

GENERAL SESSION MINUTES BOARD OF GOVERNORS MEETING December 17, 2020 Teleconference

December 17, 2020

The ISO Board of Governors convened the general session meeting at approximately 8:30 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Angelina Galiteva, Chair
Ash Bhagwat, Vice Chair
Severin Borenstein
Mary Leslie

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment.

DECISION ON THE GENERAL SESSION MINUTES

Governor Leslie moved for approval of the Board of Governors' general session minutes for the November 18, 2020 meeting. The motion was seconded by Governor Borenstein and approved 4-0.

CEO REPORT

Elliot Mainzer, President and CEO, provided highlights of the following sections of his CEO report: ISO's coronavirus response, overall balancing area system conditions, RC West operations, final root cause analysis, summer 2021 readiness, California Public Utility Commission order institute rulemaking comments, proposed revision request 1280, and system market power mitigation.

EIM GOVERNING BODY CHAIR REPORT

John Prescott, Chair of the EIM Governing Body, provided brief highlights of the EIM Governing Body's December 2 general session meeting. Mr. Prescott stated Therese

Hampton, Chair the EIM Governance Review Committee, updated the EIM Governing Body on the Committee's progress. He also reported that Letha Tawney, Commissioner – Oregon Public Utilities Commission, and Chair – Body of State Regulators, provided an update on behalf of the BOSR, while Pam Sporborg, Senior Analyst, Transmission and Reliability Services – Portland General Electric, and Chair – Regional Issues Forum, provided an update on behalf of the RIF. Mr. Prescott also stated the EIM Governing Body voted in support of the following proposals: (1) energy storage and distributed energy resources phase 4 (advisory), (2) EIM base schedule submission deadline (approval), (3) and EIM real-time settlement review (approval).

EIM GOVERNANCE REVIEW COMMITTEE CHAIR REPORT

Therese Hampton, Executive Director – Public Generating Pool, and Chair – EIM Governance Review Committee, provided an update on behalf of the GRC. She stated that comments on the revised straw proposal would be due on January 22, and noted the proposal builds on the initial straw proposal and includes recommendations the GRC continues to support. Ms. Hampton stated the GRC would be meeting on December 18 to review the major elements of the revised straw proposal and highlighted the areas where the GRC is looking for stakeholder input. She concluded by noting the final proposal is on track for posting by the end of Q1 2021. Brief discussion followed.

DECISION ON CONSENT AGENDA

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer explained the consent agenda process, and then acknowledged receipt of a public comment letter from Salt River Project.

Motion

Governor Galiteva:

Moved, that the Board of Governors approves the December 2, 2020 consent agenda comprised of rule changes around EIM real-time settlement and EIM base schedule submission deadline; and

Moved, that the Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the enhancements described in Management's memoranda to the EIM Governing Body dated November 25, 2020, including any filings that implement the overarching initiative policies but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

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

DECISION ON ENERGY STORAGE AND DISTRIBUTED ENERGY RESOURCES DEFAULT ENERGY BID PROPOSAL

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of a public comment letter from Vistra Corporation.

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board an overview of Management’s energy storage and distributed energy resources phase 4 – default energy bid proposal and noted it included two additional changes recommended by the Market Surveillance Committee. Mr. Cook described how the proposal included a cost methodology for storage resources and stated the EIM Governing Body voted to support the proposal in its advisory role. Mr. Cook that noted stakeholders generally supported the proposal. ISO Management committed to provide the Board a future update on this initiative. Brief discussion followed.

Department of Market Monitoring comment

Ryan Kurlinski, Manager – Analysis and Mitigation, provided an overview of the comments submitted by the Department of Market Monitoring as part of the stakeholder initiative.

Public comment

The following members of the public provided comments on Management’s proposal:

Cathleen Colbert on behalf of Vistra

Jin Noh on behalf of the Clean Energy Storage Alliance

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the tariff revisions necessary to implement the proposal to apply local market power mitigation measures to storage resources and the formulation of a default energy bid for storage resources as described in the memorandum dated December 9, 2020; 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 deliverability methodology revisions, 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 Borenstein and approved 4-0.

DECISION ON REAL-TIME SETTLEMENT REVIEW PROPOSAL

Brad Cooper, Senior Manager - Market Policy Design, provided the Board an overview of Management's real-time settlement review proposal. He provided an overview of several settlement rule changes resulting from the ISO's real-time settlement review stakeholder process. Mr. Cooper described in detail the four settlement rule changes that address inappropriate cost shifting in real-time market settlement. He stated stakeholders were supportive of the proposal. Brief discussion followed.

Department of Market Monitoring comment

Ryan Kurlinski, Manager – Analysis and Mitigation, provided an overview of the comments submitted by the Department of Market Monitoring as part of the stakeholder initiative.

Public comment

There was no public comment on this item.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the real-time settlement review proposal as described in the memorandum dated December 9, 2020; 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 Borenstein and approved 4-0.

