

**GENERAL SESSION MINUTES  
BOARD OF GOVERNORS MEETING  
November 1 - 2, 2017  
ISO Headquarters  
Folsom, California**

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**November 2, 2017**

The ISO Board of Governors convened the general session meeting at approximately 8:40 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  
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:

**PUBLIC COMMENT**

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of a public comment letter from NRG Energy, Inc. regarding the closure of the temporary shutdown of resource operations initiative.

Carrie Bentley, on behalf of Western Power Trading Forum and NRG Energy, provided comments on the ISO's closure of the temporary shutdown of resource operations initiative and requested that it be reopened. Ms. Bentley stated that WPTF supported the position of NRG Energy, Inc. Keith Casey, Vice President – Market and Infrastructure Development, provided responsive comments regarding the stakeholder process and why it was decided to close the initiative after exploring numerous options.

Discussion followed regarding the need to explore fundamental changes to the entire resource adequacy program.

### **DECISION ON GENERAL SESSION MINUTES**

Governor Ferron moved for approval of the Board of Governors general session minutes for the September 19-20, 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, inverter settings, reliability must-run designations, symposium, 3<sup>rd</sup> quarter EIM benefits report, and renewable energy production.

### **DECISION ON CAPACITY PROCUREMENT MECHANISM RISK OF RETIREMENT PROCESS ENHANCEMENTS**

Keith Johnson, Infrastructure and Regulatory Policy Manager, provided a background overview and described how the resource adequacy program, the reliability must-run agreements and the capacity procurement mechanism work together to ensure reliability. He reviewed a graph that depicted how the types of needed attributes (i.e. reliability need, timing of need, etc.) affect how capacity is procured. He noted that capacity procurement mechanism and reliability must-run designations reflect deficiencies in the resource adequacy framework and that the ISO will be exploring potential modifications to the reliability must-run process to better align with the current operating environment.

Next, Mr. Johnson provided an overview of Management's capacity procurement mechanism risk of retirement process enhancements proposal. Mr. Johnson described how the current process does not provide sufficient notice to meet business needs to retire a facility. He stated that resource owners have requested the process be improved to allow the ISO to indicate its decision earlier in the year. He described how Management was proposing two windows each year (April and November) when resources can request a retirement assessment. He discussed the stakeholder process and noted that some stakeholders were concerned that creating an April window would have adverse impacts on the resource adequacy market. Mr. Johnson reviewed a listing of proposed provisions in the proposal to mitigate these potential adverse impacts. He concluded by providing an overview of the proposal's benefits.

#### Public comment

Carrie Bentley, on behalf of Western Power Trading Forum, provided comments on Management's proposal and noted that while WPTF appreciates the ISO's efforts on this initiative, it fails to see the need for or benefit of the proposed enhancements.

Pamela Mills, on behalf of San Diego Gas and Electric Company, provided comments on Management's proposal and requested that the Board reject the proposal and open an initiative to examine the entire resource adequacy construct.

Michele Kito, on behalf of the California Public Utilities Commission, provided comments on Management's proposal and noted concerns, including the relaxation of attestation requirements. Mr. Johnson provided responsive comments and described how the proposed changes to the attestation requirements were even stronger.

Peter Griffes, on behalf of Pacific Gas and Electric Company, provided comments on Management's proposal and requested that the Board reject the proposal and direct the ISO take a more comprehensive look at the entire resource adequacy program.

Mark Smith, on behalf of Calpine, provided comments on Management's proposal and stated that while Calpine does not oppose the proposal, the ISO needs to look at exploring fundamental changes to the resource adequacy program.

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal and provided highlights of the Department of Market Monitoring memo provided to the Board regarding the proposal.

Discussion ensued regarding the CPUC resource adequacy proceeding, the need for fundamental changes to the resource adequacy process, and the importance of maintaining the financial viability of gas generation. Mr. Casey provided comments in response and agreed that a more comprehensive look at the resource adequacy program and procurement tools in place is warranted, but that the current proposal is a step in the right direction for now.

