

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
November 7-8, 2013
ISO Headquarters
Folsom, California**

November 7, 2013

The ISO Board of Governors convened the general session meeting at approximately 2:00 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 executive team were present: Steve Berberich, Eric Schmitt, Keith Casey, Petar Ristanovic, Mark Rothleder, Karen Edson, Becky Regan and Nancy Saracino

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Susan Schneider, on behalf of Large-scale solar association, provided a summary of the LSA's public comment letter regarding concerns about several issues related the ISO's reassessment study and related technical bulletin.

Dan Patry, on behalf of Recurrent Energy, echoed Ms. Schneider's comments and further discussed the importance of cost certainty and addressed further addressed concerns regarding security postings.

Mark Higgins, on behalf of Pacific Gas & Electric Company, provided comments and noted support of the ISO's technical bulletin and further discussed the importance of cost caps in providing cost certainty.

Catherine Hackney, on behalf of Southern California Edison, echoed Mr. Higgins comments and further discussed the importance of the reassessment process as set forth in the tariff.

Keith Casey, Vice President of Market and Infrastructure Development, provided responding remarks and noted appreciation of the feedback received. Mr. Casey stated that the ISO would be commencing a stakeholder process to address the issues of cost cap reductions and security postings as well as looking at the readjustment percentages of cost allocation for projects. Mr. Casey acknowledged the importance of accelerating the resolution of the third issue and committed to resolving this issue in a few weeks.

DECISION ON GENERAL SESSION MINUTES

Governor Olsen moved for approval of the Board of Governors general session minutes for the September 12, 2013 meeting. The motion was seconded by Governor Maullin and approved 5-0-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his CEO report: overall conditions, energy imbalance market, interconnection process enhancements for downsizing and risk of disconnection, and the annual ISO symposium. He noted appreciation for all of those who contributed to the success of the symposium. Mr. Berberich provided an overview of the renewable generation section of his report and noted that solar generation had repeatedly reached new peaks since the last report. He concluded his report by discussing the ISO's successful execution of its bond refinancing.

DECISION ON ENERGY IMBALANCE MARKET DESIGN

Don Tretheway, Lead Market Design and Regulatory Policy Specialist, provided an overview of Management's energy imbalance market design proposal. Mr. Tretheway described how the energy imbalance market would allow balancing authorities in the West to voluntarily participate in a real-time market operated by the ISO. He discussed benefits associated with the energy imbalance market, including leveraging the full functionality of the ISO's advanced real-time market platform. He further described how the energy imbalance market would provide flexibility for an energy imbalance market balancing authority to develop rules within its tariff framework. Mr. Tretheway stated that the proposed design included elements to manage seams issues since multiple balancing authorities would be participating. He noted that the design also included elements to ensure appropriate cost allocation.

Mr. Tretheway also described the safeguards put in place should unexpected market issues arise. He stated that the ISO would be conducting robust testing and market simulation and stated that Management would brief the Board on the market simulation results in the summer 2014. He informed the Board that if necessary, Management would seek additional Board authority to activate additional software functionality. Mr. Tretheway stated that there was broad support for the proposal and noted that the design would allow other balancing authorities to join the energy imbalance market and further expand the benefits for all in the West.

Public comment

Nancy Saracino, Vice President, General Counsel and Chief Administrative Officer, acknowledged receipt of the following public comment letters: Office of the Governor of California, Joint letter from the California Energy Commission & the California Public Utilities Commission, Oregon Public Utilities Commission, Nevada Public Utilities Commission, PacifiCorp, Southern California Edison, California Municipal Utilities Association, Arizona Public Service Company, Portland General Electric Company, XcelEnergy, NV Energy, Iberdrola Renewables, Powerex, Renewable Northwest Project, Interstate Renewable Energy Council, SESCO CALISO, and a joint letter from the California Wind Energy Association, American Wind Energy Association, Environmental Defense Fund & Center for Energy Efficiency & Renewable Technologies

Kevin Barker, on behalf of the California Energy Commission, provided comments in support of Management's proposal and provided highlights of the joint public comment letter from the California Energy Commission and the California Public Utilities Commission.

Stephan Bird, on behalf of PacifiCorp, provided comments in support of Management's proposal and acknowledged appreciation to the ISO for its robust and collaborative stakeholder process. Mr. Bird also commended ISO staff for its work on the implementation agreement and noted that PacifiCorp looked forward to working with the ISO and encouraged other entities to join the energy imbalance market.

Roy Kuga, on behalf of Pacific Gas and Electric Company, provided comments in support of Management's proposal and commended the ISO's stakeholder process. Mr. Kuga further discussed the cost benefits associated with the energy imbalance market proposal and the emphasized the importance of the testing and simulation phases. Mr. Kuga also addressed a few remaining concerns.

Marc Ulrich, on behalf of Southern California Edison, provided comments in support of Management's proposal and commended the ISO's stakeholder process

in resolving issues. Mr. Ulrich noted support for a broader footprint and then further discussed a few remaining concerns.

Bob Lane, on behalf of San Diego Gas and Electric Company, provided comments in support of Management's proposal but noted a few concerns as outlined in the final opinion of the Market Surveillance Committee and as highlighted in earlier comments by the other utilities.

