

**GENERAL SESSION MINUTES  
ISO BOARD OF GOVERNORS MEETING  
November 1, 2012  
ISO Headquarters  
Folsom, California**

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**November 1, 2012**

The ISO Board of Governors convened the general session meeting at approximately 12:40 p.m. and the presence of a quorum was established.

**ATTENDANCE**

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

Bob Foster, Chair  
Ash Bhagwat  
Angelina Galiteva  
Richard Maullin  
David Olsen

The following members of the officer team were present: Steve Berberich, Keith Casey, Petar Ristanovic, Brenda Thomas, Eric Schmitt, Mark Rothleder, Nancy Saracino and Greg Fisher as Corporate Secretary

**GENERAL SESSION**

The following agenda items were discussed in general session:

**PUBLIC COMMENT**

Brian Theaker, on behalf of Large-scale Solar Association, provided comments regarding the generator interconnection agreement refund provisions. Mr. Theaker addressed several concerns noted in the October 30, 2012 joint public comment letter from LSA and CalWEA regarding the same. Brief discussion followed regarding settlement terms.

Eric Little, on behalf of Southern California Edison, provided comments regarding concerns with spikes in the real-time imbalance uplift costs.

## **DECISION ON GENERAL SESSION MINUTES**

Nancy Saracino, General Counsel and Chief Administrative Officer, informed the Board of redlines to the proposed minutes that clarified provisions related to the sunset provision associated with the flexible capacity procurement – risk of retirement item. Governor Bhagwat moved for approval of the Board of Governors general session minutes for the September 13-14, 2012 meeting. The motion was seconded by Governor Galiteva and approved 5-0-0.

## **CEO REPORT**

Steve Berberich, President and CEO, provided an overview of the following sections of his CEO Report: summer operations, summer 2013 mitigation status, uplift costs, long-term transmission access charge projections and the growth of renewables. Mr. Berberich acknowledged the promotions of Mark Rothleder to Vice President of Market Quality and Renewable Integration and Greg Fisher to Corporate Secretary. Discussion followed and Mr. Berberich informed the Board that Management would provide a briefing on long-term summer reliability at the December Board meeting.

## **DECISION ON ENHANCEMENTS TO IMPROVE PRICE CONSISTENCY**

Mark Rothleder, Vice President of Market Quality and Renewable Integration, provided the Board with an overview of Management's proposal to implement three enhancements to the ISO market functionalities in both the day-ahead and real-time markets to improve price consistency. Mr. Rothleder noted that the ISO has observed inconsistencies between prices and dispatches which could lead to uneconomical awards. Mr. Rothleder provided an overview of the following three enhancements: scheduling run vs. pricing run, soft bid floor, and use of the aggregate price produced by solution instead of weighted average price of individual nodes. He described how Management's proposal had been modified in response to stakeholder feedback and noted that the current proposal was widely supported by stakeholders. Mr. Rothleder concluded his presentation by providing an overview of the benefits of the proposal.

### Public comment

Eric Little, on behalf of Southern California Edison, provided comments in support of Management's proposal and acknowledged ISO staff and a successful stakeholder process.

### Motion

Governor Galiteva:

***Moved, that the ISO Board of Governors approves the proposal to implement the price consistency enhancements as described in the memorandum dated October 25, 2012; 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 5-0-0.

### **DECISION ON BLACKSTART NEEDS AND SYSTEM RESORATION PLAN**

Dede Subakti, Director – Operations Engineering Services, provided an overview of Management’s blackstart needs and system restoration plan proposal. Mr. Subakti described NERC Reliability Standard EOP-005-02 and noted that it revised blackstart obligations, requirements and testing. Mr. Subakti noted that the stakeholder process focused on the following issues to address the NERC requirements: complete a restoration plan, obtain WECC approval, align tariff with reliability standard, and modify the interim blackstart agreements to reflect the new testing procedures. He stated that stakeholders have expressed general support of Management’s proposal and expressed strong interest in the next steps in the ISO’s policy development initiative. Mr. Subaki concluded his presentation by discussing next steps and highlighted the following items that would be addressed in 2013: procurement of blackstart services, compensation for blackstart services, and cost allocation in the ISO market. Discussion followed regarding the compensation plan for blackstart resources.

### Motion

Governor Foster:

***Moved, that the ISO Board of Governors approves the proposed tariff change regarding determining blackstart needs, as described in the memorandum dated October 25, 2012; 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 5-0-0.

## DECISION ON CREDIT AND FINANCIAL TARIFF ENHANCEMENTS

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of Management's proposal on credit and financial tariff enhancements. Mr. Seghesio further described the following four enhancements: (1) realign late payment penalty provision due to weekly clearing, (2) eliminate surety bonds, escrow accounts, certificates of deposit, and payment bond certificates as acceptable forms of financial security, (3) modify the unsecured credit calculation to react quickly to market signals, and (4) provide an optional automated clearing house payment service. Mr. Seghesio concluded his presentation by providing an overview of the benefits of the proposal. Discussion followed regarding the timing surrounding the submittal of late payments and the collateral review process.

