

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
July 13-14, 2011
ISO Headquarters
Folsom, California**

July 13, 2011

The ISO Board of Governors convened the general session meeting at approximately 2:00 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, Peter Ristanovic, Karen Edson, Keith Casey, Brenda Thomas and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment at this time.

DECISION ON THE MINUTES

Governor Bhagwat moved to for approval of the Board of Governors general session minutes for May 18-19, 2011 and June 8, 2011. The motion was seconded by Governor Maullin and approved 4-0-0.

CEO REPORT

Steve Berberich, President and CEO, informed the Board the ISO had met the criteria set by the U.S. Green Building Council and was now platinum-certified through the Council's Leadership in Energy and Environmental Design (LEED) rating program. Mr. Berberich then provided an operations update as well as an overview of some real time market products under consideration. Mr. Berberich then discussed the annual credit rating results for the ISO and concluded his report by addressing executive leadership matters.

DECISION ON ISO PLANNING STANDARDS

Neil Millar, Executive Director – Infrastructure Development, provided the Board with an overview of Management's proposal. Mr. Millar stated the standards were necessary to provide reliable service to customers. Mr. Miller provided an overview of five of the proposed ISO planning standards and noted that they were either revised standards or a new standard entirely. Mr. Millar listed three additional proposed ISO planning standards and noted they were merely reorganized and did not contain any material changes. Mr. Millar provided an overview of the stakeholder process and noted that stakeholders generally supported the proposed ISO planning standards. Mr. Millar concluded his presentation by providing an overview of the benefits of the proposed planning standards. Brief discussion followed regarding the successful planning process.

PUBLIC COMMENT

Eric Eisenmen, on behalf of Pacific Gas and Electric Company, provided generally supportive comments on Management's proposal and noted some clarifying remarks regarding PG&E's concerns.

Motion

Governor Maullin:

Moved, that the ISO Board of Governors approves the ISO planning standards, stated in full in attachment 1, and as described in the memorandum dated July 6, 2011.

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

DECISION ON TRANSMISSION MAINTENANCE COORDINATION COMMITTEE STATUS

Sidney Davies, Assistant General Counsel – Tariff, provided the Board with an overview of Management’s recommendation to modify the status of the Transmission Maintenance Coordination Committee from its current status as an advisory committee to the Board to an advisory committee to Management. Discussion followed regarding the functions of the committee and the role of the Board.

Tom Halford, Transmission Asset Engineer, provided comments regarding the operations of the committee. The Board requested to continue to receive quarterly briefings on the committee’s activities as well as membership updates.

There was no public comment.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors modifies the status of the Transmission Maintenance Coordination Committee from an advisory committee to the Board to an advisory committee to Management for the reasons described in the memorandum dated July 6, 2011.

Moved, that the ISO Board of Governors authorizes Management to make any necessary and appropriate filings with the Federal Energy Regulatory Commission to effectuate the change to the Transmission Maintenance Coordination Committee status.

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

BRIEFING ON GENERATION INTERCONNECTION TRENDS

Bob Emmert, Manager – Interconnection Resources, provided the Board with a briefing on the status of the ISO generator interconnection queue as of June 14, 2011. Mr. Emmert reviewed an illustration that depicted the current and projected renewable generation capacity in operation within the ISO. Mr. Emmert then discussed the capacity amount and status of renewable projects in the ISO queue and provided an overview of the size, type and number of renewable projects in the queue. Mr. Emmert concluded his presentation by providing a high-level overview of the projects in the queue. Discussion followed regarding the study process and the Board confirmed this was a helpful update and requested that it be presented on a routine basis.

There was no public comment.

BRIEFING ON SCOPE OF 2011 OPERATIONS REVIEW

Steve Berberich, President and Chief Executive Officer, provided the Board with an overview of the scope of the 2011 operations review. Mr. Berberich provided an overview of the areas covered under prior operations review. Mr. Berberich informed the Board that Management selected exceptional dispatch due to its importance to the ISO and stakeholders. Mr. Berberich also informed the Board that Management had engaged PricewaterhouseCoopers to perform an audit to enhance the independence of the assessment.. Discussion followed and Mr. Berberich confirmed that PwC provides Management with recommendations on how processes could be improved. Ms. Saracino noted that the tariff requires an operations review and described the difference between agreed upon procedures versus an independent audit.

RECESSED

There being additional general session items to discuss, the general session of the ISO Board of Governors was recessed at approximately 3:30 p.m.

July 14, 2011

RECONVENED

The ISO Board of Governors reconvened the general session meeting at approximately 9:10 a.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, Peter Ristanovic, Karen Edson, Keith Casey, Brenda Thomas and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Eric Leuze, on behalf of GenOn Energy, provided the Board with a company overview and provided supportive comments regarding the local market power mitigation and dynamic competitive path assessment proposals but noted that further discussions were needed regarding the tariff details and implementation.

CONFIRMATION OF MARKET SURVEILLANCE COMMITTEE CHAIR

Steve Berberich, President and Chief Executive Officer, informed the Board that the Market Surveillance Committee charter requires that members of the committee shall elect a Chair, subject to confirmation of the Board. Mr. Berberich informed the Board that on June 6, 2011, the four members of the Market Surveillance Committee elected Dr. Benjamin Hobbs to serve as Chair. Mr. Berberich provided an overview of the qualifications of Dr. Hobbs and requested that the Board confirm Dr. Hobbs as Chair of the Market Surveillance Committee.

