

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
June 21, 2018
ISO Headquarters
Folsom, California**

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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:

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

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, Stacey Crowley, Tom Doughty, Roger Collanton and Ryan Seghesio

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment offered at this time.

**DECISION ON CONGESTION REVENUE RIGHTS AUCTION EFFICIENCY
TRACK 1B PROPOSAL**

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board an overview of Management’s proposal on the congestion revenue rights auction efficiency track 1B proposal. Mr. Cook provided a background overview and noted that track 1A had specifically targeted auction efficiency and that the proposed track 1B targets revenue inadequacy which has additional benefits to auction efficiency. He provided an overview of a graph that depicted how auction revenue shortfalls have a strong correlation to revenue inadequacy and described how the current congestion revenue

rights market design results in inequitable allocation of revenue inadequacy. Mr. Cook next provided an overview of the following two proposed enhancements: (1) Partial funding – Allocate revenue inadequacy to congestion revenue rights holders in proportion to their flow over each constraint, and (2) Reduce the amount of system capacity released in the annual process from 75% to 65%. He discussed how a lower annual capacity release translates to lower monthly infeasibilities. He reviewed a chart that depicted generally how other ISO/RTOs release less system capacity than the California ISO over equivalent timeframes. Mr. Cook provided an overview of the stakeholder process and noted that most stakeholders supported the proposal to allocate revenue inadequacy to congestion revenue rights holders. He stated that stakeholders were divided on the proposal to reduce the amount of system capacity released in the annual process to 65%. Mr. Cook concluded his presentation by providing highlights of the proposal and stated that staff would continue to analyze the impact of the proposal and will include the relevant data in its monthly market performance reports.

Public comment

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of public comment letters submitted by Powerex and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (referred to collectively as the “Six Cities”).

Ellen Wolfe, on behalf of the Western Power Trading Forum, provided comments in support of elements of the proposal, such as reduction of the amount of system capacity released in the annual process, as well as comments opposing elements of the proposal, such as allocation of revenue inadequacy to congestion revenue rights holders.

Catherine Hackney, on behalf of Southern California Edison, provided comments and noted appreciation to ISO staff and the Board for directing staff to consider the willing counter party proposal discussed at the March Board meeting. Ms. Hackney noted staff rejected the willing counter party proposal submitted and requested that the Board direct staff to again consider it in track 2.

Brief discussion followed and Dr. Casey stated that staff has determined there is a fundamental flaw in the willing counter party proposal and that no further consideration was planned at this time. Mr. Cook confirmed that staff seriously considered the alternate proposal and further described the challenges associated with the proposal.

Mark Smith, on behalf of Calpine, provided comments in support of the comments provided by Ellen Wolfe and noted Calpine does not support the partial funding element of the proposal. Mr. Smith provided comments in support of the reduction of the amount of system capacity released in the annual process element of the proposal.

Tony Braun, on behalf of the California Municipal Utilities Association, provided comments in support of Management's proposal. Mr. Braun provided further comments regarding next steps and noted the importance of including the data requested by Six Cities in the ISO's monthly market performance reports. He requested that phase 2 commence as soon as possible.

Brief discussion followed and Dr. Casey provided comments regarding the timing for track 2 and noted that at a minimum, the ISO would like to have at least six months of data to analyze prior to commencing track 2. Mr. Cook provided additional comments and noted track 2 was planned to commence mid-2019 to allow sufficient monitoring of the effectiveness of tracks 1a and 1b.

Partha Malvadkar, on behalf of Pacific, Gas and Electric Company, provided comments in support of Management's proposal and noted thanks to ISO staff for efforts throughout the process. Mr. Malvadkar provided comments noting that while further work is needed, this proposal is a good first step.

Governor Maullin left the meeting.

Department of Market Monitoring comment

Ryan Kurlinski, Manager, Analysis and Mitigation, provided highlights of the written comments provided to the Board by the Department of Market Monitoring.

Market Surveillance Committee comment

James Bushnell, member of the Market Surveillance Committee, provided highlights of the Market Surveillance Committee opinion titled "Opinion on Congestion Revenue Rights Auction Efficiency, Track 1B".

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposal to implement the congestion revenue rights auction efficiency track 1B changes described in the memorandum dated June 14, 2018; 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 proposal, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

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

DECISION ON PARTICIPATING OWNER APPLICATION OF CITIZENS SYCAMORE-PENASQUITOS

Governor Maullin re-joined the meeting.

Daune Kirrene, Senior Contracts Negotiator, informed the Board that Citizens Sycamore-Penasquitos Transmission LLC (CSPT) intended to lease a portion of the Sycamore-Penasquitos transmission project. Ms. Kirrene described how CSPT is seeking to turn over operational control of its portion of the Sycamore-Penasquitos project to the California ISO. She provided an overview of the process established in the ISO tariff and the transmission control agreement to turn over operational control, including the Board's authorization to accept the proposed participating transmission owner application. She noted that the transmission owner would become a participating transmission owner upon FERC approval. Ms. Kirrene discussed the stakeholder process and noted there was no opposition to the application and that the current participating transmission owners have not raised any concerns with CSPT becoming a party to the transmission control agreement.

Public comment

Peter Smith, on behalf of Citizens Energy, provided comments in support and requested the Board approve the participating owner application of Citizens Sycamore-Penasquitos.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the ISO's acceptance of the application of Citizens Sycamore-Penasquitos Transmission LLC for participating transmission owner status, conditioned on (1) CSPT executing the Transmission Control Agreement and (2) the Federal Energy Regulatory Commission accepting a transmission owner tariff and transmission revenue requirement for CSPT.

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

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 3:40 p.m.