

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
February 7, 2019
ISO Headquarters
Folsom, California**

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The ISO Board of Governors convened the general session meeting at approximately 10:30 a.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
Ash Bhagwat
Severin Borenstein
Mary Leslie

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

GENERAL SESSION

The following agenda items were discussed in closed executive session:

PUBLIC COMMENT

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments on the resource adequacy enhancements policy initiative. Ms. Bentley provided an overview of concerns with the scope of the initiative in the following two areas: capacity counting rules and performance penalties. Brief discussion followed and Keith Casey, Vice President - Market and Infrastructure Development, provided responsive comments and noted the next straw proposal in February would explore modifications to the capacity counting rules to help simplify the resource adequacy process. Dr. Casey noted the proposed counting rules would primarily impact the gas generation fleet, not renewables. Brief discussion followed.

DECISION ON GENERAL SESSION MINUTES

Governor Bhagwat moved for approval of the Board of Governors general session minutes for the December 13, 2018 meeting. The motion was seconded by Governor Galiteva and approved 3-0, with Governor Leslie and Governor Borenstein abstaining. Governor Olsen

moved for approval of the Audit Committee general session December 13, 2018 meeting minutes. The motion was seconded by Governor Bhagwat and approved 3-0, with Governor Leslie and Governor Borenstein abstaining.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his CEO report: overall system conditions, reliability coordinator services, PG&E bankruptcy, welcome to new Board members and renewable energy production. Mr. Berberich also informed the Board that California utilities filed wild fire mitigation plans with the CPUC on February 6, 2019.

EIM GOVERNING BODY CHAIR REPORT

Val Fong, Chair of the EIM Governing Body, provided congratulatory remarks to the new Board members. Ms. Fong next provided an overview of the January 24, 2019, EIM Governing Body meeting, including an update from the Regional Issues Forum and Body of State Regulators. She provided an overview of the EIM governance review briefing, including potential changes to delegated authority and decisional classifications, and noted it was a key topic for discussion at the January 24th meeting. She provided an overview of the comments submitted as part of the EIM governance review initiative. Ms. Fong noted the next EIM Governing Body meeting was scheduled for March 11 in Albuquerque, New Mexico and provided highlights of the current agenda.

DECISION ON INTERCONNECTION PROCESS ENHANCEMENTS – TRACK 4

Robert Emmert, Manager – Interconnection Resources, provided the Board an overview of Management's proposed track 4 interconnection process enhancements. Mr. Emmert noted that eighteen enhancements had been approved by the Board in 2018 as part of the first three tracks of the stakeholder initiative. He provided an overview of the three interconnection process enhancements, including stakeholder feedback: (1) network upgrade definitions and cost responsibility, (2) minimum acceptance criteria for interconnection requests, and (3) validation procedures for interconnection requests. Mr. Emmert described how the enhancements would improve the (1) effectiveness and transparency of the cost allocation process for network upgrades, (2) balance of risk between PTOs and developers for financing network upgrades, and (3) interconnection procedures to help California and the West to continue to meet policy goals.

There was no public comment on this item.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed interconnection process enhancements, as described in the memorandum dated January 30, 2019; 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 Olsen and approved 5-0.

DECISION ON INTERTIE DEVIATION SETTLEMENT PROPOSAL

Management's proposal

Brad Cooper, Manager – Market Design Policy, provided an overview of Management's intertie deviation settlement proposal. Mr. Cooper described how Management was proposing to revise the intertie non-delivery charge to provide increased assurance that market participants deliver imports and exports. He discussed how undelivered intertie transactions adversely impacted the ISO's grid stability and market pricing. He described how ISO system operators take manual actions in anticipation of undelivered imports, which may impact prices. He reviewed a graph that depicted how the existing non-delivery charge was ineffective because of a monthly 10% threshold, which was rarely exceeded. Mr. Cooper reviewed a slide that depicted how the range of undelivered intertie supply can reach significant amounts, with average non-delivery increasing during peak load hours. Dr. Casey noted that while the chart on slide 6 had been updated on the ISO website and the Board book, the slide projected in the room was outdated. Dr. Casey provided an overview of the updated analysis on slide 6 that reflected high hourly values that are more in the 800 – 900 MW range as opposed to the 2000 MW range. Brief discussion followed.

Mr. Cooper described how the proposed non-delivery charge will strengthen incentives to deliver intertie transactions. He noted that while most stakeholders support the proposal, some questioned the need for a separate non-delivery charge in addition to imbalance energy settlement. He informed the Board that the Market Surveillance Committee supported the charge framework, but believe the ISO must also address market inputs that affect real-time market intertie prices. He stated that Management was committed to analyzing and addressing intertie pricing in conjunction with implementing the non-delivery charge. Mark Rothleder, Vice President – Market Quality and Renewable Integration, committed to preparing an analysis in March to look at the interplay and discuss the plan for the analysis at the April Market Surveillance Committee meeting. Mr. Cooper concluded his presentation by providing a summary overview of the benefits of the proposal. Brief discussion followed.

EIM Governing Body advisory input

Val Fong, EIM Governing Body Chair, provided comments in support of Management's proposal, noting appreciation to the DMM, the MSC and stakeholders for their input, and recommended that the Board approve the proposal.

Public comment

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments on Management's proposal noting initial concerns with regard to the price formation element and noted appreciation to the ISO for committing to conduct a root cause analysis.

Meredith Alexander, on behalf of SMUD, provided comments in support of Management's proposal and further discussed the benefits of the proposal.

Department of Market Monitoring comment

Eric Hildebrandt, Executive Director – Market Monitoring, provided highlights of the written comments submitted by the Department of Market Monitoring and concluded that DMM was highly supportive of the proposal. Brief discussion followed and Dr. Casey and Dr. Hildebrandt responded to various inquiries from the Board.

Market Surveillance Committee comment

James Bushnell, Market Surveillance Committee member, provided highlights of the Market Surveillance Committee Opinion titled "Opinion on Intertie Deviation Settlements" and stated the Market Surveillance Committee supported the proposal.

Motion:**Governor Bhagwat:**

Moved, that the ISO Board of Governors approves the intertie deviation settlement proposal described in the memorandum dated January 30, 2019; 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 described in the memorandum, 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 Galiteva and approved 5-0.

INFORMATIONAL REPORTS

There were no comments or questions on the following informational reports: business practice manual change management report, market performance report, master stakeholder engagement and release plans, regulatory report, state, regional and federal affairs update, quarterly financial report, and Market Surveillance Committee report. The Investment Performance report was deferred to the March meeting.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 12:00 p.m.