There was no public comment.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors confirms Dr. Benjamin Hobbs as the ISO Market Surveillance Committee Chair, as described in the memorandum dated July 6, 2011.

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

DECISION ON LOCAL MARKET POWER MITIGATION ENHANCEMENTS

Dr. Keith Casey, Vice President – Market & Infrastructure Development, provided introductory remarks and acknowledged receipt of a public comment letter from the Western Power Trading Forum.

Greg Cook, Director – Market & Infrastructure Development, provided the Board with an overview of the following objectives of the local market power mitigation initiative: meet the FERC requirement to use bid-in demand, address issues related to implementation of convergence bidding and proxy demand resource, and increase accuracy of market power mitigation. Mr. Cook provided an overview of several ways the local market power mitigation procedures would change. Mr. Cook reviewed the benefits of the proposal and noted that stakeholders generally supported the proposal as the ISO had addressed concerns identified during the stakeholder process.

Mr. Cook noted that the ISO would stage implementation of new functionality to address implementation risks. Discussion followed regarding the over-mitigation concerns submitted by the Western Power Trading Forum as well as the implementation timeline.

Dr. Benjamin Hobbs, Chair of the Market Surveillance Committee, provided the Board with an overview of the July 1, 2011 Market Surveillance Committee opinion entitled *Opinion on Local Market Power Mitigation and Dynamic Competitive Path Assessment*. Dr. Hobbs informed the Board that committee member Steve Stoft chose to abstain on the opinion and clarified Dr. Stoft's position on the proposal, noting that Dr. Stoft did not think the proposal would cause

harm, but felt it was inconclusive as a solution. Dr. Hobbs concluded his remarks by noting the committee's support of the proposal and emphasized the importance of ongoing analysis and compliance with FERC orders.

Dr. Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal and provided remarks in response to how further analysis would be handled.

Peter Griffes, on behalf of Pacific Gas and Electric Company, provided comments in support of Management's proposal and requested that the ISO continue to conduct additional analysis.

Discussion followed regarding testing and implementation and the Board requested that the proposed motion be modified to require Management to report back to the Board regarding the implementation status.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the proposed tariff change regarding the enhancements to local market power mitigation, as detailed in the memorandum dated July 6, 2011; and

Moved, that the ISO Board of Governors directs ISO Management to report back in Q1 2012 on testing results and the implementation status so the Board can assess whether any changes to the schedule are warranted; 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 Foster and approved 4-0-0.

DECISION ON MODIFICATIONS TO CREDIT REFORM POLICY

Ryan Seghesio, Chief Financial Officer and Treasurer, provided the Board with an overview of Management's recommended modifications to its credit reform policy. Mr. Seghesio stated that one element of FERC Order 741 required minimum criteria for market participation to ensure market participants had adequate risk management procedures in place. Mr. Seghesio noted that indications from the Commodity Futures Trading Commission and FERC were that self-certification alone would not be sufficient. Mr. Seghesio provided an overview of the general framework that was developed for the risk management verification process. Mr. Seghesio noted that Management was requesting Board approval for the general framework and that

Management would continue to work with stakeholders on the tariff language as well as the detailed content of the annual certification form. Brief discussion followed.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed credit policy modification establishing minimum criteria for participation in the ISO to include verification by the ISO, as described in the memorandum dated July 8, 2011; 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 Maullin and approved 4-0-0.

Tony Braun, on behalf of California Municipal Utilities Association, provided comments after the Board vote and noted he had not intended to oppose the proposal. Mr. Braun stated that the open dialog with ISO staff had been helpful and that the regulatory matters were going to be challenging for smaller participants.

DECISION ON SETTLEMENT PROCESS TIMELINE CHANGE

Nancy Traweek, Director of Market Services, provided the Board with an overview of the current settlement process timeline. Ms. Traweek discussed a number of existing process limitations that the proposed settlement timeline reforms would address. Ms. Traweek reviewed various diagrams that illustrated the various settlement timelines. Ms. Traweek provided an overview of the stakeholder process and further described the feedback received from stakeholders. Ms. Traweek noted that some stakeholders were concerned over alignment of invoicing periods and meter penalties. Ms. Traweek concluded her presentation by reviewing the benefits of the proposal. Brief discussion followed.

Mark Smith, on behalf of Calpine, provided comments in support of Management's proposal.

Motion

Governor Foster:

Moved, that the ISO Board of Governors approves the proposed settlement process timeline tariff change as described in the memorandum dated July 6, 2011; 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 Galiteva and approved 4-0-0.

INFORMATIONAL REORTS

The Board requested that Management single out key bills in future legislative reports. There were no additional questions regarding the following informational reports: regulatory report, operations report, financial report, market performance report, business practice manuals change management report, market surveillance committee update, market monitoring update, compliance committee update and market initiatives release plan update.

ADJOURNED

There being no additional general session items to discuss, the general session of the ISO Board of Governors was adjourned at approximately 10:45 a.m.