

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
March 22-23, 2012
ISO Headquarters
Folsom, California**

March 22, 2012

The ISO Board of Governors convened the general session meeting at approximately 2:30 p.m. and the presence of a quorum was established.

ATTENDANCE

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

Bob Foster, Chair
Ashutosh Bhagwat
Angelina Galiteva
Richard Maullin

The following members of the officer team were present: Steve Berberich, Keith Casey, Karen Edson, Brenda Thomas, Eric Schmitt and Nancy Saracino. Petar Ristanovic, Vice President of Information Technology, joined the meeting at approximately 3:00 p.m.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Nancy Saracino, Vice President and General Counsel, acknowledged receipt of the following public comment letters: David Freeman; California Wind Energy Association, Northern California Power Agency and the Bay Area Municipal Transmission Group; San Francisco Public Utilities Commission; and the Division of Ratepayer Advocates – California Public Utilities Commission.

Ben Davis stated he was a proponent of an initiative to close nuclear plants in California. Mr. Davis discussed his information availability policy request submitted to the ISO and requested that the study requested be prepared at the expense of the ISO. Keith Casey, Vice President of Market and Infrastructure Development,

encouraged Mr. Davis to listen to Management's presentation on the summer operations preparedness to see if it addressed any of his concerns. Ms. Saracino provided the Board an overview of the pending information request and discussed the appeal process under the ISO's information availability policy.

DECISION ON GENERAL SESSION MINUTES

Governor Bhagwat moved for approval of the Board of Governors general session minutes for the February 16, 2012 meeting. The motion was seconded by Governor Maullin and approved 4-0-0.

CEO REPORT

Steve Berberich, President and CEO, provided the Board with an overview of the following sections of his CEO Report: summer grid outlook, transmission plan, flexible capacity procurement and Market Surveillance Committee appointment recommendations.

Neil Millar, Executive Director – Infrastructure Development, provided an overview of the ISO's 2012 summer operations preparedness focused on contingency planning associated with the potential ongoing outage of the San Onofre Nuclear Generating Station (SONGS). Mr. Millar stated that without SONGS, San Diego and Los Angeles reliability would be at risk under heavy load conditions. Mr. Millar noted that activating Huntington Beach units 3 and 4 would mitigate the outage risks under heavy load conditions in both the Los Angeles and San Diego areas. Mr. Millar concluded his presentation by discussing a listing of further actions that could mitigate the outage risk, including conservation and demand response measures.

BRIEFING ON SUMMER LOADS AND RESOURCES OPERATIONS PREPAREDNESS ASSESSMENT

Robert Emmert, Manager – Interconnection Resources, provided an overview of the 2012 summer loads and resources assessment. Mr. Emmert noted the summer assessment addressed peak demands, on-peak resources, reserve margins and load shedding probabilities. Mr. Emmert reviewed diagrams of normal and extreme scenarios for operating reserve margins for 2012. Mr. Emmert noted that probabilities of firm load curtailment have been ~1% or less since 2009 with that trend continuing for 2012. Mr. Emmert concluded his presentation by reviewing the final stages of the annual operation preparedness process.

Public comment

John Geesman, on behalf of Alliance for Nuclear Responsibility, provided comments on summer preparedness efforts for the years to come and noted the importance of

agency collaboration. Mr. Geesman noted concern with nuclear assumptions in the long-term transmission plan. Mr. Geesman also commented on the analyses underway regarding the San Diego outage.

Rochelle Becker, on behalf of Alliance for Nuclear Responsibility, provided comments on the state's responsibility regarding nuclear plants. Ms. Becker discussed the findings of various cost and benefit analyses.

Ben Davis provided additional comments, and noted that the benefits of nuclear power in California did not outweigh the risks. Mr. Davis inquired of Management as to the probability of whether blackouts would occur this summer as a result of the unavailability of the SONGS units. Mr. Casey confirmed that blackouts were a low probability, however circumstances could arise that could change the probability levels. Steve Berberich, President and CEO, clarified that the probability would be high if no further action was taken and the SONGS units remained off-line. Mr. Berberich stated that the ISO did intend to take the necessary mitigation measures for reliability should the SONGS units be unavailable this summer.

Barbara George, on behalf of Women's Energy Matters, provided comments regarding her proposal before the CPUC in the long-term procurement proceeding. Handouts were provided to the Board for reference. Ms. George emphasized the importance of selecting the right type of clean and affordable replacement power in place for nuclear plants. Ms. George requested the ISO's support in looking at a public process to address these matters. Mr. Berberich provided responding comments and noted that the ISO greatly values demand response. Mr. Casey provided responding comments and addressed some of the ongoing collaborative efforts underway in these areas.

