

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
GENERAL SESSION
December 17-18, 2015
ISO Headquarters, Folsom, CA**

December 18, 2015

The ISO Board of Governors convened the general session meeting at approximately 9:00 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Ash Bhagwat, Acting Chair
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were present: Steve Berberich, Mark Rothleder, Keith Casey, Petar Ristanovic, Eric Schmitt, Karen Edson, Roger Collanton, Ryan Seghesio and Becky Regan.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the November 4, 2015 meeting. The motion was seconded by Governor Galiteva and approved 2-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall conditions, Western Electricity Coordinating Council compliance audit, NV Energy's start of financially binding operations in the Western energy imbalance market, improvements to coordinate polices and efforts related to renewable generation.

DECISION ON MARKET SURVEILLANCE COMMITTEE REAPPOINTMENT

Steve Berberich, President and CEO, informed the Board that the tariff requires that the Chief Executive Officer nominate to the Board members for appointment to the Market Surveillance Committee, an advisory committee to the ISO Board of Governors. Mr. Berberich nominated Dr. Benjamin Hobbs, an existing Committee member, for reappointment and provided an overview of Dr. Hobbs's diverse and exceptional expertise in engineering, power systems, and economics.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors reappoint Dr. Benjamin Hobbs to the Market Surveillance Committee, an advisory committee to the ISO Board of Governors, for a three-year term to end March 31, 2019; and

Moved, that the Chief Executive Officer is authorized and directed to enter into an appropriate Consulting Agreement with Dr. Benjamin Hobbs to compensate him for his participation on the Market Surveillance Committee.

The motion was seconded by Governor Galiteva and approved 4-0.

BRIEFING ON ENERGY IMBALANCE MARKET

Mark Rothleder, Vice President, Market Quality and Renewable Integration, provided a briefing on the energy imbalance market as well as an update on EIM implementation efforts. Mr. Rothleder informed the Board that NV Energy had a successful implementation of the EIM on December 1. Mr. Rothleder next provided an overview of recently issued FERC orders pertaining to EIM and stated that approval of the ISO's tariff amendment would enhance EIM functionality. Mr. Rothleder provided an overview of several graphs that depicted various pricing trends. He further discussed NV Energy's implementation on December 1 and reviewed a graph that reflected EIM prices after activation of the NV Energy area. Mr. Rothleder concluded his presentation by discussing the anticipated EIM Entities (Puget Sound Energy, Arizona Public Service, Portland General Electric and Idaho Power) who continue to explore participation in the EIM.

DECISION ON ENERGY IMBALANCE MARKET GOVERNANCE DOCUMENTS

Dan Shonkwiler, Lead Counsel, provided a background overview and noted the Board had directed Management to implement the EIM Transitional Committee's proposal for EIM governance at its September 2015 meeting. Mr. Shonkwiler stated that Management has been laying the groundwork for implementation but that the ISO will need to formally adopt the rules described in the proposal to move forward with the nomination and selection process. He

provided an overview of the following proposed documents for Board approval: amendments to the corporate bylaws, charter for EIM governance, and a selection policy for the EIM Governing Body. He described how the process for selecting members of the EIM Governing Body is detailed in the selection policy. He informed the Board that the EIM Transitional Committee, at its November meeting, adopted a motion finding that these documents were consistent with its governance proposal. Brief discussion followed and the Board acknowledged its appreciation to the EIM Transitional Committee for its work over the last two years.

There was no public comment on this item.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the amendments to the corporate bylaws, the charter for the EIM governing body, and the selection policy for the EIM Governing Body, as described in the memorandum dated December 10, 2015.

The motion was seconded by Governor Bhagwat and approved 4-0.

DECISION ON BOARD REPRESENTATIVE FOR ENERGY IMBALANCE MARKET GOVERNING BODY NOMINATING COMMITTEE

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, explained that the selection policy for the EIM Governing Body requires that one of the eight representatives on the nominative committee be a representative from the ISO Board of Governors. Brief discussion followed and Governor Bhagwat nominated Governor Galiteva for the position. Governor Olsen seconded the nomination.

There was no public comment on this item.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors appoints Angelina Galiteva to serve as its representative on the nominating committee for the energy imbalance market governing body.

The motion was seconded by Governor Galiteva and approved 4-0.

DECISION ON EXPANDING METERING AND TELEMETRY OPTIONS

Tom Flynn, Storage & Distributed Energy Resource Policy Manager, provided an overview of the distributed energy resources provider proposal. He further described why limitations were needed on aggregations across multiple pricing nodes to maintain the ability to manage congestion. He explained how the proposed new rules focused on the pricing node level as opposed to the sub-resource level. Mr. Flynn reviewed two diagrams that depicted different types of aggregation of distributed energy resources. Brief discussion followed and Mr. Flynn responded to questions from the Board regarding the examples. He stated that while some reservations remained, the proposal was supported by many stakeholders as it would allow increased flexibility for multi-pricing node aggregations to participate in the ISO market. He noted it would also accommodate future distribution business and regulatory models, including potentially a distribution system operator.

Public comment

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of the following public comment letter: President Picker and Commissioner Florio on behalf of the California Public Utilities Commission.

Post meeting note: A public comment from Marin Clean Energy was also received and subsequently provided to the Board.

