

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
July 26 - 27, 2017
ISO Headquarters
Folsom, California**

July 26, 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, Mark Rothleder, Eric Schmitt, Roger Collanton, Tom Dougherty, 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 the following public comment letters that were submitted to the Board: Cogentrix Energy and Western Power Trading Forum

Mark Smith, on behalf of Calpine, provided comments regarding the recent collaboration efforts, as recognized in the CEO report, to get the Delta Energy Center plant operational. Brief discussion followed and Mr. Smith provided responsive comments, including an update on the status of the Feather River reliability must-run contract.

Greg Blue, on behalf of Cogentrix Energy, provided comments related to the flexible resource adequacy criteria and must offer obligation phase 2 initiative (FRACMOO2),

including highlights of Cogentrix Energy's July 25, 2017 letter to the Board. Mr. Blue strongly encouraged continued focus on the initiative. Mark Rothleder, Vice President – Market Quality and Renewable Integration, provided responsive comments and discussed next steps, including an upcoming stakeholder workshop.

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the May 1-2, 2017 meeting. The motion was seconded by Governor Galiteva and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall system conditions, solar eclipse, Delta Energy Center, energy storage and distributed energy resources initiative, Aliso Canyon, Audit Committee membership rotations, the ISO's A+ credit rating, and renewable energy production. Mr. Berberich noted his appreciation to Governor Bhagwat for his contributions as Chair of the Audit Committee. Mr. Berberich also congratulated Governors Galiteva and Bhagwat on the Senate Rules Committee approval of their reappointments, noting that the decision on their reappointments would next go to the full Senate for decision.

EIM GOVERNING BODY CHAIR UPDATE

Val Fong, Vice Chair of the EIM Governing Body, provided an update to the Board of the Governing Body's activities. Ms. Fong noted that the EIM Governing Body Chair report was provided to the Board. Ms. Fong expressed appreciation to Kristine Schmidt for her contributions as Chair of the EIM Governing Body. Ms. Fong informed the Board the Governing Body met on July 13 and among other business, unanimously agreed to provide support on the three items on the Board's consent agenda. Ms. Fong reviewed the upcoming schedule of Governing Body meetings and expressed appreciation to all those involved in the process.

DECISION ON CONSENT AGENDA

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided an overview of the consent agenda process as set forth in the EIM Governing Body governance documents.

Department of Market Monitoring Comment

Eric Hildebrandt, Director – Department of Market Monitoring, provided comments on the EIM market maximum natural gas burn constraint consent agenda element of the Aliso Canyon phase 3 initiative. Dr. Hildebrandt provided comments in support of Management's

proposal as modified in response to the discussions that took place at the July 13 EIM Governing Body meeting.

Motion

Governor Galiteva:

Moved, that the Board of Governors approves the July 26, 2017 consent agenda comprised of the following proposals approved by the EIM Governing Body:

- ***Amendments to Charter for Energy Imbalance Market Governance;***
- ***The energy imbalance market maximum natural gas burn constraint element of the Aliso Canyon gas-electric coordination phase 3 initiative; and***
- ***The net benefits test inclusion of additional gas price indices element of the energy storage and distributed energy resources phase 2 initiative.***

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

DECISION ON EIM GOVERNING BODY COMPENSATION

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided an overview of Management's recommended changes to the EIM Governing Body compensation to add a provision for preparation fees for the EIM Governing Body Chair or the Chair's designee for time spent preparing for a noticed ISO Board of Governor's meeting.

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 EIM Governing Body members, effective July 26, 2017, by adding a provision for preparation fees for the EIM Governing Body Chair or the Chair's designee for time spent preparing for a noticed ISO Board of Governor's meeting, as set forth in the memorandum dated July 19, 2017.

