

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
March 15, 2017
ISO Headquarters
Folsom, California**

March 15, 2017

The ISO Board of Governors convened the general session meeting at approximately 2:10 p.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
Ash Bhagwat
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were also present at times throughout the meeting: Steve Berberich, Keith Casey, Petar Ristanovic, Mark Rothleder, Eric Schmitt, Roger Collanton, Tom Doughty, Stacey Crowley, Ryan Seghesio and Jodi Ziemathis

GENERAL SESSION

The following agenda items were discussed in general session:

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the February 16, 2017 meeting. The motion was seconded by Governor Olsen and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall system conditions, transmission plan, preliminary summer assessment, audit committee membership rotation, and renewable energy production.

DECISION ON MARKET SURVEILLANCE COMMITTEE MEMBER REAPPOINTMENT

Mr. Berberich next informed the Board that Dr. Scott Harvey has been a member of the Market Surveillance Committee since 2011 with his current term expiring on March 31. He described how Dr. Harvey has provided invaluable expertise and advice to the Board, ISO Management and staff on numerous issues relating to the operation of the ISO market. Mr. Berberich requested that the Board reappoint Dr. Harvey for a three-year term to end March 31, 2020.

Motion**Governor Ferron:**

Moved, that the ISO Board of Governors reappoint Dr. Scott Harvey to the Market Surveillance Committee, an advisory committee to the ISO Board of Governors, for a three-year term to end March 31, 2020; and

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

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

PUBLIC COMMENT

Greg Blue, on behalf of Congentrix Energy, provided comments in follow-up to his comments at the February 16, 2017 Board meeting regarding the flexible resource adequacy criteria and must offer obligation – phase 2 initiative. He requested that the Board direct Management to accelerate the stakeholder process. Mr. Blue also provided comments regarding the Encina study process and the associated extension request.

Carrie Bentley, on behalf of the Western Power Trading Forum, provided comments in appreciation of the ISO's spring oversupply conditions presentation at the Market Performance and Planning Forum.

V. John White, on behalf of the Center for Energy Efficiency and Renewable Technologies, provided comments regarding oversupply conditions and cautioned the ISO to look at all options to address the issue, including exchanges with the Northwest. Mr. White also noted disappointment with the portfolio information provided by the CPUC to the ISO as part of the transmission planning process.

EIM GOVERNING BODY BRIEFING

Doug Howe, Vice Chair of the EIM Governing Body, provided the Board with an update on recent EIM Governing Body activities, and provided highlights of the February 28 – March 1, 2017 joint EIM Governing Body, Regional Issues Forum, and Body of State Regulators meeting, in Las Vegas, Nevada. He stated that the Body of State Regulators was on track for presenting its recommendation on a proposed decision making process to the Board at the July meeting. Mr. Howe noted appreciation to Governor Galiteva for attending the meeting. Mr. Howe also provided highlights of various outreach activities of the EIM Governing Body members.

DECISION ON ISO 2016-2017 TRANSMISSION PLAN

Neil Millar, Executive Director – Infrastructure Development, provided an overview of the proposed 2016-17 transmission plan. Mr. Millar explained that Board approval of the plan means Board approval of the plan's determinations and recommendations. He provided an overview of the transmission planning process and noted the process included four consultation windows.

Mr. Millar provided an overview of the two reliability projects identified in the plan as needed projects. He also informed the Board that 13 previously approved local PG&E projects were no longer required based on reliability and local capacity requirements and deliverability assessments. He also provided an overview of 15 projects that were identified as needing further review and scoping. Mr. Millar next described how the ISO was reviewing potential alternatives for the existing fossil-fueled Oakland Power Plant. He described how the ISO's policy-driven analysis focused on the 33% Renewables Portfolio Standard. Mr. Millar reviewed a graph that projected the regional high voltage transmission access charge. He next provided an overview of the six special studies on emerging issues that were conducted. He concluded his presentation by discussing the feedback received during the stakeholder process.

Public comment

Jody Holland, on behalf of GridLiance, provided comments and noted GridLiance was purchasing the high voltage transmission system from Valley Electric Association. Mr. Holland noted appreciation for ISO staff's assistance throughout the process and requested that analysis of the Bob Tap Substation to Mead Substation line be reconsidered as part of the 2016-17 plan or, alternatively, to direct the ISO to conduct an economic study to address congestion elements as part of the 2017-18 planning process. Mr. Millar provided responsive comments.

