

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
GENERAL SESSION
September 17-18, 2015
ISO Headquarters, Folsom, CA**

September 17, 2015

The ISO Board of Governors convened the general session meeting at approximately 1:15 p.m. and the presence of a quorum was established.

ATTENDANCE

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

Ash Bhagwat, Acting Chair
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were present: Steve Berberich, Mark Rothleder, Petar Ristanovic, Eric Schmitt, Karen Edson, Roger Collanton, Ryan Seghesio and Becky Regan.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Galiteva moved for approval of the Board of Governors general session minutes for the July 16, 2015 meeting. The motion was seconded by Governor Olsen and approved 3-0, with Governor Bhagwat abstaining.

CEO REPORT

Steve Berberich, President and CEO, provided an overview on the following sections of his report: overall conditions, ISO governance legislation update, Energy Imbalance Market Transitional Committee's governance proposal, energy imbalance market update, pumped storage opportunities, and renewable generation peaks.

BRIEFING ON ENERGY IMBALANCE MARKET

Mark Rothleder, Vice President, Market Quality and Renewable Integration, provided a briefing on the energy imbalance market as well as an update on the implementation of NV Energy. Mr. Rothleder provided an overview of the 2nd quarter energy imbalance market benefits report and noted that actual gross benefits had increased. He provided an overview of several graphs that demonstrated how pricing performance continued to improve in the both the 5-minute and 15-minute prices. He also reviewed graphs that showed how transfers from PacifiCorp and the ISO and transfers between PACW and PACE increased. He stated that the frequency of infeasibilities had dropped below 1% since May 2015. Mr. Rothleder concluded his presentation by providing an NV Energy implementation update. He stated that parallel operations activities were going well and that the ISO and NV Energy were on track to certify EIM readiness by September 30 and begin fully binding financial operations on November 1, 2015.

APPOINTMENT OF ENERGY IMBALANCE MARKET TRANSITIONAL COMMITTEE MEMBER

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, informed the Board that Natalie Hocken, who has represented PacifiCorp on the EIM Transitional Committee, is unable to continue her service to the Committee because she recently accepted a position with Berkshire Hathaway Energy. He stated that the Transitional Committee charter provides that the Board may appoint a replacement member when a member cannot complete his or her term. He informed the Board that PacifiCorp has proposed Sarah Edmonds, its Vice President and General Counsel, to serve as Ms. Hocken's replacement. He provided an overview of her background and qualifications and stated that her resume and statement of interest were included with the board memo. He described how there was still a continuing role for the Committee as set forth in the governance proposal and the Committee's Charter. Brief discussion followed.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors appoint Sarah Edmonds to the EIM Transitional Committee, to replace Natalie Hocken as the representative for PacifiCorp, an EIM entity.

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

DECISION ON ENERGY IMBALANCE MARKET TRANSITIONAL COMMITTEE PROPOSAL FOR LONG-TERM GOVERNANCE STRUCTURE

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, listed the following public comment letters to the Board in support of the EIM governance proposal: CPUC President Michael Picker, Public Utilities Commission of Nevada, U.S. Senator Harry Reid, Balancing Authority of Northern California, Sacramento Municipal Utility District, California Municipal Utilities Association, PacifiCorp, NV Energy, Arizona Public Service, Puget Sound Energy, Northwest Public Power Association, National Resource Defense Council, Northern California Power Agency, America Wind Energy Association, Interwest Energy Alliance, and Public Interest Groups (includes National Resource Defense Council, Vote Solar, Western Resource Advocates, Interwest Energy Alliance, Sonoran Institute, Renewable Northwest, Western Grid Group, Center for Energy Efficiency and Renewable Technology, and Utah Clean Energy)

Stacey Crowley, Director – Regional Affairs, provided introductory remarks and provided an overview of the formation and role of the EIM Transitional Committee.

Rebecca Wagner, Chair of the EIM Transitional Committee, provided a background overview of the Committee's work since its formation in July 2014. Ms. Wagner discussed the importance of the legal briefings, including the discussions regarding governance structures of other ISOs. She also emphasized the Committee's appreciation to the stakeholders for their feedback throughout the process. Ms. Wagner stated the primary challenge was the need to expand the governance of EIM without interfering with the ISO's governance of the larger market. She emphasized the importance of the ISO Board retaining its authority over the general rules of the day-ahead and real-time markets.

Tony Braun, member of the EIM Transitional Committee, provided an overview of the elements of the proposal and stated it was a good balance between competing needs by establishing a body with certain delegated authority over rules that are unique to EIM. Mr. Braun highlighted several aspects of the proposal, including how it incorporates elements of various proposals; the need for the ISO Board to approve a charter for the EIM governing body, and the composition, term limits and compensation of the EIM governing body. Mr. Braun described how the EIM governing body would be selected by stakeholders throughout the geographic footprint of the real-time market, including EIM. He described how the proposal established a body of state regulators that would be comprised of a representative of each state utilities commission in the ISO real-time market, including EIM. Mr. Braun stated the proposal also established a regional issues forum that would be led by ten stakeholder liaisons selected by the sectors and would meet publicly three times annually.

Ms. Crowley concluded the presentation by reviewing next steps. She advised that the implementation process would begin immediately upon Board approval, including the development of bylaw amendments and charter to create the EIM governing body. She stated that the intent was to establish an EIM governing body and begin operation by 2nd quarter 2016. Discussion followed regarding independence requirements and candidate qualifications.