Governor Foster provided closing remarks.

DECISION ON TRANSMISSION RELIABILITY MARGIN

Nancy Traweck, Director of System Operations, provided the Board an overview of Management's transmission reliability margin proposal. Ms. Traweck stated that the existing practice of managing real time limits resulted in cutting intertie schedules after granting awards. Ms. Traweck noted that the proposed transmission reliability margin would be an adjustment to the ISO intertie limits and that it would be performed for three operational events prior to the hour-ahead scheduling process: unscheduled loop flow, near term uncertainty in transmission topology, and simultaneous path interactions. Ms. Traweck reviewed the benefits of the proposal and noted that it was supported by stakeholders. Brief discussion followed. No public comment was offered.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed transmission reliability margin proposal, as described in the

memorandum dated March 15, 2012; 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 Bhagwat and approved 4-0-0.

DECISION ON CIRCULAR SCHEDULING

Mark Rothleder, Executive Director of Market Analysis and Development, provided the Board an overview of Management's circular scheduling proposal. Mr. Rothleder stated that stakeholders requested clarification of the ISO's market rules concerning intertie schedules that had source and sink in the same balancing authority area. Mr. Rothleder noted that the proposal removed incentives for circular schedules of single scheduling coordinators, though settlements. Mr. Rothleder reviewed a graph that demonstrated that the proposal balanced commercial activity and market operational impacts depending on the scenario. Mr. Rothleder concluded his presentation by reviewing the stakeholder process and noted there was broad stakeholder support. Brief discussion followed regarding the effect of circular schedules. Brief discussion followed.

Public comment

Kyle Hoffman, on behalf of Powerex, provided comments in support of Management's proposal and commended the work of the ISO throughout the stakeholder process.

Motion

Governor Foster:

Moved, that the ISO Board of Governors approves the policy to implement modifications to the settlement of circular schedules, as described in the memorandum dated March 15, 2012; 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 Galiteva and approved 4-0-0.

QUARTERLY BRIEFING ON MARKET PERFORMANCE

Mark Rothleder, Executive Director of Market Analysis and Development, provided the Board with a briefing on market performance and noted that market performance had improved in several areas since the December update. Mr. Rothleder noted that price convergence continued to improve when compared to the same period in 2011. Mr.

Rothleder stated that price correction events maintained low levels in February and that bid cost recovery increased in January and February. Mr. Rothleder stated that exceptional dispatch volumes remained relatively low but increased for some months relative to 2010. Mr. Rothleder concluded his report by providing an overview of planned future improvements.

INFORMATIONAL REPORTS

Karen Edson, Vice President of Policy and Client Services, noted the importance of the long-term procurement and resource adequacy proceedings before the CPUC and that pursuing these items was a high priority to the ISO. There were no questions or comments on the remaining reports: regulatory report, operations report, financial report, market performance report, business practice manuals change management report, market surveillance committee update, department of market monitoring report, or the market initiatives release plan.

RECESSED

There being additional general session matters to discuss, the general session was recessed at approximately 4:30 p.m.

RECONVENED

March 23, 2012

The ISO Board of Governors reconvened the general session meeting at approximately 9:00 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Bob Foster, Chair
Ashutosh Bhagwat
Angelina Galiteva

Governor Maullin joined the meeting at approximately 9:15 a.m.

The following members of the officer team were present: Steve Berberich, Keith Casey, Peter Ristanovic, Karen Edson, Brenda Thomas, Eric Schmitt and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no general public comment offered at this time.

DECISION ON MARKET SURVEILLANCE COMMITTEE APPOINTMENTS

Steve Berberich, President and CEO, provided the Board with an overview the functions of the Market Surveillance Committee and informed the Board that consistent with yesterday's CEO Report, he had the following two member nominations to the Market Surveillance Committee: Dr. James Bushnell and Dr. Shmuel Oren. Brief discussion followed regarding the Board's involvement during the interview process.

Ms. Saracino noted that in response to audit feedback received from the Federal Energy Regulatory Commission, Management modified the Market Surveillance Committee member selection process to limit the Department of Market Monitoring's role in the process.

Motion 1

Governor Galiteva:

Moved, that the ISO Board of Governors re-appoints Dr. James Bushnell to the Market Surveillance Committee for a three-year term beginning April 1, 2012 through March 31, 2015; 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 Bhagwat and approved 3-0-0.

