

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
February 6, 2014
ISO Headquarters
Folsom, California**

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The ISO Board of Governors convened the general session meeting at approximately 10:00 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
Ash Bhagwat
Angelina Galiteva
David Olsen

The following members of the executive team were present: Steve Berberich, Eric Schmitt, Keith Casey, Petar Ristanovic, Mark Rothleder, Karen Edson, Becky Regan 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 GENERAL SESSION MINUTES

Governor Galiteva moved for approval of the Board of Governors general session minutes for the December 18-19, 2013 meeting. The motion was seconded by Governor Foster and approved 4-0-0.

CEO REPORT

Governor Richard Maullin joined the meeting.

Steve Berberich, President and CEO, provided an overview of the following sections of his CEO report: overall conditions, outage management, transmission plan, energy imbalance market governance, vehicle to grid roadmap, and renewable generation. Mr. Berberich provided congratulatory remarks to Governor Bhagwat and Governor Galiteva regarding their recent re-appointments to the ISO Board. Mr. Berberich then provided remarks regarding the departure of Nancy Saracino and provided comments in appreciation of her years of service to the organization. Various members of the Board provided additional remarks in appreciation of Ms. Saracino.

Governor Foster read the following resolution into the record and noted it was executed by all members of the Board.

Resolution

WHEREAS, Nancy Saracino joined the California Independent System Operator Corporation in 2007 and was an integral part of the Executive Management Team serving as Vice President, General Counsel and Chief Administrative Officer; and

WHEREAS, Ms. Saracino has a long history of serving the people of California as a recognized energy legal expert, including working as a Deputy Attorney General on the Energy Task Force helping to guide the California ISO and the State of California out of the crisis; and

WHEREAS, Ms. Saracino played a strong role in molding ISO strategic plans, annual and long term goal creation and was committed to creating an excellent, credible organization; and

WHEREAS, Ms. Saracino led the initial efforts at crafting regional strategies that has resulted in a Western Energy Imbalance Market, the first western markets outside of California; and

WHEREAS, Ms. Saracino played an instrumental role in finding thoughtful and creative resolutions to difficult legal matters; and

WHEREAS, Ms. Saracino created a nationally recognized compliance program and fostered a high level of integrity through compliance and internal process excellence; and

WHEREAS, Ms. Saracino recruited and molded an amazing group of talented people and leaves a legacy of bright and motivated employees; and

WHEREAS, the new headquarters' building forever holds Ms. Saracino's fingerprints and reflects her commitments to sustainability; and

WHEREAS, Ms. Saracino served as an advisor, confidant and sounding board to the multiple Chief Executive Officers; and

WHEREAS, Ms. Saracino showed exceptional leadership by encouraging the ISO and its staff to reach for new levels in professionalism, now, therefore be it

RESOLVED, that the California ISO Board of Governors hereby expresses its utmost gratitude and sincerest appreciation to Ms. Saracino for her service to the California ISO and the State of California.

BRIEFING ON VEHICLE TO GRID ROAD MAP AND GOVERNOR'S ZEV ACTION PLAN

Heather Sanders, Director Regulatory Affairs – Distributed Energy Resources, provided the Board with an overview of the vehicle to grid integration road map. Ms. Sanders described how the road map was a component of the larger Governor's Zero Emission Vehicle Action Plan. She described how the road map focused on developing solutions that would enable electric vehicles to provide grid services while still meeting consumer driving needs. Ms. Sanders provided an overview of three activity tracks that had been identified to enable electric vehicles to provide grid services. Ms. Sanders concluded by discussing highlights of the Governor's March 2012 Executive Order on zero emission vehicles.

Randall Winston, Special Assistant to the Executive Secretary – Office of the Governor, provided an overview of Governor Brown's Zero Emission Vehicle Action Plan. He acknowledged the efforts and continued support of the California ISO and the ISO Board in this area. Mr. Winston provided an overview of the following four goals of the plan: complete needed infrastructure and planning, expand consumer awareness and demand, transform fleets, and grow jobs and investments in the sector. Mr. Winston then discussed a graph that depicted how the adoption of electric vehicles was increasing and how California continued to lead the way. He concluded his presentation by discussing next steps, including the launch of the fuel cell market. Discussion followed regarding what types of vehicles qualified as a zero emission vehicle.

