

GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
February 10 – 11, 2009
ISO Headquarters
Folsom, California

February 11, 2009

Mason Willrich, Chair of the ISO Board of Governors, called the general session meeting to order at approximately 1:45 p.m. Roll call was taken and the presence of a quorum was established.

ATTENDANCE

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

Mason Willrich, Chair
Tim Gage
Linda Capuano
Laura Doll
Tom Page

The following members of the officer team were present: Yakout Mansour, Karen Edson, Laura Manz, Steve Berberich, Jim Detmers, and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

DECISION ON MINUTES

Governor Gage moved for the approval of the Board of Governors general session minutes for December 16-17, 2008. The motion was seconded by Governor Page, and approved 5-0-0.

CEO REPORT

Yakout Mansour, President and Chief Executive Officer, provided the Board highlights of the Operations section of the CEO report. Mr. Mansour provided an overview of the early summer outlook that was conducted by the ISO. Mr. Mansour stated that 2009 would be the third consecutive year with drought conditions. Mr. Mansour noted that 1,500 MW of additional generation as well as a decrease in peak demand were estimated to balance out the lack of hydro generation, placing the ISO at about the same risk level as the 2008 drought season.

In response to inquiries over the last few months regarding the effect of the economic downturn on future or ongoing projects, Mr. Mansour commented that there should be no impact these

long-term projects. Mr. Mansour concluded his report by discussing renewables and noted that by the end of 2009 the ISO grid would be close to 9,000 MW.

BRIEFING ON MARKET REDESIGN AND TECHNOLOGY UPGRADE PROGRAM

Steve Berberich, Vice President of Corporate Services, provided the Board with an update on the January 16 readiness filing and monthly status report filed with the Federal Energy Regulatory Commission (FERC). Mr. Berberich stated that the readiness filing addressed thirteen known issues and noted that seven of those had since been resolved. Mr. Berberich reviewed the key remaining activities and noted they were on track. Mr. Berberich discussed the results of real time market simulation and limitations inherent in a simulation environment. Mr. Berberich stated that the ISO would have a proactive post go-live support plan in place for at least thirty days. Mr. Berberich provided an overview of the internal plan post go-live, including round-the-clock staffing. Mr. Berberich stated that multiple checkpoints across the market timeline were planned and noted that there would be additional checkpoints after the market runs.

Jim Detmers, Vice President of Operations, provided the Board with an overview of MRTU Grid Operations readiness. Mr. Detmers reviewed MRTU operations objectives and provided an overview of the training plan for Grid Operations. Mr. Detmers stated that operators were learning the system and were practicing essential operations in the new environment. Mr. Detmers concluded by stating that Operations was on track to be ready for the new systems on March 31, 2009. Discussion followed regarding staffing, the process for external communications, and the timing of settlements and related payments. Mr. Berberich noted that the timeline for settlements would remain the same after go-live until after payment acceleration was implemented, which would be approximately six months later.

Keith Casey, Director of the Department of Market Monitoring (DMM), provided an overview of the MRTU structured market simulations and noted that DMM had issued two reports on the market simulations in October and January. Mr. Casey discussed the January report and noted it largely addressed concerns identified in the DMM October report including: extreme real-time prices, price divergence between day-ahead and real-time, reliance on non-resource adequacy resources in residual unit commitment, effectiveness of local market power mitigation, and failed real-time local market power mitigation procedures. Discussion followed regarding the duration of market runs in relation to failure rates. Mark Rothleder, Principal Market Developer, provided additional comments regarding how real time failures were being addressed. Mr. Casey stated that the MRTU markets performed reasonably well in structured market simulations and that there were no performance issues that would warrant a delay in MRTU implementation.

Jim Bushnell, with the Market Surveillance Committee (MSC), provided comments pertaining to quality of solution as related to the 4-day structured market simulations and noted some limitations inherent in the simulation environment. Mr. Bushnell noted that the market software was working as intended and noted that the extreme prices were primarily a result of extreme market conditions in the simulation. Mr. Bushnell discussed price validation tools and noted the MSC would also be looking at the effect of changes in parameter values. Mr. Bushnell addressed market power mitigation and related factors to monitor throughout the launch of MRTU. Mr. Bushnell stated that everything was on track for an April 1 go-live and noted that while there was more work to be done, it was within the realm of what could be accomplished.

Tony Braun, with California Municipal Utilities Association (CMUA), generally supported comments that the investor owned utilities (IOUs) had filed with FERC regarding MRTU. Mr. Braun provided additional comments on CMUA's proposed interim payment mechanism. Mr. Braun noted that CMUA did not oppose an April 1 MRTU go-live and provided further comments on CMUA's proposal.

Mark Smith, with Calpine, acknowledged the efforts by all on the project and provided comments in support of an April 1 MRTU go-live stating that Calpine would be ready.

Paul Clanon, with the California Public Utilities Commission (CPUC), thanked the ISO for a transparent process and emphasized the importance of focusing on the change management process and keeping the go-live pressure on. Discussion followed regarding what the CPUC would be looking for in terms of a successful MRTU launch.

Chairman Willrich provided thanks and acknowledged the efforts of the CPUC with regard to the approval of the Sunrise transmission project.