Dave Gabbard, on behalf of Pacific, Gas and Electric Company, provided comments in appreciation of the efforts of ISO staff throughout the process. Mr. Gabbard requested that the ISO's reevaluation of the 15 projects in the next planning cycle be conducted in an

expeditious manner. Mr. Gabbard requested that the Board approve the 2016-17 transmission plan. Brief discussion followed.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the ISO 2016-2017 transmission plan *attached to the memorandum dated March 8, 2017.*

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

DECISION ON REQUEST FOR RELIABILITY MUST-RUN DESIGNATIONS

Neil Millar, Executive Director – Infrastructure Development, provided an overview of Management’s proposed reliability must-run designations. Mr. Millar stated that Calpine has identified four 47 MW peaker plants that will be unavailable in 2018 absent a capacity contract. He noted that Calpine cited timing concerns with the capacity procurement mechanism due to capital outlay and resource planning requirements. He described how the ISO undertook the necessary studies to confirm whether these units would create unacceptable reliability impacts. Mr. Millar stated that the Yuba City Energy Center and the Feather River Energy Center were determined to be needed for reliability, and that the King City Energy Center and Wolfskill Energy Center were not needed for reliability. Mr. Millar provided an overview of the stakeholder process. Brief discussion followed regarding the importance of evaluation of non-generation options.

Public comment

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments in support of approval of the proposed reliability must-run designations, but requested that the ISO look at alternative options under the tariff to address risk-of-retirement issues.

Mark Smith, on behalf of Calpine, provided an overview of a letter from Calpine to the ISO dated November 28, 2016, which was included as an attachment to Management’s memo to the Board. Mr. Smith provided comments in support of approval of the proposed reliability must-run designations. Brief discussion followed.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments and noted appreciation to ISO staff for their assistance throughout the process. Mr. Eisenman requested that the ISO work with stakeholders to enhance the process to address risk-of-retirement issues.

Jan Strack, on behalf of San Diego Gas & Electric Company, provided comments and concurred that the ISO needed to work with stakeholders to enhance the process and look at alternatives that could be used to address risk-of-retirement issues. Brief discussion

followed. Mr. Millar provided responsive comments regarding longer-term alternatives, and the Board emphasized the importance of developing a commercial solution to phase out gas units to support a low-carbon economy.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors authorizes Management to designate the Yuba City Energy Center and the Feather River Energy Center 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 8, 2017.

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

DECISION ON EXTENDING PARTICIPATING INTERMITTENT RESOURCE PROGRAM PROTECTIVE MEASURES

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

Don Tretheway, Senior Advisor – Market Design and Regulatory Policy, provided an overview of Management’s proposal to extend the transitional participating intermittent resource program protective measures. Mr. Tretheway provided the Board with a background overview and noted the participating intermittent resource program was established in 2002. He described how FERC Order No. 764 market design changes oriented the real-time market around renewable resources, including: introduction of the 15-minute market and settlement, enabling more granular forecasting closer to actual flow, and providing the ability to use economic bids to determine if dispatched to forecast level.

Mr. Tretheway described how the September 2013 PIRP protective measures were approved for renewable resources that could not take advantage of Order No. 764 functionality immediately. He stated that Management conducted a review to determine if the protective measures should be extended and determined that they should be extended for a one-time, one-year period to April 30, 2018. Mr. Tretheway concluded his presentation by providing an overview of the stakeholder positions.

Public comment

Joe Karp, on behalf of CalWEA, referenced the public comment letter submitted to the Board and provided comments in support of Management’s proposal but requested that the Board have an opportunity to further extend in 2018. Brief discussion followed

regarding issues raised in the letter as well as how comments submitted as part of the stakeholder process fed into Management's recommendation.

Catherine Hackney, on behalf of Southern California Edison, provided comments in support of Management's recommendation for a one-time, one-year extension.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments in support of Management's recommendation for a one-time, one-year extension.

Discussion followed regarding the status of contract negotiations and the request by CalWEA for the Board to revisit the extension in 2018. Management provided responsive comments and the Board concurred that a one-time, one-year extension is appropriate, with the caveat that the Board has the right to revisit any Board matter.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the proposal to extend the participating intermittent resource program transitional protective measures for an additional year to April 30, 2018, as described in the memorandum dated March 8, 2017; 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 extension.

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

DECISION ON GENERATOR INTERCONNECTION DRIVEN NETWORK UPGRADE COST RECOVERY PROPOSAL

Steve Rutty, Director – Grid Assets, provided an overview of Management's generator interconnection driven network upgrade cost recovery proposal. Mr. Rutty described how experience with Valley Electric Association identified a problem with generator-driven low-voltage network upgrade cost allocation for small participating transmission owners. He provided an overview of the three criteria that were utilized to narrowly address small participating transmission owners facing large generator-driven local transmission access charge increases.