DECISION ON FULL NETWORK MODEL EXPANSION

Greg Cook, Director – Market and Infrastructure Policy, provided the Board with an overview of Management's proposal to expand the full network model in order to increase the ISO's modeling capabilities. He described how the full network model

expansion would provide increased reliability and market efficiency benefits. Mr. Cook described how unscheduled loop flows were caused by the difference between contract path scheduling and how energy actually flowed. He discussed how the proposal would address current challenges caused by underscheduled flows. Mr. Cook stated that stakeholders largely supported the proposal, including unscheduled flows in the day-ahead market. He further discussed concerns that had been raised and noted that the Board would be briefed again in September with the results of a pre-implementation analysis that would be conducted. Mr. Cook noted that the full network model expansion would also help to facilitate implementation of the energy imbalance energy market.

Public comment

Nancy Saracino, Vice President, General Counsel and Chief Administrative Officer, acknowledged the public comment letter received from Powerex.

Jeff Nelson, on behalf of Southern California Edison, provided comments in support of Management's proposal with the exception of the proposal to apply the unscheduled flow estimates to the day-ahead market. Mr. Nelson stated that in order to verify the accuracy of the estimates, SCE would like to see the ISO gain more experience and capability in estimating unscheduled flow before having it applied to the day-ahead market.

Roy Kuga, on behalf of Pacific Gas and Electric Company, provided comments in support of Management's proposal.

Discussion ensued and the Board inquired as to how Management would address the concern about relying on forecasts of unscheduled flow as part of the day-ahead market calculation. Keith Casey, Vice President – Market and Infrastructure Development, confirmed that the ISO would not implement anything that would put the market in a worse off position. Discussion followed regarding the FERC process and how the tariff language could be drafted to address the optionality of the forecasting provision.

Market Surveillance Committee comment

Scott Harvey, member of the Market Surveillance Committee, provided comments in support of Management's proposal. Mr. Harvey provided an overview of the MSC opinion titled "Opinion on Implementation of Full Network Model", including what others in the industry were doing. Mr. Harvey discussed how important it was for the ISO to commit the resources necessary to analyze, validate, and benchmark the full network model before and after implementation to ensure the features provided the intended benefits.

Department of Market Monitoring comment

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal to improve modeling of the ISO system by expanding the topology and inputs used to project actual power flows in the day-ahead and real-time market models. Mr. Hildebrandt concurred with the comments by Mr. Harvey and noted that the Department of Market Monitoring would continue to work with the ISO and the Market Surveillance Committee on this important initiative.

Discussion followed regarding proposed motion language and Ms. Saracino read the following modified motion into the record:

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed full network model expansion, as described in the memorandum dated January 30, 2014; and

Moved, that ISO Management is directed to present its analysis on unscheduled flow for the Board to assess the accuracy of projections prior to implementation; 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 5-0-0.

DECISION ON OUTAGE MANAGEMENT SYSTEM PROPOSAL

Nancy Traweek, Executive Director – System Operations, provided the Board an overview of Management's outage management system proposal. Ms. Traweek provided an overview of reasons why planned outage requests had nearly doubled since 2004. Discussion ensued regarding the difference between planned and forced outages, and Ms. Traweek described why planned outages were a desired and expected aspect of a reliable grid and generation fleet. Ms. Traweek informed the Board that the ISO had led a collaborative stakeholder process to explore issues and develop solutions, including three "voice of the customer" focus groups. She then discussed the seven areas that Management had identified related to outage rule modifications and process improvements.

Ms. Traweek informed the Board that stakeholders had expressed general support for the proposed changes and that Management was continuing to work with stakeholders to mitigate remaining concerns. Discussion followed regarding the

elimination of outage reports and how that data would be collected going forward. Ms. Traweek concluded her presentation by discussing the benefits of the proposal, including how it would reduce reliability risk through enhanced automation.

No public comment was offered.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the outage management system proposal, as described in the memorandum dated January 30, 2014; 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 Bhagwat and approved 5-0-0.

INFORMATIONAL REPORTS

Karen Edson, Vice President – Policy and Client Services, provided the Board with highlights of the joint letter to Senator Padilla and Senator Fuller from the ISO, CEC and CPUC that documented an agreement to achieve alignment on how the CEC's adopted demand forecast would be used in the various proceeding of the agencies.

Brief discussion followed regarding Governor Bhagwat's inquiry regarding the potential impact of regulated greenhouse gas emissions on the existing fleet, as reported on in the legislative and state regulatory update.

There were no additional questions or comments on the following informational reports: regulatory report, business practice manual change management report, Market Surveillance Committee update, Department of Market Monitoring report, master stakeholder engagement and release plans, and quarterly financial report.

ADJOURNED

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