

**GENERAL SESSION MINUTES  
ISO BOARD OF GOVERNORS MEETING  
July 26, 2010  
ISO Headquarters  
Folsom, California**

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July 26, 2010

Mason Willrich, Chair of the ISO Board of Governors, convened the general session meeting at approximately 1:10 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  
Laura Doll  
Kristine Hafner  
Tom Habashi

**GENERAL SESSION**

The following agenda items were discussed in general session:

**DECISION ON MINUTES**

Governor Hafner moved for the approval of the Board of Governors general session minutes for May 17-18, 2010. The motion was seconded by Governor Doll, and approved 4-0-1.

**CEO REPORT**

Yakout Mansour, President and CEO provided welcoming remarks to Petar Ristanovic, Chief Technology Officer and announced the upcoming departure of Jim Detmers, Vice President of Operations. Mr. Mansour, the Board, Eric Eisenman with Pacific Gas and Electric Company, and John Pespisa with Southern California Edison provided comments in recognition of Mr. Detmers' contributions.

Governor Hafner moved and Governor Doll seconded the following honorary resolution:

*WHEREAS, Jim Detmers began working at the California Independent System Operator Corporation in 1997 and was an integral part of the startup team that made history with the first open access power grid in the country; and*

*WHEREAS, Mr. Detmers has a long history of serving the people of California as a recognized expert in the field of high-voltage system operations, electrical engineering and specifically the operation of the California grid; and*

*WHEREAS, Mr. Detmers led the California ISO operations team through some of the most difficult and demanding days leading to the startup of ISO operations on April 1, 1998; and*

*WHEREAS, Mr. Detmers was appointed Vice President of Operations in 2001 at the height of an unprecedented energy crisis and through his leadership, experience, perseverance, work ethic and personal integrity, he helped guide both the California ISO and the State of California out of the crisis; and*

*WHEREAS, Mr. Detmers again exercised his leadership skills and talents in preparing for and helping to successfully launch a new ISO market structure on April 1, 2009; and*

*WHEREAS, Mr. Detmers has been unfailingly generous by sharing his expertise with employees, news media, legislators, governors and their staffs, helping policy makers as well as ordinary citizens understand the role the California ISO plays in the electricity industry and the need for energy conservation during times of peak demand; now, therefore be it*

*RESOLVED, that the California ISO Board of Governors hereby expresses its gratitude to Mr. Detmers for his service to the California ISO and the State of California.*

## **BRIEFING ON MARKET INITIATIVES RELEASE PLAN**

Steve Berberich, Vice President, Technology and Corporate Services and Chief Financial Officer, provided the Board with an update on the 2010-2011 Market Initiatives Release Plan and noted that progress was continuing on the following market enhancements: procurement of ancillary services in hour-ahead scheduling process, forbidden operating regions, price correction make-whole payments, transmission constraint data release, proxy demand resource, multi-stage generator modeling, scarcity pricing and convergence bidding. Mr. Berberich noted that deployment of scarcity pricing and proxy demand resource had been rescheduled due to FERC action that required ISO amendments. Mr. Berberich further discussed the following items that were being integrated into the release plan: phase 2 of standard capacity product,

congestion revenue rights enhancements and credit policy, changes in commitment costs, 72-hour residual unit commitment, and dynamic transfers. Brief discussion followed regarding the deployment of convergence bidding.

### **DECISION ON GENERATING BIDS AND OUTAGE AND REPORTING FOR NON-RESOURCE SPECIFIC SYSTEM – RESOURCE ADEQUACY RESOURCES**

Greg Cook, Director of Market and Infrastructure Policy, provided the Board with an overview of Management’s proposal regarding generating bids and outage reporting for non-resource specific system resource adequacy resources (NRS-RA). Mr. Cook stated that the current tariff requires that the ISO insert bids for NRS-RA if those resources failed to submit a day-ahead bid. Mr. Cook provided an overview of the proposal and discussed three proposed options that would be available to a resource owner. Mr. Cook noted that NRS-RA resources would have the same availability calculation for standard capacity product as other resource adequacy resources. Mr. Cook stated that the ISO would generate bids for all resource adequacy resources for only the hours designated in the supply plan. Mr. Cook concluded his presentation by noting that the proposal had broad stakeholder support and that implementation was planned for January 2012.

No public comment was provided. Brief discussion followed regarding the process and timings surrounding the three methodologies.

#### **Motion**

##### **Governor Doll:**

*Moved, that the ISO Board of Governors approves the proposed tariff change regarding the generation of bids and unavailability reporting for non-resource specific system resources providing resource adequacy capacity and for the accommodation of subset-of-hours resource adequacy contracts; 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 Habashi, and approved 4-0-1.**

### **DECISION ON MODIFICATIONS TO BIDDING PROVISIONS FOR COMMITMENT COSTS**

Greg Cook, Director of Market and Infrastructure Policy, provided the Board with an overview of Management’s proposal regarding modifications to bidding provisions for commitment costs. Mr. Cook stated that the proposal provided design enhancements to improve the efficiency of generation unit commitment. Mr. Cook provided an overview of the current options available to generation unit owners for establishing start-up and minimum load costs. Mr. Cook stated the proposal would modify the rules to allow greater flexibility for bidding and reporting costs.

Mr. Cook noted the proposal also recommended refinements to improve calculation of start-up and minimum load costs. Mr. Cook stated that transition costs for multi-stage generation needed to address potential economic withholding. Mr. Cook reviewed two diagrams that illustrated the differences between the two rules put in place to limit the upward transition costs. Mr. Cook stated that the proposal had broad stakeholder support and noted that transition costs would be implemented in October 2010 and refinements to start-up and minimum load implementation was targeted for Fall 2011.

Mark Smith, on behalf of Calpine, provided comments in support of the proposal. Mr. Smith also provided comments in recognition of Jim Detmers.

Discussion followed regarding the proposed changes and Mr. Cook noted that Management would continue to monitor and refine the market but was hopeful the proposed changes were currently an effective solution. Discussion followed regarding practices by other ISOs.

Frank Wolak, Chair of the Market Surveillance Committee, provided a brief overview of the MSC's final opinion on changes to bidding and mitigation of commitment costs and noted support of Management's proposal.

### **Motion**

#### **Governor Habashi:**

*Moved, that the ISO Board of Governors approves the proposed tariff change regarding modifications to bidding provisions for commitment costs as detailed in the memorandum dated July 16, 2010; 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 Hafner, and approved 4-0-1.**

### **BRIEFING ON MARKET PERFORMANCE**

Debi Le Vine, Director of System Operations, provided the Board with an overview of the performance of the market and noted that the markets continued to perform well. Ms. Le Vine noted that prices remained competitive and consistent with market conditions and that market results reflected seasonal conditions. Ms. Le Vine discussed the decline in exceptional dispatches and price corrections as well as the improvement to congestion revenue rights adequacy. Ms. Le Vine noted that the day-ahead market results were timely published and that real-time market completions had been nearly 100% over the past three months. Ms. Le Vine concluded her presentation by reviewing several areas of focus going forward.

Discussion followed regarding market performance measures and the Department of Market Monitoring's role in making pricing recommendations. Discussion followed regarding market comparisons and the importance of establishing benchmarks.

### **INFORMATIONAL REPORTS**

There were no comments on the following informational reports: Regulatory Report, Operations Report, Monthly Financial Report, Status of State and Federal Legislative Matters, Market Performance Report, Business Practice Manuals Change Management Report, and Market Surveillance Committee Update.

### **ADJOURNED**

There being no additional general session items to discuss, the general session of the ISO Board of Governors was adjourned at approximately 3:00 p.m.