Mr. Rutty stated that participating transmission owners who meet the criteria will receive different low-voltage transmission rate treatment. He described how approved participating transmission owners that no longer meet any one of the criteria would no longer receive separate rate treatment. He described how the proposal addresses rate shock for small participating transmission owners and has de minimus rate impact on

large participating transmission owners. Mr. Ruty concluded his presentation by providing an overview of the stakeholder process and benefits of the proposal.

Public comment

Joshua Weber, on behalf of Valley Electric Association, provided comments in support of Management's proposal and noted appreciation to ISO staff for their work throughout the stakeholder process.

Joe Karp, on behalf of Large Scale Solar Association, CalWEA, Independent Energy Producers and sPower, provided comments in support of Management's proposal.

Jan Strack, on behalf of San Diego Gas and Electric Company, provided comments and noted concern with the cost allocation proposal in relation to FERC policy.

Catherine Hackney, on behalf of Southern California Edison Company, provided comments in support of Management's proposal and noted appreciation to ISO staff throughout the process.

Brief discussion followed and Management provided responsive comments.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the proposal for generator interconnection driven network upgrade cost recovery, as described in the memorandum dated March 8, 2017; and

Moved, that the ISO Board of Governors approves Management's determination that Valley Electric Association meets the criteria set forth in that proposal; 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 5-0.

BRIEFING ON PRELIMINARY SUMMER LOADS AND RESOURCES ASSESSMENT RESULTS

Robert Emmert, Manager – Interconnection Resources, provided an overview of the preliminary 2017 Summer Loads and Resources Assessment results. Mr. Emmert reviewed the following key results: (1) Hydroelectric capability is near record levels for 2017, and (2)

Adequate reserve margins exist to meet peak summer demand. He provided an overview of a graph that depicted that hydroelectric capability is near record levels and, as of March 9, statewide snow water content is at 168% of the April 1 average. He also reviewed a graph that showed there were adequate reserve margins to meet peak summer demands. Mr. Emmert concluded his presentation by discussing next steps, and noted the final report is on track for publication in early May.

DECISION ON DEPARTMENT OF MARKET MONITORING OVERSIGHT COMMITTEE

Greg Fisher, Senior Counsel, provided an overview of Management's proposal to create a Department of Market Monitoring Oversight Committee, approve the proposed Charter, appoint a chair and member, and authorize Management to make all necessary filings with FERC. Mr. Fisher described how in light of evolving best practices for maintaining independence, and the appearance of independence, of an internal market monitoring function, Management is proposing to vest all administrative oversight of DMM with the Board. Mr. Fisher explained that currently the Board oversight extends to DMM's core market monitoring function, with administrative oversight by the CEO. Brief discussion followed regarding the proposed tariff change to define the reporting relationship of the Director of Market Monitoring.

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal and noted appreciation to Mr. Berberich for his leadership and support.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors designates a DMM Oversight Committee as a committee of the Board, pursuant to Article V, Section 1 of the ISO bylaws, with its members to be compensated for their service as provided in the Board's existing compensation resolution, dated December 13-14, 2012;

Moved, that the ISO Board of Governors approves the proposed Charter of the DMM Oversight Committee, as attached to the memorandum dated March 8, 2017;

Moved, that the Board appoints Governors Galiteva and Bhagwat as members of the DMM Oversight Committee, with Governor Galiteva as Chair; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy

Regulatory Commission to make the tariff change consistent with the proposal, as provided in the memorandum dated March 8, 2017.

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

DECISION ON AUDIT COMMITTEE CHARTER

Greg Fisher, Senior Counsel, provided an overview of Management's proposed changes to the Audit Committee Charter. Mr. Fisher described how upon a recent review of the Charter, discussions with the Director of Internal Audit, and review of the Institute of Internal Auditors' Model Audit Committee Charter, Management determined that the Charter should be revised to better align with the Model Charter, by expressly providing the Committee with specific oversight of the appointment, replacement or dismissal of the Director of Internal Audit, and review of the Director of Internal Audit's performance review and compensation. Brief discussion followed.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed Audit Committee Charter, as attached to the memorandum dated March 8, 2017.

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

INFORMATIONAL REPORTS

There were no comments or questions 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, master stakeholder engagement and release plans, market performance update, Transmission Maintenance Coordination Committee update, and the annual investment performance report.

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 5:00 p.m.