Fong Wan, with Pacific Gas and Electric Company (PG&E), provided comments on an April 1 MRTU go-live. He noted that PG&E was not requesting perfection, but added that expediency should not take the place of making it right. Mr. Wan stated that April 1 go-live was feasible if certain critical milestones could be met. Mr. Wan acknowledged the responsiveness of the ISO to PG&E inquiries. Mr. Wan commented on PG&E's joint filing with FERC and further elaborated on PG&E's remaining concerns pertaining to the requirement that PG&E "pay and dispute", high prices, and inconsistent real-time operations.

Matt Burkhart, with San Diego Gas and Electric Company (SDG&E), noted that good progress had been made towards a March 31 go-live since the last Board meeting and commended the ISO for its responsiveness. Mr. Burkhart addressed SDG&E's joint filing at FERC and provided further comments on outstanding issues, including settlements, real-time pricing and real-time operations. Mr. Burkhart requested that the outstanding issues must be resolved by the last week of February to allow for adequate testing.

Pedro Pizarro, with Southern California Edison (SCE), addressed SCE's joint filing at FERC and stated that SCE was continuing to aim for a March 31 go-live. Mr. Pizarro acknowledged the progress made and noted that March 31 seemed more possible each passing week. Mr. Pizarro commented on successes surrounding settlements, the stakeholder process, day-ahead and real-time market issues. Mr. Pizarro addressed outstanding issues including: excessive charges in settlements, the quality of solution, real-time markets, and ongoing ISO software modifications. Mr. Pizarro acknowledged the continued efforts of individual ISO staff members and management and concluded by reiterating that SCE senior management was focusing on a March 31 go-live.

John Melby, with APX, commented on the improvement of the stakeholder process over the last few years. Mr. Melby commented on the role of APX and the readiness status of APX and its customers. Mr. Melby acknowledged that post-MRTU issues will surface and noted that APX and its customers were ready for go-live.

Mr. Mansour noted his appreciation for the ISO team effort and acknowledged his appreciation for the dedication and efforts of the market participants. Discussion followed. Mr. Berberich acknowledged the efforts of market participants and commented that there were no surprises in the issues addressed.

Mr. Berberich addressed the status of settlements and the impact that meter data or lack thereof has on settlements in the simulation environment. Discussion followed regarding how the ISO and market participants defined a “clean settlement statement.” Mr. Wan addressed concerns with charge codes and explained PG&E’s definition of a clean settlement statement. Mr. Rothleder responded to Mr. Wan’s remarks by addressing the circumstances of the December simulation and January’s parallel testing results. Discussion followed, including a detailed discussion by Mr. Rothleder on the precise status of the settlements systems and the requirements of market participants. Mr. Wan and Mr. Pizarro provided supplementary comments in response to Mr. Rothleder. Debi LeVine, MRTU Program Manager, provided further details on meter data and settlements. The Governors provided summary remarks regarding MRTU and discussion ensued regarding the need for status updates to the Board prior to the March 26-27 meeting.

Mr. Berberich acknowledged Mr. Braun’s earlier comments, discussed CMUA’s proposal, and explained why the ISO was sympathetic but did not agree. It was noted that the proposal was currently pending decision at FERC. Mr. Braun provided supplemental comments in support of the CMUA proposal.

RECESSED

There being additional general session items to discuss, the general session of the ISO Board of Governors meeting was recessed at approximately 4:50 p.m.

RECONVENED

Mason Willrich, Chair of the ISO Board of Governors, reconvened the general session meeting to order at approximately 5:05 p.m. Roll call was taken and the presence of a quorum was established.

ATTENDANCE

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

Mason Willrich, Chair
Tim Gage
Linda Capuano
Laura Doll
Tom Page

The following members of the officer team were present: Yakout Mansour, Karen Edson, Laura Manz, Steve Berberich, Jim Detmers, and Nancy Saracino.

DECISION ON TARIFF MODIFICATIONS REGARDING DIVISION OF OPERATIONAL CONTROL BETWEEN FOLSOM AND ALHAMBRA CONTROL CENTERS

Jim Detmers, Vice President of Operations, provided the Board with an overview of the requested tariff modification. Mr. Detmers stated that the proposed modification would provide that the primary ISO control center, located in Folsom, California, would have operational control over all transmission lines on the ISO grid. Mr. Detmers stated the proposed modification would also provide that the ISO could delegate responsibilities to the back-up control center, located in Alhambra, California, leaving the Folsom primary control center to serve as back-up facility for such responsibilities. Discussion followed regarding the timing of Management's request.

Motion

Governor Gage:

Moved, that the ISO Board of Governors approves the proposed tariff changes regarding the division of operational control between the primary ISO control center and the back-up ISO control center, as detailed in the memorandum, dated February 3, 2009, and

Moved, that the ISO Board of Governors authorizes Management to make all of the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff changes.

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

BRIEFING ON THE 2009 PRELIMINARY SUMMER LOADS AND RESOURCES OPERATIONS PREPAREDNESS ASSESSMENT

Jim Detmers, Vice President of Operations, provided introductory remarks on the status of the early summer assessment review as previously addressed by Mr. Mansour in the CEO Report. Discussion followed regarding new generation and the status of hydro-electric generation in the West. Bob Emmert, Senior Loads and Resources Engineer commented that there was approximately 1,500 MW of new generation coming online in 2009 in addition to a diminished load growth. Mr. Detmers stated that the 2009 Summer Loads and Resources Operations Preparedness Assessment would be presented to the Board at the May meeting.

INFORMATIONAL REPORTS

There were no questions on the informational reports.

ADJOURNED

There being no additional general session items to discuss, the general session of the ISO Board of Governors meeting was adjourned at approximately 5:15 p.m.