## Motion

### Governor Galiteva:

***Moved, that the ISO Board of Governors approves the proposal to enhance the capacity procurement mechanism risk of retirement process as described in the memorandum dated October 25, 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 tariff change, as described in the memorandum dated October 25, 2017.***

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

## DECISION ON RELIABILITY MUST-RUN DESIGNATIONS FOR METCALF ENERGY CENTER

Neil Millar, Executive Director – Infrastructure Development, provided an overview of Management’s request for a reliability must-run designation for Metcalf Energy Center. Mr. Millar informed the Board that Calpine has identified that the 602 MW Metcalf Energy Center as unavailable in 2018 absent a capacity contract. He described how the ISO undertook the necessary studies to confirm whether these units would create unacceptable reliability impacts. He reviewed a graph that depicted how the types of needed attributes (i.e. reliability need, timing of need, etc.) affect how capacity is procured. He informed the Board that the ISO’s assessment confirmed the reliability need for the Metcalf Energy Center.

Mr. Millar provided an overview of the numerous contingencies that are of concern in the sub-area with the Metcalf Energy Center, including the outage of the Tesla-Metcalf 500 kV and Moss Landing-Los Banos 500 kV. Mr. Millar provided an overview of the stakeholder process and stated concerns were raised with the overall resource adequacy program and its implementation. Mr. Millar requested that the Board approve the designation and noted that next steps would include ISO staff working with Calpine along with the responsible utility and the CPUC to review Calpine’s proposed cost of service. Discussion followed and Sidney Mannheim, Assistant General Counsel – Tariff, provided comments in response to inquiries from the Board regarding the proposed designation in relation to condition 1 and condition 2 designations.

### Public comment

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments in opposition to the proposed designation on process grounds and requested that the ISO consider a capacity procurement designation for the Metcalf Energy Center, clarify applicable reliability must-run tariff provisions, and continue to look at better market solutions in the southern bay area. Mr. Casey provided responsive comments and confirmed that while the ISO was committed to looking at potential transmission solutions for this area as part of the transmission planning process, the reliability must-run need for the Metcalf Energy Center in 2018 remained. Discussion ensued and Mr. Casey, Mr. Millar and Mr. Eisenman answered various inquiries from the Board.

Greg Blue, on behalf of Cogentrix Energy, provided comments and noted Cogentrix does not oppose this particular contract but strongly supported earlier remarks regarding the importance of fixing the resource adequacy program.

Michele Kito, on behalf of the California Public Utilities Commission, provided comments and noted concerns with this contract in the following areas: cost, use of reliability must-run in this context, contract terms, and timing. Mr. Casey provided responsive comments.

Mark Smith, on behalf of Calpine, provided comments in support of Management's proposal and stated that upon approval, Calpine will make the appropriate filings with FERC and begin cost negotiations. Mr. Smith discussed condition 1 and 2 designations and noted that Calpine supported a condition 2 designation.

Discussion ensued and the Board emphasized the importance of looking at non-fossil generation options in the future for the Metcalf area in addition to looking at changing the reliability must-run process over time. Discussion followed regarding the concerns of the Board with the existing resource adequacy process. Mr. Casey provided responsive comments and stated the ISO will look at preferred resource options as well as transmission options and will commit to commencing a stakeholder initiative early next year to look at the reliability must-run framework process. Mr. Casey further committed to providing the Board an update on the initiative at its March meeting when the transmission plan goes to the Board for decision. Discussion followed regarding potentially sharing advance notice of units at risk of retirement as well as potential modifications to the tariff regarding condition 1 and 2 designations. Mr. Casey provided responsive comments.

## Motion

### Governor Bhagwat:

***Moved, that the ISO Board of Governors authorizes Management to designate the Metcalf Energy Center for reliability must-run service and negotiate a reliability must-run contract with rates, terms and conditions acceptable to Management, as described in the memorandum dated October 25, 2017.***

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

## DECISION ON RESOURCE ADEQUACY AVAILABILITY INCENTIVE MECHANISM PROPOSAL

Karl Meeusen, Senior Advisor – Infrastructure and Regulatory Policy, provided comments on Management's proposal to modify the resource adequacy availability incentive mechanisms. Mr. Meeusen described how a policy gap was identified in the resource adequacy availability incentive mechanism calculation that requires modifications to eliminate adverse incentives. He described how the proposed modifications to the current calculation appropriately weight system and flexible resource adequacy performance. He noted that because this was a policy change, the proposed modifications would apply prospectively. Mr. Meeusen stated the revised calculation would eliminate opportunity for resources to reduce incentives to meet resource adequacy obligations. He provided an overview of the stakeholder process and stated that while stakeholders supported correcting the incentives, they differ on how to achieve the objective. He concluded his presentation by reviewing the benefits of the proposal and stated the ISO would continue to work closely with stakeholders through tariff and business practice manual development.