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

DECISION ON ALISO CANYON GAS-ELECTRIC COORDINATION PHASE 3 PROPOSAL

Greg Cook, Director – Market & Infrastructure Policy, provided the Board an overview of Management’s Aliso Canyon gas-electric coordination phase 3 initiative. Mr. Cook described how there continued to be operational risks due to the limited availability of Aliso Canyon, and how approval of the proposal would make some Aliso Canyon mitigation measures permanent and extend other temporary measures. He reminded the Board that the extension of the maximum gas burn constraint in EIM areas was approved by the EIM Governing Body at its July meeting, and approved by the Board as part of its consent agenda earlier in the day. Mr. Cook stated the remaining elements requiring Board decision were (1) extend temporary market measures, (2) make publishing two-day-ahead schedules a permanent provision, and (3) extend the use of maximum gas burn constraint throughout the ISO balancing authority and make it a permanent provision. Mr. Cook provided an overview of the stakeholder process and noted that stakeholders largely supported the proposal, but noted that concerns remained, including the importance of timely implementation of the more comprehensive enhancements. He provided a summary of Management’s responses to stakeholder concerns regarding the maximum gas burn constrain and the natural gas price scaler. Discussion followed.

EIM Governing Body advisory input

Val Fong, Vice Chair of the EIM Governing Body, informed the Board that at its last meeting, the EIM Governing Body voted in support of Board approval of Management’s proposal.

Public comment

Brian Theaker, on behalf of NRG Energy, provided comments and stated that NRG Energy was supportive of Board approval of Management’s proposal to extend the mitigation measures in light of progress underway in the commitment costs and default energy bid enhancements initiative.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments in support of the proposal’s concepts, but noted concerns with the design process, and requested that the ISO allow further vetting by stakeholders on the design issues.

Department of Market Monitoring comment

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management’s proposal, noting that DMM’s primary concern regarding the scaler had been addressed in the current proposal.

Mr. Rothleder provided responsive comments and acknowledged the importance of continued stakeholder involvement.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the Aliso Canyon gas electric coordination phase 3 proposal, as described in the memorandum dated July 19, 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.

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

DECISION ON ENERGY STORAGE AND DISTRIBUTED ENERGY RESOURCES PHASE 2 PROPOSAL

Mr. Collanton acknowledged receipt of the following public comment letters that were provided to the Board: Stem, Inc. and eMotorWerks

Greg Cook, Director – Market & Infrastructure Policy, provided the Board an overview of Management's energy storage and distributed energy resources phase 2 proposal. Mr. Cook described how the proposal includes enhancements to the demand response participation models and clarifies the definition of station power for storage resources. He provided an overview of how the proposal would enhance demand response market participation models by providing additional performance evaluation methods. He stated the proposal also provides clarification on distinguishing energy used to charge a storage device versus energy to supply station power. Mr. Cook provided an overview of the stakeholder process and noted that stakeholders were generally supportive of the proposal. Brief discussion followed.

EIM Governing Body advisory input

Val Fong, Vice Chair of the EIM Governing Body, informed the Board that at its last meeting, the EIM Governing Body voted in support of Board approval of Management's proposal.

Public comment

Ted Ko, on behalf of Stem, Inc., provided comments related to Management's proposal and the importance of load consumption products within proxy demand resources. Mr.

Ko provided highlights of Stem, Inc.'s July 24, 2017 letter to the Board on this topic and stated Stem, Inc. looked forward to participating in the next phase of the initiative.

Juliana Mandell, on behalf of Green Charge Networks, provided comments on Management's proposal, including the importance of load consumption products within proxy demand resources. Ms. Mandell noted that Green Charge Networks was committed to actively participating in the next phase of the initiative.

Andy Schwartz, on behalf of Tesla, provided comments on Management's proposal, including the importance of load consumption products within proxy demand resources.

Alex Morris, on behalf of California Energy Storage Alliance, provided comments on Management's proposal and stated the California Energy Storage Alliance looks forward to participating in the next phase of the initiative.

Mr. Berberich provided responsive comments and noted storage is a critical aspect of the ISO system going forward to help absorb excess power on the system. Mr. Berberich committed to provide an update at the September Board meeting on timing of next steps in the energy storage and distributed energy resources initiative to address matters raised during public comment.

Motion

Governor Maullin:

Moved, that the ISO Board of Governors approves the energy storage and distributed energy resources phase 2 proposal, as described in the memorandum dated July 19, 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.