Ellen Wolfe, on behalf of Western Power Trading Forum, provided comments in support of Management's proposal, the ISO stakeholder process and expansion of the footprint in the West. Ms. Wolfe noted concerns regarding the energy imbalance market participation process and further discussed concerns regarding PacifiCorp's participation requirements.

Nick Jimenez, on behalf of Natural Resources Defense Council, provided comments in support of Management's proposal and noted the proposal met key criteria for NRDC. Mr. Jimenez acknowledged the ISO's leadership role and looked forward to continued work with the ISO.

Darius Shirmohammadi, on behalf of California Wind Energy Association, provided comments in support of Management's proposal and further discussed the benefits of an energy imbalance market. Mr. Shirmohammadi provided further comments in support of the stakeholder process to resolve issues pertaining to governance.

Jack McGinley, on behalf of NV Energy, provided comments in support of Management's proposal and provided an overview of the public comment letter submitted by NV Energy. Mr. McGinley commended the work of ISO staff and informed the Board that NV Energy was pleased to announce it planned to join the ISO's energy imbalance market.

Market Surveillance Committee comment

Scott Harvey, Member of the Market Surveillance Committee, provided comments in support of Management's proposal and provided an overview of the final Market Surveillance Committee opinion titled "Opinion on Initial Implementation of the Energy Imbalance Market and Related Market Design Changes". Mr. Harvey further discussed the areas of the opinion that addressed remaining stakeholder concerns and noted the importance of pre-implementation testing and making refinements as needed.

Department of Market Monitoring comment

Eric Hildebrandt, Director of Market Monitoring, provided comments in support of Management's proposal and provided an overview of his Board report submitted

on the topic. Mr. Hildebrandt noted that additional issues concerning the potential need for market power mitigation or other refinements could be addressed based on pre-implementation testing and on actual market experience after the initial phase of implementation in the PacifiCorp balancing authority areas.

Discussion followed and the Board commended ISO staff on the process and acknowledged the concerns raised by the stakeholders. The Board concurred that the incremental approach was the right way to proceed. Brief discussion followed.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed energy imbalance market design, as described in the memorandum dated October 31, 2013; 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.

RECESSED

There being additional general session items to discuss, the general session of the Board of Governors was recessed at approximately 3:30 p.m.

RECONVENED

The ISO Board of Governors reconvened the general session meeting at approximately 3:50 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 executive team were present: Steve Berberich, Eric Schmitt, Keith Casey, Petar Ristanovic, Mark Rothleder, Karen Edson, Becky Regan and Nancy Saracino

GENERAL SESSION

The following agenda items were discussed in general session:

DECISION ON INTERCONNECTION PROCESS ENHANCEMENTS FOR DOWNSIZING AND RISK OF DISCONNECTION

Keith Johnson, Manager – Infrastructure Policy, provided the Board with an overview of Management’s proposal on interconnection enhancements for downsizing and risk of disconnection proposal. Mr. Johnson stated that the new downsizing policy would allow customers to submit a downsizing request each year. He stated the impacts of requests would be studied within the ISO’s existing reassessment study process. He noted projects would be obligated to pay for their network upgrades if still needed by other projects. He stated a deposit of \$60,000 would be required to cover study costs and cost to amend the agreement.

Mr. Johnson also stated that the proposal addressed stakeholder concerns about risk of disconnection. He stated that the ISO would not terminate an interconnection agreement solely for failure to build the entire project provided that the customer entered the next available downsizing window. He further discussed the enhanced safe harbor provision for projects less than 200 MW. Mr. Johnson stated the proposal was broadly supported by stakeholders and recommended Board approval.

Public comment

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

Discussion followed and the Board commended ISO staff for its work on the proposal.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the proposal for generator project downsizing and risk of disconnection, as described in the memorandum dated October 31, 2013; 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 Foster and approved 5-0-0.

AUDIT COMMITTEE UPDATE

Governor Bhagwat discussed the proposed revisions to the Audit Committee charter and noted that the revisions made the charter more consistent with Sarbanes-Oxley. Governor Bhagwat also provided the Board with an update on the scope of the 2013 financial audit and noted there were no changes from last year and it was a very thorough scope.

DECISION ON AUDIT COMMITTEE CHARTER

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of the proposed enhancements to the Audit Committee charter as related to the external auditor engagement process. He stated that rather than just review the engagement letters, the Audit Committee would now be pre-approving all external auditor engagement letters regardless if they were audit or non-audit engagements. He further described the de minimis exception and noted engagement letters for non-audits under \$50,000, or a change order for an existing audit that does not result in more than a \$50,000 increase, would not require pre-approval by the Audit Committee. Brief discussion followed.

Motion

Governor Foster:

Moved, that the ISO Board of Governors approves the modifications to the Charter of the Audit Committee as attached to the memorandum dated October 31, 2013.

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

INFORMATIONAL REPORTS

There were no questions or comments on the following informational reports: regulatory update, legislative and state regulatory update, business practice manual change management report, Market Surveillance Committee update, master stakeholder engagement and release plans, quarterly financial report, update on renewables in the generator interconnection queue, and update on results of the reliability must-run contract extensions for 2014.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 4:15 p.m.