Motion 2

Governor Foster:

Moved, that the ISO Board of Governors appoints Dr. Shmuel Oren to the Market Surveillance Committee for a three-year term beginning April 1, 2012 through March 31, 2015; and

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

The motion was seconded by Governor Bhagwat and approved 3-0-0.

PUBLIC COMMENT

Kristin Burford, on behalf of Large Scale Solar Association, provided comments and noted the importance of stakeholder involvement as part of the 2012-13 transmission planning process. Ms. Burford also provided comments regarding the cost allocation

stakeholder process and requested that the guiding principles be Board approved. Keith Casey, Vice President of Infrastructure and Market Development, provided responding comments and stated that both items discussed were ongoing stakeholder processes and encouraged Ms. Burford to provide her input as part of the process.

DECISION ON PAY FOR PERFORMANCE REGULATION

Greg Cook, Director of Market and Infrastructure Policy, provided the Board with an overview of Management's pay for performance regulation proposal. Mr. Cook noted that FERC Order 755 required significant changes in the procurement of frequency regulation. Mr. Cook stated that frequency regulation maintains reliability by balancing load and generation within the 5-minute dispatch. Mr. Cook described how the proposal includes payments based on mileage and accuracy and then further discussed further market design elements of the proposal. Mr. Cook stated that final proposal addresses concerns raised by the stakeholders, the Market Surveillance Committee, and the Department of Market Monitoring. Mr. Cook concluded his presentation by discussing next steps and noted that Management would be requesting FERC authority to extend the implementation date to spring 2013.

Public comment

Don Liddell, on behalf of Energy Storage Association, provided supporting comments on Management's proposal and noted his support to extend the implementation date to spring 2013.

Brief discussion followed and the Board acknowledged appreciation for the feedback on the process and encouraged stakeholders to continue to provide feedback to the Board.

Market Surveillance Committee comment

Jim Bushnell, Member of the Market Surveillance Committee, provided comments in support of Management's proposal and provided highlights of the MSC opinion titled "Opinion on Pay-for-Performance Regulation".

Department of Market Monitoring comment

Eric Hildebrandt, Director of Market Monitoring, provided comments and noted recognition of the concerns with the proposal. Mr. Hildebrandt provided generally support of proposal as a result of mitigation measures taken and noted that the Department of Market Monitoring had worked closely with staff and the Market Surveillance Committee during the process.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed pay for performance regulation market design, as described in the memorandum dated March 15, 2012; 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 Bhagwat and approved 4-0-0.

DECISION ON 2011/2012 TRANSMISSION PLAN

Neil Millar, Executive Director – Infrastructure Development, provided the Board with an overview of the 2011-12 transmission plan and clarified that approving the plan meant approving the determinations and recommendations contained in the plan, including three new transmission reliability projects that totaled over \$50 million each. Mr. Millar discussed the plan development process and noted that 30 reliability projects had been identified as needed projects. Mr. Millar further described the project elements of the three identified reliability projects over \$50 million. Mr. Millar stated that the transmission identified would be able to meet the 33% renewable portfolio standard by 2020. Mr. Millar discussed the competitive solicitation and evaluation processes. Mr. Millar provided an overview of the stakeholder process and highlights of key feedback received.

Public Comment

Bob Smith, on behalf of Arizona Public Service Company and Electric Transmission America LLC, provided supportive comments pertaining to the Delany-Colorado River 500 kV project and supported approval of the transmission plan.

Les Guliasi, on behalf of TransBay Cable, provided the Board with a background overview of TransBay Cable and commended ISO client service staff. Mr. Guliasi noted concern that the plan did not result in any projects that were eligible for competitive solicitation.

Discussion followed regarding upcoming changes to the criteria for competitive solicitation as a result of FERC Order 1000.

P.J. Martinez, on behalf of Pacific, Gas and Electric Company, commended ISO staff on the efforts involved and provided further comments in support of approval of the plan.

Irene Moosen, on behalf of the City and County of San Francisco, provided comments regarding the Embarcadero-Potrero project and requested that the Board defer approval of the project for two months to allow for further review of alternative projects.

Mr. Millar provided responding comments as to why there were no other viable alternatives for the Embarcadero-Potrero project. Mr. Martinez provided additional comments and stated that all viable options had been considered and that the plan needed to move forward. Mr. Casey provided an overview of the permitting process at the CPUC and noted Ms. Moosen would have the opportunity to raise concerns as part of that process.

