

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
GENERAL SESSION
July 16, 2015
ISO Headquarters, Folsom, CA**

July 16, 2015

The ISO Board of Governors convened the general session meeting at approximately 9:00 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Richard Maullin, Chair
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were present: Steve Berberich, Mark Rothleder, Keith Casey, Eric Schmitt, Karen Edson, Roger Collanton, Ryan Seghesio and Becky Regan.

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 Olsen moved for approval of the Board of Governors general session minutes for the May 14, 2015 meeting. The motion was seconded by Governor Galiteva and approved 3-0, with Governor Ferron abstaining.

Governor Galiteva moved for approval of the Board of Governors general session minutes for the May 22, 2015 meeting. The motion was seconded by Governor Olsen and approved 3-0, with Governor Ferron abstaining.

Governor Galiteva moved for approval of the Board of Governors general session minutes for the June 30, 2015 meeting. The motion was seconded by Governor Maullin and approved 3-0, with Governor Ferron abstaining.

CEO REPORT

Steve Berberich, President and CEO, welcomed newly appointed Board member Mark Ferron and congratulated Governor Maullin on his recent confirmation for another three-year term on the Board. Mr. Berberich also provided an overview on the following sections of his report: Energy imbalance market performance and governance update, distributed energy resources proposal, and renewable generation peaks.

BRIEFING ON ENERGY IMBALANCE MARKET

Janet Morris, Director, Program Management Office, provided a briefing on the energy imbalance market and an update on the implementation of NV Energy. Ms. Morris provided an overview of the five major milestones related to implementation of NV Energy and noted NV Energy was preparing to run “Day in the Life” test cases later in the month. She stated that market simulation would include the energy imbalance market year one enhancements and would focus on operator readiness and training. Ms. Morris concluded by providing an overview of energy imbalance market readiness criteria that was established to ensure smooth energy imbalance market operations.

Walter Spansel, NV Energy’s Vice President, Transmission, also provided an overview of NV Energy’s implementation activities. Mr. Spansel provided an overview of outstanding FERC compliance filings associated with tariff approval. He next discussed ongoing activities associated with operational readiness and noted that operations and settlements personnel had been added early on. He stated the project was on track for implementation on October 1, 2015.

DECISION ON BID COST RECOVERY AND VARIABLE ENERGY RESOURCE SETTLEMENT

Greg Cook, Director—Market and Infrastructure Policy, provided an overview of Management’s proposal on bid cost recovery and variable energy resource settlement. Mr. Cook explained that the initiative provided further enhancements to FERC Order No. 764 and bid cost recovery changes from 2014. He stated the proposal modified the settlement of variable energy resources to remove disincentives for economic bids and that minor modifications were made to the bid cost recovery metric to ensure mitigation was consistent with the original policy intent. Mr. Cook stated that stakeholders supported the proposal. Discussion ensued regarding the ISO’s outreach efforts with utilities and the CPUC regarding the benefits of economic bids. Management committed to provide the Board an update on the effectiveness of the incentives early next year.

Public comment

Catherine Hackney, on behalf of Southern California Edison, provided comments in support of Management’s proposal.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the bid cost recovery and variable energy resource settlement proposal, as described in the memorandum dated July 9, 2015; 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.

DECISION ON EXPANDING METERING AND TELEMETRY OPTIONS INITIATIVE

Tom Flynn, Infrastructure Policy Development Manager, provided an overview of Management's proposal on the expanding metering and telemetry options initiative. He explained that the proposal provides new provisions to enable distribution-connected resources to participate in the ISO market and allow aggregations of distribution-connected resources to participate in the ISO market as a single market resource. Mr. Flynn stated the proposal limited geographic dispersion of an aggregation of distribution-connected resources to meet ISO operational needs. He provided an overview of graphs that illustrated an aggregation at a single pricing mode and an aggregation across multiple nodes. He stated stakeholders generally supported the proposal but noted some sought greater flexibility for aggregations across multiple pricing nodes.

Public comment

Edward Cazelet, on behalf of TeMix, Inc., provided comments on Management's proposal and noted concerns stating the proposal was too complex. Discussion followed regarding potential alternatives.

Alex Morris, on behalf of California Energy Storage Alliance, provided generally supportive comments on Management's proposal and noted he was looking forward to phase 2 functionality.

