

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
December 13-14, 2017
ISO Headquarters
Folsom, California**

December 14, 2017

The ISO Board of Governors convened 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:

Richard Maullin, Chair
Ash Bhagwat
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were also present at times throughout the meeting: Steve Berberich, Keith Casey, Petar Ristanovic, Mark Rothleder, Eric Schmitt, Roger Collanton, Tom Doughty, Stacey Crowley, Ryan Seghesio and Jodi Ziemathis

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment.

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the November 1-2, 2017 meeting. The motion was seconded by Governor Olsen and approved 4-0.

CEO REPORT

Governor Galiteva joined the meeting.

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall system conditions, gas/electric reliability, expedited generator interconnection and deliverability allocation, congestion revenue rights, and renewable energy production.

EIM GOVERNING BODY CHAIR REPORT

Doug Howe, Chair of the EIM Governing Body, provided highlights of the EIM Governing Body's meeting held on November 29, 2017 in Boise, Idaho. Mr. Howe stated that the EIM Governing Body approved, under its primary authority, four of the consolidated energy imbalance market initiatives. Mr. Howe also provided highlights of the November 28, 2017 Regional Issues Forum meeting. He informed the Board that the next EIM Governing Body meeting would be held on January 23, 2018 at the ISO's Folsom campus. Mr. Howe concluded his report by providing an overview of recent outreach activities by members of the EIM Governing Body.

DECISION ON CONSOLIDATED EIM INITIATIVES

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of a public comment letter from Powerex.

Don Tretheway, Senior Advisor – Market Design Policy, provided the Board an overview of Management's consolidated energy imbalance market initiatives proposal. He described how the proposal included a decisional item for the Board as well as consent agenda items for elements previously approved by the EIM Governing Body. Mr. Tretheway reviewed a graph that depicted how non-generator resource modeling is used for storage but can be utilized for other applications. He described how the proposed rule clarifications were needed to extend the model to additional applications. He noted that stakeholders supported the proposed rule clarifications. Discussion followed and Mr. Tretheway confirmed that the functionality of proposed rule clarifications would apply to both EIM market participants as well as those within the ISO footprint.

EIM Governing Body advisory input

Doug Howe, Chair of the EIM Governing Body, provided comments and informed the Board that the EIM Governing Body endorsed Management's proposal under its advisory authority. Mr. Howe provided further comments on the classification process

and noted that he agreed with decision to classify this element of the proposal as advisory for the EIM Governing Body.

There was no public comment.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the proposal to clarify market rules for the non-generator resource model as described in this memorandum dated December 6; 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 non-generator resource model described in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal Energy Regulatory Commission guidance in any initial ruling on the proposed tariff amendment.

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

DECISION ON CONSENT AGENDA

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided an overview of the consent agenda process as set forth in the EIM Governing Body governance documents.

There was no public comment.

Motion

Governor Galiteva:

Moved, that the Board of Governors approves the December 14, 2017 consent agenda comprised of the energy imbalance market system functionality enhancements.

Moved, that the Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the energy imbalance market system functionality enhancements described in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal Energy Regulatory

Commission guidance in any initial ruling on the proposed tariff amendment.

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

DECISION ON CONTINGENCY MODELING ENHANCEMENTS PROPOSAL

Greg Cook, Director – Market & Infrastructure Policy, provided an overview of Management’s contingency modeling enhancements proposal. Mr. Cook described how the market ensures transmission flows will not immediately overload lines when a transmission line is lost, but does not ensure lines can be returned to within normal operating limits within required timeframes. He stated that the ISO must ensure that transmission lines are not overloaded when a transmission line goes out. Mr. Cook described how Management was proposing to enhance the ISO’s market modeling to ensure that flows can be turned to normal operating limits within required timeframes. He provided an overview of the stakeholder process, and noted that while Southern California Edison and Six Cities objected to the proposal, most stakeholders remained supportive of the proposal. Mr. Cook noted that the Market Surveillance Committee and the Department of Market Monitoring also supported the proposal. He concluded his presentation by providing highlights of the benefits of the proposal.

Market Surveillance Committee

Dr. Ben Hobbs, Chair of the Market Surveillance Committee, provided highlights of the Market Surveillance Committee opinion titled “Opinion on Contingency Modeling Enhancements.” Brief discussion followed and the Board noted its appreciation to the Market Surveillance Committee members.

