

GENERAL SESSION MINUTES BOARD OF GOVERNORS MEETING March 24, 2021 Teleconference

March 24, 2021

The ISO Board of Governors convened the general session meeting at approximately 1:30 p.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
Jan Schori

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 Borenstein moved for approval of the Board of Governors general session minutes for the February 3, 2021 meeting. The motion was seconded by Vice Chair Bhagwat and approved 4-0, with Governor Schori abstaining.

CEO REPORT

Elliot Mainzer, President and CEO, provided highlights of the following sections of his CEO report: market enhancements and summer operational readiness, reliability round table – key resource providers, lessons learned report – demand response and distributed energy resources, and spring operations.

Next, Mr. Mainzer stated that Market Surveillance Committee member Dr. James Bushnell's three-year term would be expiring at the end of the month and he requested that the Board reappoint Dr. Bushnell for another three-year term.

DECISION ON MARKET SURVEILLANCE COMMITTEE MEMBER REAPPOINTMENT

Motion

Chair Galiteva:

Moved, that the ISO Board of Governors reappoint Dr. James Bushnell to the Market Surveillance Committee, an advisory committee to the ISO Board of Governors, for a three-year term to end March 31, 2024; and

Moved, that the Chief Executive Officer is authorized and directed to enter into an appropriate Consulting Agreement with Dr. James Bushnell to compensate him for his participation on the Market Surveillance Committee.

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

EIM GOVERNING BODY CHAIR REPORT

John Prescott, Chair of the EIM Governing Body, provided highlights of the EIM Governing Body's March 10 meeting that included routine briefings from the EIM Governance Review Committee, the Body of State Regulators, and the Regional Issues Forum. Mr. Prescott stated the EIM Governing Body voted to approve, under its primary authority, ISO Management's proposal to enhance the resource sufficiency evaluation and its proposal to require automatic mirroring of ISO intertie scheduling changes to enhance interchange modeling. He stated the EIM Governing Body also voted to provide an advisory opinion on Management's proposal to enhance energy pricing, noting the EIM Governing Body supported Management's proposal.

Finally, Chair Prescott reported the EIM Governing Body received staff briefings on western EIM benefits, implementations, and the following five entities preparing to go-live: BANC phase 2, Turlock Irrigation District, Los Angeles Department of Water and Power, Public Service Company of New Mexico, and NorthWestern Energy. Mr. Prescott added that NorthWestern delayed their go-live date to June 2021.

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 Committee. Ms. Hampton summarized the March 16 general session meeting that focused on the next steps for the draft final proposal. She reported there was broad regional support regarding issues two through six, but stated most stakeholders had diverse opinions regarding issue one - delegation of authority. Next, she reported during the March 16 meeting, the Committee walked stakeholders through three proposed options to finalize the proposal. Ms. Hampton stated that the EIM Governance Review Committee supported finalizing the proposal in two phases; part one would address issues two through six, and part two would address issue one. She added the bifurcation of the proposal would allow more time to dig deeper into issue one. Ms. Hampton concluded her update by noting the Committee would meet in

general session on April 26 to take final stakeholder comments and to vote whether to approve and submit the draft final proposal, part one, to the Board of Governors and the EIM Governing Body for consideration.

DECISION ON CONSENT AGENDA

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer provided an overview of the consent agenda process.

Motion:

Vice Chair Bhagwat:

Moved, that the Board of Governors approves the March 24, 2021 consent agenda comprised of enhancements to the resource sufficiency evaluation and to address the energy interchange modeling issue; 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 March 3, 2021, 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 Borenstein and approved 5-0.

DECISION ON MARKET ENHANCEMENTS FOR SUMMER 2021 READINESS

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board an overview of Management's proposal on market enhancements for summer 2021 readiness to address issues from the August heatwave. Mr. Cook summarized the four enhancement proposals: (1) provide greater import offer incentives for hourly imports during tight supply conditions, (2) provide stronger price signals for enhanced supply incentives during tight supply conditions, (3) enhance dispatch of emergency demand response resources, and finally (4) enhance interconnection process changes to expedite new supply interconnections to the grid. He added that the four enhancements were limited to changes that could be implemented by summer and that the ISO would consider long-term comprehensive changes through two new stakeholder initiatives.