### Public comment

Pamela Mills, on behalf of Pacific Gas and Electric Company, provided comments in opposition to Management's proposal and requested the ISO take additional time in the process to develop of a revised calculation as well as provide settlement data requested by PG&E during the stakeholder process.

Mark Smith, on behalf of Calpine, provided comments in support of Management's proposal as a policy change and supports that the modifications will be applied prospectively.

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal as an improvement that will be in place by summer but recommended the ISO monitor implementation of the new calculation given the short review process.

Discussion followed and Mr. Casey stated the ISO would be closely monitoring implementation.

### **Motion**

#### **Governor Galiteva:**

***Moved, that the ISO Board of Governors approves the proposal to modify the resource adequacy availability incentive mechanism as described in the memorandum dated October 25, 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 tariff change, as described in the memorandum dated October 25, 2017.***

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

### **DECISION ON ISO PLANNING STANDARDS**

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

Neil Millar, Executive Director of Infrastructure Development, provided an overview of Management's proposal to make modifications to the ISO's Transmission Planning Standards. Mr. Millar stated that all of the proposed changes were contained in the voltage standard section of the standards. He informed the Board that a stakeholder call was held and that there were no significant comments or objections to the proposed changes. Mr. Millar recommended the Board approve the updated planning standards.



There was no additional public comment on this item.

## Motion

**Governor Bhagwat:**

***Moved, that the ISO Board of Governors approves the ISO planning standards as attached to and described in the memorandum dated October 25, 2017.***

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

## DECISION TO MODIFY BOARD COMPENSATION

Greg Fisher, Senior Counsel, provided an overview of Management's recommendation to increase the overall compensation for Board members. Mr. Fisher stated that a recent Board compensation survey reflected that the Board's current compensation was positioned below the 25<sup>th</sup> percentile of the market rate. Mr. Fisher provided an overview of Management's recommendation, including increasing the Board's annual retainer from \$20,000 to \$40,000 and to increase in-person meeting and attendance fees from \$750.00 to \$1,000.

## Motion

**Governor Ferron:**

***Moved, that in accordance with Article III, Section 16 of the bylaws, the ISO Board of Governors hereby modifies the compensation to Board members for their service to the California ISO, effective November 3, 2017 as follows:***

- ***The standard annual retainer paid to a Governor shall be \$40,000, paid in accrued quarterly installments, commencing with payment for the accrued quarterly installment for the 4<sup>th</sup> quarter of 2017;***
- ***A fee of \$1,000 shall be paid for each day of participation at a noticed in-person Board meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Board meeting;***
- ***A fee of \$1,000 for each meeting day shall be paid for time spent preparing for a noticed in-person Board meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Board meeting;***
- ***A fee of \$1,000 shall be paid for each day of participation at a noticed in-***

***person Board Committee meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Board Committee meeting;***

- ***A fee of \$1,000 for each meeting day shall be paid for time spent preparing for a noticed in-person Board Committee meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Board Committee meeting;***
- ***Governors who are not also Committee members will not be compensated for optional attendance at a Committee meeting;***
- ***A fee of \$1,000 shall be paid for each day of in-person participation at ISO-sponsored stakeholder events where the Chief Executive Officer specifically requests Governor attendance;***
- ***A fee of \$1,000 shall be paid to new Governors for participation in each day of the ISO's Board member orientation process;***
- ***Reasonable expenses associated with in-person or teleconference meetings shall be reimbursed;***
- ***Governors who attend meetings or events as representatives of the Board, including ISO/RTO Council meetings and other electric utility or power industry meetings, at the request of the Chair or ISO Management in consultation with the Chair, are not eligible for compensation but shall be eligible for reimbursement of reasonable expenses, as deemed appropriate and approved by the Chair of the Board;***
- ***Governors shall be eligible for conference fees and reasonable expenses associated with seminars, training and conferences related to corporate governance or best practices for Governing Boards, deemed appropriate and approved by the Chair of the Board; and***
- ***Reimbursements for reasonable expenses, as set forth above, shall be in compliance with the ISO Travel Policy for Governors.***

**The motion was seconded by Governor Bhagwat 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, EIM Governing Body Chair update, transmission economic assessment methodology update, update on the results of the reliability must-run contract extensions for 2018, and the quarterly financial report.

**ADJOURNED**

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