
That the ISO Board of Governors authorize Management to make all appropriate and necessary filings with the FERC in support of such policy proposals.***

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

DECISION ON SCHEDULING COORDINATOR CERTIFICATION AND TERMINATION PROCESS

Proposal

Don Fuller, Director – Customer Services & Industry Affairs, began his presentation by explaining that the Scheduling Certification “SC” process would be shifting into Business Practice Manuals for the SC Certification and Termination. Mr. Fuller noted that more detailed procedures were posted on the website. Mr. Fuller provided an overview of the needed reforms that required tariff authorization and Board approval. Mr. Fuller provided an update on the stakeholder process and noted that only minor clarifications were requested and that they did not impact the existing proposal.

Governor Lowe requested clarification pertaining to the stakeholder issues. Brief discussion followed.

Public Comment

No public comment provided.

Board Decision

Motion:

Governor Page:

***Moved, that the ISO Board of Governors approve the “Authorization for Tariff Changes to Scheduling Coordinator Certification & Termination Provisions,” as outlined in the memorandum dated May 21, 2007; 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 Gage, and approved 5-0-0.

ADR/AUDIT COMMITTEE UPDATE

Governor Gage, provided an update on the ADR/Audit Committee activities and recommended that the Board accept the Audit of the ISO Financial Statements as accepted earlier by the ADR/Audit Committee.

Motion:

Governor Gage:

MOVED, that the Board of Governors accept the CAISO's financial statements for the years ended December 31, 2006 and 2005 audited by PricewaterhouseCoopers.

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

BRIEFING ON GMC MRTU RATE DESIGN

Ben Arikawa, Senior Consultant, began his presentation by providing an overview of potential changes to the Grid Management Charge "GMC" rate structure for 2008. Mr. Arikawa reviewed the 2006 stakeholder process that initiated the modifications of the GMC under MRTU. Mr. Arikawa provided an overview of two issues: 1) further extension of GMC Settlement into 2008, and 2) issues pertaining to the formula underlying the calculation of rates. Mr. Arikawa concluded his presentation by identifying remaining stakeholder issues and noting upcoming challenges. Mr. Arikawa noted that Management would be seeking Board approval on a proposal on the GMC under MRTU at the July Board meeting. Brief discussion followed.

BRIEFING ON ANNUAL REVIEW OF 2007 SUMMER WORKSHOPS

Tami Elliott, Manager – Operations Procedures & Training, began her presentation by reviewing the objectives and sponsors of the 2007 Summer Workshops. The 2007 objectives were: 1) Prepare for Summer Operations, and 2) Knowledge Transfer. Ms. Elliott noted that twenty-four entities sent over four hundred participants to the 2007 Summer Workshops, an increase from three hundred-twenty participants last year. Ms. Elliott stated that the curriculum met the NERC training requirements. Ms. Elliott concluded her presentation by providing the Board with testimonials of positive feedback.

BRIEFING ON MARKET PERFORMANCE REPORT

Alan Isemonger, Manager – Market Information, provided highlights related to market performance in March 2007. Mr. Isemonger provided an overview of market highlights including an update on hydroelectric generation capacity, balancing energy perspective, real time balancing energy prices, cost of balancing energy, ancillary services markets, inter-zonal congestion costs, price spike patterns over



the long term, and incremental balancing energy costs over the long term. Brief discussion followed pertaining to information contained in the memo and presentation graphs.

INFORMATIONAL REPORTS

Status Report of Business Practice Manual “BPM” Development: Governor Lowe noted that the appropriate Board level review needed to occur. Karen Edson, Vice President – External Affairs, commented that future stakeholder meetings were planned to address continued stakeholder concerns with the BPM appeal process.

ADJOURNED

There being no additional general session items to discuss, the meeting was adjourned at approximately 5:25 p.m.