Next, he provided an overview of stakeholder feedback and noted stakeholders generally supported the enhancements, but noted mixed support from CLECA and Calpine regarding reliability demand response resources.

Mr. Cook concluded his presentation by stating the ISO decided not to move forward with its system market power mitigation proposal because: (1) the ISO did not see any evidence that suppliers exercised system market power, and (2) stakeholders felt it was

important for the ISO to prioritize the market changes to meet implementation for summer 2021. He added, that as a result, system market power mitigation was on track to be added to the scope of the scarcity pricing initiative starting later in 2021.

Discussion followed regarding the make whole-payment and Management provided responsive comments to the Board.

EIM Governing Body Advisory Opinion

Governor Galiteva noted that Chair Prescott previously stated the EIM Governing Body voted to provide an advisory opinion in support of the market enhancements for summer 2021 readiness proposal at its March 10, 2021 meeting.

DMM 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.

Market Surveillance Committee comment

Dr. Scott Harvey, member of the Market Surveillance Committee, briefly summarized the Market Surveillance Committee's opinion on the scarcity pricing design.

Next, Dr. Benjamin Hobbs, Chair of the Market Surveillance Committee, summarized the Market Surveillance Committee's final opinion on the make-whole payment provisions for imports in the hour-ahead scheduling process.

Public comment

Public comment was provided as follows:

Scott Ranzal on behalf of Pacific Gas & Electric

Brief discussion followed and Management provided responsive comments.

Motion

Governor Leslie:

Moved, that the ISO Board of Governors approves the market enhancements for summer 2021 readiness proposal, as described in the memorandum dated March 17, 2021; 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 Schori and approved 5-0.

DECISION ON RESOURCE ADEQUACY ENHANCEMENTS PHASE 1

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board an overview of Management’s proposal regarding the resource adequacy enhancements phase one initiative. Mr. Cook stated that phase one of the initiative included three changes, two of which would be implemented by this summer as part of the summer readiness initiative. He added that, in the fall, the ISO would bring another set of enhancements under phase two for the 2023 resource adequacy year.

Next, Mr. Cook summarized the three enhancements for phase one which included: 1) minimum state of charge requirements, 2) planned outage process enhancements, and 3) a capacity procurement mechanism authority to cure identified local capacity area energy deficiencies for the 2022 resource adequacy year. He stated while stakeholders largely supported the capacity procurement mechanism authority, some had mixed feedback regarding the remaining elements of the phase one proposal. Mr. Cook concluded by reviewing the benefits of phase one of the proposal. Discussion ensued and Mr. Cook responded to inquiries by the Board.

DMM 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.

Market Surveillance Committee comment

Dr. Benjamin Hobbs, Chair of the Market Surveillance Committee, provided highlights of the March 23, 2021 MSC Opinion on the minimum state of charge requirement.

Public comment

Public comment was provided as follows:

Alex Morris on behalf of California Energy Storage Alliance
Brian Theaker on behalf of Middle River Power
James Caldwell on behalf of Center for Energy Efficiency and Renewable Technologies
Scott Ranzal on behalf of Pacific Gas and Electric

Discussion followed and Management provided responsive comments to the Board and stakeholders.

Motion

Vice Chair Bhagwat:

Moved, that the ISO Board of Governors approves the resource adequacy enhancements phase one proposal described in the memorandum dated March 17, 2021; 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 proposals 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 5-0.

DECISION ON ISO 2020-2021 TRANSMISSION PLAN

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of a public comment letter from Silicon Valley Power, that was provided to the Board.

Jeff Billinton, Director, Transmission Infrastructure Planning, provided an overview of the proposed 2020-2021 transmission plan. Mr. Billinton explained that Board approval of the plan meant Board approval of the plan's determinations and recommendations. Next, Mr. Billinton provided an overview of the transmission planning process.