Ms. Crowley confirmed that state regulatory officials could not pursue a seat on the governing body as it would be a conflict of interest. Discussion followed regarding the importance of having a geographically diverse governing body, and the establishment of a body of state regulators and a regional issues forum. The Board noted its appreciation for the amount of work the EIM Transitional Committee members did throughout the process which resulted in a well thought out and thorough proposal.

Public comment

David Puzey, on behalf of Natural Resources Defense Council, provided comments in support of the EIM Transitional Committee's EIM governance proposal and also noted support of the integration of PacifiCorp.

Nora Sheriff, on behalf of the California Large Energy Consumers Association, provided generally supportive comments on the EIM Transitional Committee's EIM governance proposal but requested that end-use ratepayers have a vote on the nominating committee. Brief discussion followed and Ms. Wagner explained that the Committee believed the regulators on the nominating committee would sufficiently represent the best interest of the end-users.

Natalie Hocken, on behalf of PacifiCorp, provided comments in support of the EIM Transitional Committee's EIM governance proposal and provided general support for regional collaboration and expansion.

Dede Hapner, on behalf of Pacific, Gas and Electric Company, provided comments in support of the EIM Transitional Committee's EIM governance proposal and commended the proposal development process.

Catherine Hackney, on behalf of Southern California Edison, provided comments in support of the EIM Transitional Committee's EIM governance proposal.

Ellen Wolfe, on behalf of the Western Power Trading Forum, provided comments in support of the EIM Transitional Committee's EIM governance proposal.

Robert Weisenmiller, Chair of the California Energy Commission, provided comments in support of the EIM Transitional Committee's EIM governance proposal.

Mr. Berberich provided closing remarks and acknowledged his appreciation to the committee, the stakeholders and ISO staff.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the plan for a long-term EIM governance structure, as recommended by the EIM Transitional Committee, to establish a new five-member body that will exercise defined delegated authority over certain market rule changes, as well as a body of state utility regulators and forum for regional stakeholders to meet periodically to discuss issues relevant to EIM as detailed in Attachment A to the memorandum dated September 11, 2015; and

Moved, that the ISO Board of Governors directs Management to implement the EIM Transitional Committee's proposed EIM governance structure.

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

BREIFING ON PACIFICORP INTEGRATION

Phil Pettingill, Director of Regional Integration, provided the Board with an update on the progress made by PacifiCorp in exploring full participation as a transmission owner with the ISO. Mr. Pettingill stated that PacifiCorp was working to complete a benefits study and that the ISO was supporting that effort. He provided an overview of the following three key phases needed to evolve progress: (1) determine policy and tariff changes to expand balancing authority area into five additional states; (2) seek necessary authorizations from regulatory entities in six states; and (3) plan and implement the software and market design changes. Mr. Pettingill next provided an overview of six stakeholder processes that ISO Management plans to initiate beginning in Q4 of 2015. He concluded his presentation by reviewing an illustration that depicted various implementation phases over the next four years. Brief discussion followed.

DECISION ON INTERCONNECTION PROCESS ENHANCEMENTS

Deb Le Vine, Director – Infrastructure Contracts and Management, provided the Board an overview of Management's proposal for nine interconnection process enhancements. Ms. Le Vine described how this initiative provides further enhancement to the generator interconnection process to help manage the 273 projects in the current queue. She noted the proposal would also provide additional structure and clarification for projects seeking to interconnect in future queue clusters. Ms. Le Vine provided an overview of the following proposed enhancements and noted they were supported by stakeholders: deposits; allowable modifications between phase I and phase II study results; conditions for issuance of study results; generator interconnection agreement insurance; interconnection financial security, and transmission plan deliverability "option b" clarifications.

Ms. Le Vine stated the following enhancements did not have full stakeholder support and provided an overview of the concerns: negotiation of Generator Interconnection Agreements, require security posting for self-build stand-alone network upgrades until agreement had been executed; and forfeiture of funds upon withdrawal during or after the downsizing process. She concluded her presentation by providing an overview of the benefits of the proposal as it was supported by a majority of stakeholders and provided the needed structure for administering the interconnection queue.

Public comment

Adam Foltz, on behalf of S Power, provided comments on Management's proposal and requested that rather than there be a forfeiture of funds upon withdrawal during or after the downsizing process based on the pre-downsizing capacity, he requested that the refund be based on the lower downsized capacity. Discussion ensued regarding the request and Ms. Le Vine explained how the enhancement was needed to fill a gap in the process.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments in support of Management's proposal.

Discussion followed regarding the stakeholder process and Ms. Le Vine stated that there were 35-40 stakeholders who participated in the process.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed interconnection process enhancements, as described in the memorandum dated September 10, 2015; 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.

DECISION ON CONDITIONAL APPROVAL TO EXTEND RELIABILITY MUST-RUN CONTRACTS FOR 2016

Neil Millar, Executive Director of Infrastructure Development, provided an overview of Management's proposal to conditionally approve the extension of existing reliability must-run contracts for 2016. Mr. Millar further described why the extensions were conditional. He stated that CPUC jurisdictional load serving entities made preliminary resource adequacy showings on September 15. He provided an overview of the pre-determined timeline of the resource adequacy process and noted that letters for reliability must-run extensions or terminations would be sent to resource owners on October 1, 2015. Mr. Millar stated that Management would report back the results of the reliability must-run contract extensions at the November Board meeting.

INFORMATIONAL REPORTS

There were no questions on the following informational reports: regulatory update, 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 report, quarterly financial report, and the Transmission Maintenance Coordination Committee update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 3:45 p.m.