DECISION ON 2021 SYSTEM RELIABILITY MUST-RUN REQUIREMENT

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of a public comment letter from Mid-Way Sunset Cogeneration Company.

Jeff Billinton, Director – Transmission Infrastructure Planning, presented to the Board Management's recommendation to designate Midway Sunset Cogeneration as a reliability must-run unit for 2021. Mr. Billinton noted Midway Sunset Cogeneration submitted a notice of retirement for two of their units effective December 31, 2020, but was denied. He explained that, based on the ISO stack analysis, there was insufficient capacity to meet the

20% margin in 2021, and Midway Sunset Cogeneration was needed for reliable operation. Mr. Billinton concluded by noting due to timing constraints of the resource adequacy showings on October 31, 2020, and the release of the ISO stack analysis on November 30, 2020, the ISO had not yet presented the matter to stakeholders. Brief discussion followed and Management provided responsive comments.

Public comment

The following members of the public provided comments on Management's proposal:

Eric Eisenman on behalf of Pacific Gas and Electric
Dawn Anaiscourt on behalf of Southern California Edison

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors authorizes Management to designate the Midway Sunset Cogen units for reliability must-run service contingent upon execution of a reliability must-run contract with rates, terms and conditions acceptable to Management, as described in the memorandum dated December 9, 2020.

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

DECISION ON 2021 BUDGET

April Gordon, Director – Financial Planning and Procurement, provided the Board an overview of the proposed 2021 budget. Ms. Gordon highlighted the revenue requirement was the lowest revenue requirement since 2006 and was \$5.4 million less than the 2020 revenue requirement. She stated the O&M budget increased by \$5.8 million in 2021.

Next, Ms. Gordon explained the capital project budget for 2021 is \$28 million, with \$22 million for market, operation, and technology enhancements as well as other capital projects. She noted the operating cost reserve adjustment is \$13.6 million as a credit to stakeholders. Ms. Gordon concluded her presentation by stating stakeholders were generally supportive of the 2021 revenue requirement. Discussion ensued.

Motion**Governor Borenstein:**

Moved, that the ISO Board of Governors approves the 2021 GMC revenue requirement, capital/project budget, and resulting rates as set forth in Attachment A to the memorandum dated December 9, 2020.

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

DECISION ON REFINANCING THE 2013 BONDS

Ryan Seghesio, Vice President – Chief Financial Officer and Treasurer, presented to the Board Management’s proposal to refinance the existing 2013 bonds. Mr. Seghesio highlighted the benefits to refinancing the debt including: (1) more efficiency around software utilization between Folsom and Lincoln, (2) flexibility for usage of Folsom campus, and (3) removal of the building and operating revenues pledge. He explained the refinance would save the ISO \$1.77 million per year and just over \$26 million net present value savings over 18 years. Mr. Seghesio concluded his presentation by providing next steps. Brief discussion ensued.

Motion**Governor Leslie:**

Moved, that the ISO Board of Governors approves, authorizes and directs Management in the name and on the behalf of the ISO, to perform the following actions:

Issue a fixed-rate bond in the amount not to exceed \$177 million through the California Statewide Communities Development Authority with a term not to exceed 18 years to refinance the acquisition or development of the Iron Point Facility, other related building infrastructure costs, capitalized interest, debt service reserve funds, and bond issuance costs, through the refunding of bonds issued in 2013 (the “2013 Bonds”) in order to achieve debt service savings;

Incur other obligations and guarantee the obligations of the ISO in connection with the Bond Offering and in furtherance thereof to execute and deliver from time to time any note or other instrument evidencing indebtedness or other obligations of the ISO, including related agreements and documents and guarantees of obligations and endorsements of notes, when deemed to be in the best interest of the ISO;

Transfer amounts collected for the February 1, 2021 debt payment relating to the 2013 Bonds to the escrow fund relating to the Bond Offering;

Distribute a preliminary official statement and an official statement relating to the marketing and sale with respect to the Bond Offering; and

Take any and all other actions necessary to effectuate the Bond Offering.

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

BRIEFING ON 2021 POLICY INITIATIVES ROADMAP AND ANNUAL PLAN

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board a briefing on the 2021 three-year policy initiatives roadmap and annual plan. Mr. Cook stated the roadmap was developed through a stakeholder process that prioritized the policy initiatives the ISO would undertake over the next three years. He provided an overview of the three primary drivers for the roadmap, including comprehensively reforming resource adequacy requirements to align with the changing nature of resources and load and tightening western supply conditions. Mr. Cook described how policy development also focused on addressing issues identified in the preliminary root cause analysis for the August 14 and 15 events. He next provided an overview of the following topic areas: (1) comprehensive redesign of resource adequacy, (2) evolution of the ISO markets, (3) integrating distributed energy and storage resources, and (4) roadmap and annual plan.

INFORMATIONAL REPORTS

There were no comments on the following informational reports: regulatory report, state, regional and federal affairs update, business practice manual change management report, Department of Market Monitoring update, Market Surveillance Committee update, and market initiatives update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 11:45 a.m.