He informed the Board that three new projects of less than \$5 million were needed to maintain reliability, and that none would be eligible for competitive solicitation. Mr. Billinton added that two previously approved projects could largely be replaced by appropriately procured and sited battery storage. He also informed the Board that three previously approved projects are recommended to be on hold and require further evaluation in future planning cycles.

Next, Mr. Billinton explained that the CPUC's 2019-2029 Integrated Resource Planning cycle provided the resource planning assumptions to the ISO. He stated

that the CPUC provided a base portfolio based on its 42 MMT scenario that resulted in approximately a 60 percent RPS, and sensitivity portfolios for policy-driven planning efforts. He added the ISO performed policy-driven study assessments of the 42 MMT scenario and did not identify any new Category 1 policy-driven transmission needs.

Turning next to the economic-driven analysis, Mr. Billinton noted the ISO received a number of economic study requests, which included projects that would more reasonably be categorized as interregional transmission projects, received several proposed reliability projects that cited material economic benefits, and continued the expanded 10-year local capacity technical study, as initiated in the 2018-2019 planning cycle. He added that no economic-driven projects were identified in this planning cycle for approval.

Next, Mr. Billinton provided an overview of the feedback received during the stakeholder process and noted there was general support for the transmission plan, but highlighted concerns with the CPUC Integrated Resource Plan portfolios used for transmission planning, and concerns with reliance on remedial action schemes in lieu of transmission upgrades. He concluded his presentation by noting the 2020-2021 transmission plan: (1) continues to pursue low emission strategies in addressing reliability needs on the ISO controlled grid, (2) sets a foundation for higher renewable energy goals, and (3) provides for prudent and economic development of the transmission system.

Discussion ensued and Neil Millar, Vice President, Infrastructure and Operations Planning, proved responsive comments regarding Silicon Valley Power's public letter to the Board .

Public comment

Public comment was provided as follows:

Manuel Pineda on behalf of Silicon Valley Power
Eric Eisenman on behalf of Pacific Gas and Electric
Michael Landgraf on behalf of GridLiance West

Motion

Governor Borenstein:

Moved, that the ISO Board of Governors approves the ISO 2020-2021 transmission plan attached to the memorandum dated March 17, 2021.

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

DECISION ON KINGSBURY COGEN RELIABILITY MUST-RUN DESIGNATION

Jeff Billinton, Director, Transmission Infrastructure Planning, provided an overview of Management's request for the Board's approval of reliability must-run designations for Kingsbury Cogen. Mr. Billinton reported that in October 2020 KES Kingsburg, LP provided notice of retirement for the 34.5 MW unit effective April 2021, but was denied. He explained that recent analysis concluded the unit was required to meet the 2021 system-wide reliability needs in order to maintain BAL-002-WECC-2a contingency reserve requirements, as well as unloaded capacity to meet operational needs pursuant to BAL-001-2 and BAL-003-2. He added that should the resource secure a resource adequacy contract, no reliability must-run contract would be executed.

Next, Mr. Billinton summarized the stack analysis conducted and stated that a 17.5% margin was needed to maintain reliability standards requirements on a forecast basis. To conclude, Mr. Billinton reviewed the stakeholder process and noted that stakeholders have not raised any issues with the need determination to the Board of Governors or during the FERC proceeding regarding the Midway Cogen reliability must-run designation. Discussion followed and Neil Millar, Vice President, Infrastructure and Operations Planning, provided responsive comments to the Board and stakeholders.

Public comment

There was no public comment.

Motion

Governor Schori:

Moved, that the ISO Board of Governors authorizes Management to designate the Kingsburg Cogen unit 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 March 17, 2021.

The motion was seconded by Chair Galiteva and approved 5-0.

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, market performance report, market initiatives update, Transmission maintenance coordination committee update, Western EIM benefits report, and annual investment report.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 5:20 p.m.