

**GENERAL SESSION MINUTES  
ISO BOARD OF GOVERNORS MEETING  
October 27-28, 2011  
ISO Headquarters  
Folsom, California**

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October 27, 2011

The ISO Board of Governors convened the general session meeting at approximately 1:00 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, Petar Ristanovic, Karen Edson, Keith Casey, Brenda Thomas, Eric Schmitt and Nancy Saracino.

**GENERAL SESSION**

The following agenda items were discussed in general session:

**PUBLIC COMMENT**

No public comment was offered at this time.

**DECISION ON THE MINUTES**

Governor Galiteva moved to for approval of the Board of Governors general session minutes for the August 25-26, 2011 meeting. The motion was seconded by Governor Maullin and approved 4-0-0.

**CEO REPORT**

Steve Berberich, President and Chief Executive Officer, provided the Board with an overview of events surrounding the September 8, 2011 power outage in the Pacific Southwest. Mr. Berberich also provided highlights of the following sections in his report:

renewable integration, gas and electric coordination efforts, and the grid management charge redesign effort. Mr. Berberich concluded his report by welcoming Eric Schmitt as the ISO's Vice President of Operations.

## **DECISION ON MULTI-STAGE GENERATION UNIT MODELING ENHANCEMENTS**

Greg Cook, Director of Market and Infrastructure Policy, provided the Board with an overview of Management's proposal and noted that multi-stage generation resources were flexible but complex to model in the ISO market software. Mr. Cook reviewed several enhancements identified to allow for more efficient real-time dispatch. Mr. Cook provided an overview of the implementation schedule and concluded his presentation by reviewing the benefits of the proposal. Brief discussion followed and it was noted that stakeholders universally supported the proposal.

There was no public comment.

### **Motion**

**Governor Galiteva:**

***Moved, that the ISO Board of Governors approves the policy to implement multi-stage generation unit modeling enhancements as described in the memorandum dated October 20, 2011; and***

***Moved, that the ISO Board of Governors authorizes Management to make all the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this policy.***

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

## **DECISION ON ISO AND GAS UTILITY COORDINATION**

Sidney Davies, Assistant General Counsel – Tariff, provided the Board with an overview of Management's proposal and noted that changes in gas utility availability, maintenance and testing required better coordination with the ISO. Ms. Davies stated the tariff needed to be amended to allow sharing of confidential planned and unplanned outage information. Ms. Davies explained that information would be shared pursuant to a non-disclosure agreement and that the agreement would also apply to those entities having both a gas and electric side of the house. Discussion followed.

### **Public Comment**

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided generally supportive comments on Management's proposal. Mr. Eisenman noted the importance of the non-disclosure agreement.

## **Motion**

**Governor Bhagwat:**

***Moved, that the ISO Board of Governors approves the policy to allow the ISO to share with natural gas utilities confidential planned and unplanned transmission and generation outage information subject to a non-disclosure agreement as described in the memorandum dated October 20, 2011; and***

***Moved that the Board authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this policy.***

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

## **DECISION ON CORPORATE POLICY AMENDMENTS**

Greg Fisher, Assistant General Counsel – Corporate, provided the Board with an overview of Management’s recommended changes to the Market Surveillance Committee Charter and the Employees Code of Conduct and Ethical Principles, as well as conforming changes to the Governors Code of Conduct and Ethical Principles. Brief discussion followed.

There was no public comment.

### **Motion #1 Market Surveillance Committee Charter**

**Governor Maullin:**

***Moved, that the ISO Board of Governors approves the proposed revisions to the charter of the Market Surveillance Committee, as described in, and attached to, the memorandum dated October 20, 2011.***

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

### **Motion #2 Employees and Governors Code of Conduct and Ethical Principles**

**Governor Bhagwat:**

***Moved, that the ISO Board of Governors approves the proposed revisions to the Employees Code of Conduct and Ethical Principles and the Governors Code of Conduct and Ethical Principles, as described in, and attached to, the memorandum dated October 20, 2011***

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

## **BRIEFING ON RENEWABLE INTEGRATION IN THE ISO GENERATOR INTERCONNECTION QUEUE**

Bob Emmert, Manager – Interconnection Resources, provided the Board with a briefing on renewable capacity in the ISO queue since the July update. Mr. Emmert discussed the current and projected renewable generation capacity in operation within the ISO as well a graph that depicted the renewable capacity in the queue that has completed the study process. Mr. Emmert concluded his presentation by providing an overview of renewable projects in the ISO queue by size and type. Discussion following regarding coordination efforts between the ISO and the California Public Utilities Commission.