### Motion

**Governor Olsen:**

***Moved, that the ISO Board of Governors approves the credit and financial tariff enhancements as described in the memorandum dated October 25, 2012; 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 Maullin and approved 5-0-0.

## DECISION ON INFORMATION REQUESTS FROM THE COMMODITY FUTURES TRADING COMMISSION

Dan Shonkwiler, Senior Counsel, informed the Board that the tariff generally requires the ISO to notify affected market participants before providing confidential or commercially sensitive information in response to a subpoena. Mr. Shonkwiler described the one exception to this requirement as pertaining to FERC information requests. Mr. Shonkwiler stated that Management was proposing to amend the tariff to expand this exception to include information requests from the Commodity Futures Trading Commission and noted that stakeholders did not oppose the amendment.

## Motion

Governor Galiteva:

***Moved, that the ISO Board of Governors approves the proposed tariff change to allow the ISO to respond to information requests from the Commodity Futures Trading Commission without notifying affected market participants, as described in the memorandum dated October 25, 2012; 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 Maullin and approved 5-0-0.

## **BRIEFING ON REPLACEMENT REQUIREMENT FOR SCHEDULED GENERATION OUTAGES**

Greg Cook, Director – Market Design & Infrastructure Policy, provided the Board with a briefing on the replacement requirement for scheduled generation outages initiative. Mr. Cook noted that the Board approved the replacement requirement proposal last July and requested a briefing on the status of implementation at the November meeting. Mr. Cook stated that after several rounds of review with stakeholders, proposed tariff modifications were filed on September 20, 2012. Mr. Cook also described how the ISO had been working closely with the CPUC to address implementation issues. He stated that ISO staff has been working hard to modify the computer systems and Business Practice Manuals, and to provide training to stakeholders. Mr. Cook concluded his presentation by describing how the new replacement requirement provisions were on schedule for January 2013.

## **BRIEFING ON LONG-TERM FORECAST OF TRANSMISSION ACCESS CHARGE**

Charles Snay, Assistant Treasurer, provided the Board with a briefing on the long-term forecast of the ISO's transmission access charge. Mr. Snay described the forecasting tool that was developed in response to concerns over increasing upward pressure on transmission costs. Mr. Snay noted that the goal was to estimate future high voltage transmission access costs in an objective and transparent manner. Mr. Snay stated that building the forecast tool involved two steps: establishing a solid foundation and accounting for the costs of new capital additions. Mr. Snay provided an overview of the projections of the high voltage transmission access charge over the next eight years and noted that the ISO was

projecting a significant increase. Mr. Snay concluded his presentation by discussing next steps and noted that Management would provide annual updates as part of the annual transmission planning process. Discussion followed regarding a graph that depicted, by overall percentages, reliability and Renewables Portfolio Standard goals as key drivers for the increase. Management provided clarifying remarks and stated that the projects were generally classified as either reliability or RPS based on the primary driver. Management stated that the RPS percentage that was presented should be lower, as projects such as Sunrise and Tehachapi should have been allocated partially to reliability, and noted the total percentages should have been more accurately parced out to both reliability and RPS.

## **BRIEFING ON RENEWABLES IN THE GENERATION INTERCONNECTION QUEUE**

Bob Emmert, Manager – Interconnection Resources, provided the Board with a briefing on renewables in the ISO generator interconnection queue. Mr. Emmert discussed the change in renewable capacity, by technology type, in the ISO queue since the July 2011 report to the Board. Mr. Emmert reviewed a graph that depicted the current and projected renewable generation capacity in operation with the ISO. He provided an overview of renewable projects in the queue by size and type. Discussion followed and Mr. Emmert committed to providing a further breakdown of technologies in future reports per the Board's request. Further discussion followed regarding future estimates for out-of-state resources.

## **INFORMATIONAL REPORTS**

Nancy Saracino, General Counsel and Chief Administrative Officer, provided highlights of the following two items in the regulatory report: (1) ISO filing in compliance to FERC Order No. 1000 that addressed "regional" and "inter-regional" planning requirements, and (2) a recently-issued FERC order that accepted the ISO's proposal regarding exceptional dispatch mitigation request.

Steve Berberich, President and CEO, informed the Board that FERC recently issued an order to show cause to Barclays associated with manipulation. Mr. Berberich clarified that while Barclays is a market participant in the ISO market, the alleged manipulation did not occur within the ISO market.

There were no questions or comments on the following informational reports: market performance report, briefing on results of reliability must-run contract extension and notations for 2013, legislative and state regulatory update, business practice manual change management report, market surveillance committee update, department of market monitoring report, market initiatives release plan and stakeholder engagement charts.

**ADJOURNED**

There being no additional general session matters to discuss, the general session was adjourned at approximately 2:15 p.m.