Mark Huffman, on behalf of Pacific Gas & Electric, provided generally supportive comments on Management's proposal. Mr. Huffman requested that implementation be bifurcated so that behind-the-meter resources would not be incorporated at this time. Brief discussion followed regarding the role of the resources, the ISO and the CPUC in resolving outstanding issues.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposal for expanding metering and telemetry options, as described in the memorandum dated July 9, 2015; 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 Ferron and approved 4-0.

BREIFING ON FERC ORDER No. 809

Greg Cook, Director—Market and Infrastructure Policy, provided an overview of FERC Order No. 809 and stated it sought to align natural gas and electricity market timelines. Mr. Cook noted that Management had considered three day-ahead market closing timeline alternatives. He discussed stakeholder concerns with alternatives 1 and 3 and stated that based on this feedback and Management's analysis, Management proposed alternative 2, which maintains the current day-ahead market closing time of 11:00 a.m. Pacific time. Brief discussion followed.

Public comment

Catherine Hackney, on behalf of Southern California Edison, provided comments in support of Management's proposal and indicated that Southern California Edison will file supportive comments with FERC.

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

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

DECISION ON INVESTMENT POLICY

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of proposed changes to the ISO's Investment Policy. Mr. Seghesio stated the Board is responsible for reviewing and approving the policy every three years. He provided an overview of the proposed changes and noted the majority involve updating language, formatting, and style to eliminate ambiguities and improve readability. He noted that, while some of the changes could affect the way the ISO invests corporate funds, these were not material changes.

Mr. Seghesio noted that one change was to clarify the minimum credit rating language to allow

securities that have two qualified ratings. He explained that the proposed modifications are consistent with the ISO's conservative investment objectives, as well as current best practices. Brief discussion followed regarding the proposed changes and Mr. Seghesio confirmed that the ISO's third-party broker and the ISO's Corporate Management Committee reviews all proposed changes.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the amended Investment Policy as attached to the memorandum dated July 9, 2015.

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

BRIEFING ON RENEWABLES IN THE GENERATOR INTERCONNECTION QUEUE

Bob Emmert, Manager—Interconnection Resources, provided an update on renewables in the generator interconnection queue, including current and projected renewable generation capacity by resource type, and conventional renewable interconnect by county. Mr. Emmert stated the current ISO queue contains approximately 43,900 megawatts (26,100 megawatts renewable) actively seeking interconnection. He noted that, while not considered renewable generation, a significant amount of energy storage projects entered the ISO queue in 2014 and 2015. Brief discussion followed regarding the impact of the 50% renewables goal on the generator interconnection queue.

INFORMATIONAL REPORTS

There were no questions on the following informational reports: regulatory update, State, Regional and Federal affairs update, business practice manual change management report, Department of Market Monitoring update, Market Surveillance Committee update, master stakeholder engagement and release plans, update on North of Lugo high voltage mitigation project, and market performance update.

RECESSED

There being additional general session items to discuss, the ISO Board of Governors recessed the general session meeting at approximately 11:10 a.m.

RECONVENED

The ISO Board of Governors reconvened the general session meeting at approximately 11:20 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Richard Maullin, Chair
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were present: Steve Berberich, Mark Rothleder, Keith Casey, Eric Schmitt, Karen Edson, Roger Collanton, Ryan Seghesio and Becky Regan.

GENERAL SESSION

The following agenda items were discussed in general session:

EIM TRANSITIONAL COMMITTEE CHAIR UPDATE

Rebecca Wagner, EIM Transitional Committee Chair, provided an update on committee activities. Ms. Wagner stated the committee completed and posted the draft final proposal on EIM governance on June 22. She noted that stakeholders provided valuable feedback to the committee as it considered revisions to the draft final proposal and that additional refinements and modifications were anticipated before the committee decides on its final proposal at its August 25 meeting. She stated the committee would bring the final proposal to the Board for its consideration at its September 2015 board meeting. She stated the committee continues to receive briefings from ISO management on EIM operations and implementation status with NV Energy, Puget Sound Energy and Arizona Public Service. She noted that committee members continue to provide education and outreach to various stakeholders through presentations and meetings. Brief discussion followed.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 11:30 a.m.