Martin Hermann, on behalf of 8minutenergy, acknowledged the efforts of ISO staff and commended the stakeholder process. Mr. Hermann provided further supportive comments and requested Board approval of the transmission plan.

Brief discussion followed.

Motion

Governor Maullin:

Moved, that the ISO Board of Governors approves the ISO 2011/2012 transmission plan attached to the memorandum dated March 15, 2012.

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

DECISION ON TRANSMISSION PLANNING PROCESS AND GENERATOR INTERCONNECTION PROCEDURES INTEGRATION PROPOSAL

Lorenzo Kristov, Principal – Market and Infrastructure Policy, provided the Board with an overview of Management’s proposal to integrate transmission planning and generator interconnection procedures. Mr. Kristov stated the proposal was the product of an intensive stakeholder process and that it balanced multiple objectives and diverse stakeholder concerns. Mr. Kristov described how the central design concept built on the new ‘public policy-driven’ transmission category. Mr. Kristov reviewed a diagram that outlined the integration timeline. Mr. Kristov noted that the proposal would have the most impact on new interconnection customers. Mr. Kristov concluded his presentation by discussing the benefits of the proposal and recommended Board approval.

Public comment

Doug Davie, on behalf of Wellhead Electric, provided comments on Management’s proposal and noted several concerns with the proposal including anticipated higher costs to consumers as a result of the ISOs interconnection process. Mr. Casey and Mr. Lorenzo provided responding comments.

Janice Frazier-Hampton, on behalf of Pacific Gas and Electric Company, commended the stakeholder process and provided comments in support of Management's proposal. Ms. Frazier-Hampton emphasized the importance of transparency throughout the portfolio development process.

Discussion followed and Mr. Casey provided a high-level overview of the portfolio development process and it was noted there remained opportunities for improvement in the process. Karen Edson, Vice President of Policy and Client Services, provided further comments regarding the process and noted that transparency was a priority for the agencies involved going forward.

Martin Herman, on behalf of 8minutenergy, commended the efforts of the ISO to consolidate the two processes and provided further comments in support of Management's proposal.

Tony Braun, on behalf of California Municipal Utilities Association, commended the work of the ISO. Mr. Braun provided generally supportive comments on the proposal but noted concern regarding projected transmission costs. Mr. Braun noted concerns with the cost benefit analysis and noted the Market Surveillance Committee opinion also identified the issue. Mr. Braun requested that ISO Management provide the Board with regular updates on the queue. Mr. Casey responded that quarterly reports were routinely provided to the Board. Mr. Kristov provided additional responsive comments.

Irene Moosen, on behalf of the City and County of San Francisco, commended the ISO staff and the stakeholder process and noted it was important step in meeting the renewable portfolio standard goals. Ms. Moosen also commented on the projected transmission costs and management of the queue. Ms. Moosen emphasized the importance in conducting a cost benefit analysis. Mr. Casey provided responsive comments.

Kristin Burford, on behalf of Large-Scale Solar Association, acknowledged the efforts of ISO staff during the stakeholder process. Ms. Burford noted several concerns with the proposal, including the proposed \$60,000 reimbursement cap for reliability network upgrades. Ms. Burford noted concern with management of the queue and encouraged alignment between the ISO and the CPUC in the long-term procurement process. Mr. Casey and Mr. Kristov provided responsive comments.

Garrett Evans, on behalf of High Desert Power Authority, commended ISO staff and the stakeholder process. Mr. Evans provided further comments in support of Management's proposal and noted the importance of coordination and timing.

David Schiada, on behalf of Southern California Edison, commended ISO staff and the stakeholder process. Mr. Schiada provided supportive comments on Management's proposal and provided an overview of issues that are addressed in the proposal.

Market Surveillance Committee comment

Jim Bushnell, Member of the Market Surveillance Committee, provided comments in support of Management's proposal and provided highlights of the MSC opinion titled "Opinion on the Integration of Transmission Planning and Generator Interconnection Procedures".

Governor Foster, on behalf of the Board, commended the efforts of ISO staff and acknowledged that this is part of an evolutionary process. Governor Foster noted appreciation for the participation of the stakeholders and agreed that cost allocation was an important issue.

Mr. Berberich provided closing remarks and echoed the comments of appreciation to staff and stakeholders. Mr. Berberich noted that transmission costs would continue to be a priority for the ISO.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the proposal for integration of the transmission planning process and generator interconnection procedures, as described in the memorandum dated March 16, 2012; 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 4-0-0.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 11:45 a.m.