## **BRIEFING ON RENEWABLE INTEGRATION – Market Vision and Roadmap**

Greg Cook, Director – Market and Infrastructure Policy, provided the Board with an overview of the market vision and roadmap and noted that the document lays out an incremental approach for evolving the market. Mr. Cook reviewed the objectives broken down by short-term, mid-term and long-term periods. Mr. Cook noted that the following renewable integration design enhancements would be presented to the Board in December: lower energy bid floor, changes to bid cost recovery rules, and modifications to the participating intermittent resource program. Mr. Cook reviewed the projected timeline for the mid-term enhancements and concluded his presentation by identifying future challenges and next steps. Discussion followed regarding the integration process and in-state versus out-of-state resources for renewable integration.

### Public Comment

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided generally supportive comments on Management's proposal with regard to the short-term initiatives, but noted concern with some of the mid-term initiatives.

## **BRIEFING ON SCOPE OF FINANCIAL AUDIT**

Mark Niehaus, with PricewaterhouseCoopers, provided the Board with an overview of the scope of the financial audit. Mr. Niehaus reviewed the audit objectives and the timeline for the audit with the final report back to the Board in May 2012. Mr. Niehaus reviewed key audit areas, including the new and old headquarters buildings. Mr. Niehaus reviewed their audit strategy and noted that a risk-based audit approach would be used that focused on key risks, identified management judgments and estimates. Mr. Niehaus provided an update on the Executive Compensation and Code of Conduct review and audit schedule. Ms. Saracino informed the Board that in response to feedback received from the FERC audit, the ISO has been working closely with PwC to more effectively monitor compliance with the Code of Conduct.

## **BRIEFING ON FERC ORDER 741 – Minimum Capitalization Requirements**

Ryan Seghesio, Chief Financial Officer and Treasurer, provided the Board with an update on FERC Order 741 and noted that the ISO implemented the following minimum capitalization requirements for participation in the markets: \$1 million tangible net worth or \$10 million total assets or post secured collateral. Mr. Seghesio stated that the posting requirement was \$500,000 or \$100,000 based on time and liability level. Mr. Seghesio provided the Board with an overview of how FERC addressed concerns from smaller market participants noting that FERC agreed that the minimum participation criteria submitted by the ISO was reasonable and consistent with the Commission directives. Mr. Seghesio noted that FERC declined to adopt uniform criteria across the ISO/RTO industry citing different regional needs. Brief discussion followed.

## **TRANSMISSION MAINTENANCE COORDINATION COMMITTEE UPDATE**

Keith Casey, Vice President – Market and Infrastructure Development, informed the Board that FERC approved Management’s request to change the advisory status of the Transmission Maintenance Coordination Committee be an advisory committee to Management rather than an advisory committee to the Board.

## **INFORMATIONAL REORTS**

Ms. Edson, Vice President of Policy and Client Services, identified three areas of interest: 1) forward flexible procurement issues which were also addressed in the renewable roadmap presentation, 2) CPUC issuance of a scoping order regarding the resource adequacy program, and 3) ISO coordination efforts with state agencies regarding the identification of generation portfolios as part of the Transmission planning process.

There were no additional questions regarding the following informational reports: operations report, regulatory report, financial report, market performance report, business practice manuals change management report, market surveillance committee update, market monitoring update, market initiatives release plan update, results of reliability must-run contract extensions for 2012, and compliance committee update.

## **ADJOURNED**

There being no additional general session items to discuss, the general session of the ISO Board of Governors was adjourned at approximately 3:00 p.m.