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

DECISION ON TARIFF AMENDMENT REGARDING CONCEPTUAL STATEWIDE PLAN

Gary DeShazo, Director – Regional Coordination, provided an overview of Management's recommendation to file a tariff amendment regarding the conceptual statewide plan. Mr. DeShazo provided a background overview and stated that since 2010, the ISO has prepared and published the statewide plan as part of its annual transmission planning process. He described how this process originally facilitated coordination with the California Transmission Planning Group, but that this group

disbanded and its members are focused on regional planning through FERC Order 1000. Mr. DeShazo stated that implementation of FERC Order 1000 has supplanted the need to develop the conceptual statewide plan and that no stakeholder objected to the proposal. Brief discussion followed.

Public comment

There was no public comment on this item.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves Management's request to modify the tariff to remove the requirement to develop a conceptual statewide plan, as described in the memorandum dated July 19, 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.

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

DECISION ON AUDIT COMMITTEE MEMBERSHIP

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, provided introductory remarks and stated that, in alignment with governance best practices for rotating committee memberships, Governor Bhagwat would be resigning as Chair of the Audit Committee. Governor Bhagwat provided further remarks noting his Audit Committee service was both interesting and rewarding. Governor Galiteva nominated Governor Maullin to serve as a member of the Audit Committee and nominated Governor Ferron to serve as Chair of the Audit Committee.

Governor Galiteva:

Moved that the ISO Board of Governors elects Richard Maullin to serve as a member of the Audit Committee and appoints Mark Ferron to serve as Chair of the Audit Committee, effective July 28, 2017.

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

BRIEFING ON EIM GREENHOUSE GAS ATTRIBUTION ENHANCEMENTS

Mr. Collanton acknowledged receipt of the following public comment letter provided to the Board: Valley Electric Association, Inc.

Don Tretheway, Senior Advisor – Market Design Policy, provided the Board an update on the EIM greenhouse gas attribution enhancements initiative. He described how the current EIM greenhouse gas design recognizes that only certain generation is subject to the California Air Resources Board regulations. He provided an overview of observations of current EIM dispatch optimization. Mr. Tretheway stated the greenhouse gas enhancements proposal involves performance of a two-step process to more accurately determine greenhouse gas attribution for EIM transfers to serve ISO load. He noted that this two-pass solution would significantly reduce, but may not eliminate, all potential secondary dispatch. Mr. Tretheway concluded his presentation by discussing next steps, including implementation of the two-pass solution in parallel operations in Q4 2017. He stated that if the demonstration is positive, Management would seek EIM Governing Body and ISO Board of Governors approval in Q1 2018.

BRIEFING ON RENEWABLE GENERATION IN THE GENERATOR INTERCONNECTION QUEUE

Bob Emmert, Manager – Interconnection Resources, provided the Board an update on renewable generation in the generator interconnection queue, including the net increase of 3,057 MW between January 2017 and June 2017. Mr. Emmert reviewed a graph that depicted the current and projected renewable generation capacity by resource type, and conventional renewable interconnect by county. Brief discussion followed.

BRIEFING ON GRID MANAGEMENT CHARGE COST OF SERVICE STUDY RESULTS

April Gordon, Director – Financial Planning and Procurement, provided the Board a briefing on the grid management charge cost of service study results. Ms. Gordon described how it was a tri-annual tariff-required study that uses activity based costing and revenue requirement components to develop the grid management charge percentages used to calculate the annual grid management charge rates. She explained that there were 9 process codes and 140 associated tasks used as part of the ISO activity based costing system. She reviewed a table that depicted how gained efficiencies and reallocation of resources to meet needs led to percentage changes in the market services and system operations categories. She noted that the projected impact to the EIM rate was minimal and that the transmission ownership rights fee would remain the same. Ms. Gordon concluded her presentation by discussing next steps, including presenting the 2018 revenue requirement to the Board for decision in December 2017. Brief discussion followed and Ms. Gordon confirmed the cost of service study is performed every three years.

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 and quarterly financial report.

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 4:30 p.m.