Seyed Madaeni, on behalf of Solar City, provided comments in support of Management's proposal.

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments in support of Management's proposal and encouraged Management to continue to work closely with stakeholders prior to the tariff filing.

Management provided responsive comments and committed to working with stakeholders throughout the process.

Alex Morris, on behalf of California Energy Storage Alliance, provided comments in support of Management's proposal and commended the stakeholder process.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the proposed revisions for expanding metering and telemetry options – distributed energy resources provider, as described in the memorandum dated December 10, 2015; 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 4-0.

DECISION ON COMPETITIVE SOLICITATION PROCESS ENHANCEMENTS

Steve Ruty, Director – Grid Assets, provided an overview of Management’s competitive solicitation process enhancements initiative and noted it resulted in a number of proposed improvements. He described how the following three proposed improvements required Board approval and subsequent tariff changes: (1) modification to the collaboration timeframe, (2) obligation regarding the transfer of assets, and (3) Notice of FERC filings. He stated the collaboration proposal addressed concerns regarding schedule delays and potential unfair advantages for collaborating parties. He described how the proposal would require approved project sponsors to negotiate in good faith to transfer assets to an alternative sponsor and would require them to provide notice of project-related FERC filings.

Mr. Ruty stated that the following additional improvements, while not requiring Board approval, would provide greater guidance to project sponsors by adding clarity and additional details to: (1) project sponsor application, (2) future detailed functional specifications, and (3) future approved project sponsor selection reports. He discussed the stakeholder process and noted the proposal has received broad stakeholder support.

Public comment

Eric Eisenman, on behalf of Pacific Gas and Electric Company, provided comments in support of Management’s proposal.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed competitive solicitation process enhancements, as described in the memorandum dated December 10, 2015; 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 4-0.

DECISION ON BUDGET FOR FISCAL YEAR 2016

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of the 2016 budget and noted the proposed budget continued to reflect the ISO’s focus on costs and efficiencies. Mr. Seghesio stated that the stakeholder budget process began in June 2015. He stated that the proposed revenue requirement was decreasing overall by \$3.2 million and noted that Management remained committed to maintaining a stable revenue

requirement. He explained that the decreases in the transmission volume and revenue requirement resulted in a minimal increase to grid management charge rates. He stated that the proposed O&M budget also slightly increased from \$165.1 million to \$169.3 million. He discussed how the ISO was leveraging an activity-based costing structure for further transparency. Mr. Seghesio reviewed a graph that depicted net debt service and noted the debt service requirement would remain at \$16.9 million. Mr. Seghesio stated that the capital project budget would be financed through the grid management charge cash funded capital. He noted that supplemental projects included the Lincoln operations center, energy management system replacement project, and EIM implementation agreements. He concluded his presentation by providing an overview of the grid management charge rates. Brief discussion followed.

There was no public comment on this item.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the 2016 revenue requirement and capital/project budgets as set forth in Attachment A to this memorandum dated December 10, 2015; and

Moved, the ISO Board of Governors authorizes Management to take all necessary and appropriate actions to implement the 2016 grid management charge rates reflected in the 2016 budget.

The motion was seconded by Governor Olsen and approved 4-0.

DECISION ON BOARD APPEAL PROCESS

Burton Gross, Assistant General Counsel – Legal, provided an overview of the current Board appeal process under the ISO's Records Availability Policy. Mr. Gross stated that Management proposed that the Board approve the Standard Procedures for Appeal of Records Request Determinations as attached to the Board memorandum. He reviewed a diagram that depicted the proposed records appeal process, which allows for written briefs and oral argument. He noted the process concluded with a written decision by the Board within 90 days. Brief discussion followed. There was no public comment on this item.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the Standard Procedures for Appeal of Records Request Determinations, as attached to the memorandum dated December 10, 2015.

The motion was seconded by Governor Galiteva and approved 4-0.

AUDIT COMMITTEE UPDATE

Governor Olsen, Acting Chair of the Audit Committee, provided the Board an overview of the following items that went before the Audit Committee earlier in the day: (1) Briefing on scope of financial audit, (2) Briefing on issuance of 2015 market controls audit and scope of 2016 market controls audit, and (3) Acceptance of operations audit. Governor Olsen stated the Audit Committee accepted the operations audit and noted the opinion issued on December 1, 2015 was unqualified and that no compliance deviations were identified. He requested that the Board accept the operations audit as recommended by the Audit Committee.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the audit opinion issued on December 1, 2015 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2015, as attached to the memorandum dated December 10, 2015.

The motion was seconded by Governor Ferron and approved 4-0.

APPOINTMENT OF AUDIT COMMITTEE MEMBER

Governor Bhagwat described how Governor Ferron's financial background and expertise would be of great value to the Audit Committee and stated he would like to nominate Governor Ferron as a third member to serve on the Audit Committee. Governor Galiteva seconded the nomination.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors elects Mark Ferron to serve as a member of the Audit Committee of the ISO Board of Governors.

The motion was seconded by Governor Galiteva and approved 4-0.

INFORMATIONAL REPORTS

There were no questions on the following informational reports: regulatory update, 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 report, and Energy Imbalance Market Transitional Committee update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 10:50 a.m.