Department of Market Monitoring

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management’s proposal. He noted that DMM has worked closely with the ISO throughout the initiative and that both DMM and the ISO have committed to closely monitor the impacts of the proposal.

There was no further public comment.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the proposal to implement the contingency modeling enhancements described in this memorandum dated December 6, 2017; 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 contingency modeling enhancements described in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal Energy Regulatory Commission guidance in any initial ruling on the proposed tariff amendment.

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

DECISION ON EXPEDITED GENERATOR INTERCONNECTION AND DELIVERABILITY ALLOCATION PROCEDURE

Bob Emmert, Manager – Interconnection Resources, provided an overview of Management’s proposal for expedited Generator Interconnection and Deliverability Allocation Procedure enhancements. He provided an overview of the following two proposed changes: (1) extended parking opportunity for interconnection customers for one additional year when certain criteria are met, and (2) shorten the month-long interconnection request window to enable more time for interconnection request validation. He stated that stakeholders were generally supportive of the proposed enhancements but noted that some concerns remained related to the extended parking change. Mr. Emmert addressed the concerns and noted that some matters would be addressed in an upcoming initiative. He concluded his presentation by providing an overview of the proposal’s benefits. Discussion followed and the Board acknowledged this was an important step to address underlying issues beyond the scope of the ISO that will need to be addressed by others.

There was no public comment.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the proposal to modify the Generator Interconnection and Deliverability Allocation Procedures as described in this memorandum dated December 6, 2017; 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 enhancements to the Generator Interconnection and Deliverability Allocation Procedures described in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal Energy Regulatory Commission guidance in any initial ruling on the proposed tariff amendment.

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

DECISION ON FY2018 BUDGET

April Gordon, Director – Financial Planning and Procurement, provided an overview of the 2018 budget, and stated that the stakeholder budget process began in July 2017. She described how the additional labor expense offset by additional revenue and lower cash funded capital yield a 1.0% increase in the revenue requirement. She stated that Management was committed to maintaining a stable revenue requirement. Ms. Gordon stated that the proposed O&M budget slightly increased by \$4.9 million to \$178.5 million. Ms. Gordon explained that the ISO is leveraging an activity-based costing structure for further transparency. She reviewed a graph that depicted the annual debt service requirement and noted that it would remain at \$16.9 million for 2018, and noted that the capital project budget for 2018 is currently targeted at \$18 million. She stated that EIM growth remains the main driver in the reduction of the revenue requirement by \$16.7 million and that an annual true-up will reduce the revenue requirement by \$3.5 million. She concluded her presentation by providing an overview of the grid management charge and EIM charges that were developed using updated cost category percentages.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the 2018 revenue requirement, capital/project budgets, and resulting rates as set forth in Attachment A to this memorandum dated December 6, 2017.

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

AUDIT COMMITTEE UPDATE

Governor Ferron, Chair of the Audit Committee, provided highlights of the general session Audit Committee held earlier in the day and requested the Board accept the operations audit and market controls audit as recommended by the Audit Committee.

Board acceptance of the operations audit:

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the audit opinion issued on December 8, 2017 by PricewaterhouseCoopers LLC for the testing of specified operational

processes for 2017, as attached to the memorandum dated December 11, 2017.

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

Board acceptance of the market controls audit:

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the audit opinion issued on December 8, 2017 by PricewaterhouseCoopers LLC for the testing of specified operational processes for 2017, as attached to the memorandum dated December 11, 2017.

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

DECISION ON BOARD COMPENSATION

The Board noted that further review of this recently added agenda item was needed and requested that Mr. Collanton propose a new motion that would suspend the effective date of the November 2, 2017 Board compensation motion. Brief discussion followed and Mr. Collanton proposed the below motion.

Motion

Governor Bhagwat:

Moved, that in accordance with Article III, Section 16 of the ISO bylaws, the ISO Board of Governors hereby amends the November 2, 2017 Board compensation motion to suspend the effective date, until further action of the Board.

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

INFORMATIONAL REPORTS

There were no comments or questions on the following informational reports: regulatory report, state, regional and federal affairs update, business practice manual change management report, Department of Market Monitoring update, Market Surveillance Committee update, master stakeholder engagement and release plans, market performance update, and the western energy imbalance market update.

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 10:30 a.m.