

**GENERAL SESSION MINUTES
ENERGY IMBALANCE MARKET GOVERNING BODY MEETING
October 5, 2016
Embassy Suites Portland Airport
Portland, Oregon**

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The ISO Energy Imbalance Market Governing Body convened the general session meeting at approximately 1:05 p.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the EIM Governing Body were in attendance:

Valerie Fong
Douglas Howe
Carl Linvill
John Prescott
Kristine Schmidt

The following members of the executive team were present: Roger Collanton, Stacey Crowley, Keith Casey, Mark Rothleder, and Eric Schmitt.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There were no public comments.

DECISION ON GENERAL SESSION MINUTES

Vice Chair Howe moved for approval of the EIM Governing Body general session minutes for the August 30, 2016 meeting. The motion was seconded by Member Prescott and approved 5-0.

BRIEFING ON POLICY OUTLOOK

Brad Cooper, Manager – Market Design and Regulatory Policy, provided an overview of ongoing and upcoming policy initiatives, including status updates on initiatives that impact the western energy imbalance market. Discussion ensued regarding categorization of the regional integration California greenhouse gas compliance initiative, and Chair Schmidt

stated that the EIM Governing Body plans to engage in this initiative. Next, Mr. Cooper provided a status update on the 2017 policy roadmap process. Discussion followed regarding the tentative schedule and potential schedule revisions for the policy initiative roadmap.

Chair Schmidt next requested stakeholder comment as to which of the five policy initiatives within the EIM Governing Body's advisory authority they suggest the EIM Governing Body should provide advisory input to the ISO Board of Governors.

Justin Thompson, on behalf of Arizona Public Service, suggested that the EIM Governing Body engage in the commitment cost and default energy bid enhancements initiative.

Chair Schmidt then explained that the EIM Governing Body will be requesting similar feedback from stakeholders on initiatives within the EIM Governing Body's advisory authority in future meetings.

BRIEFING ON SETTLEMENTS OVERVIEW

Eric Schmitt, Vice President – Operations, provided an overview of the ISO settlements process. Mr. Schmitt described the statements and invoicing processes that are part of the settlements function. He next described the settlement process timeline. Discussion ensued regarding the settlement process timeline and Mr. Schmitt committed to provide EIM-specific statistics regarding transaction settlements and disputes in a future update to the EIM Governing Body. Mr. Schmitt concluded his presentation by describing the various types of settlements statements and providing settlement facts.

BRIEFING ON ENERGY IMBALANCE MARKET TRANSITIONAL COMMITTEE VISION

Rebecca Wagner, former Chair of the disbanded Energy Imbalance Market Transitional Committee, provided an overview of the key issues that were addressed by the transitional committee, including independence, delegation of authority, re-evaluation of governance, the Body of State Regulators, the Regional Issues Forum, and engagement with the ISO Board, Body of State Regulators, Regional Issues Forum, and stakeholders.

Ms. Wagner described independence as a foundational component of the governance proposal. She explained that the EIM Transitional Committee sought to strike a balance between creating a regional governance proposal that satisfied states and energy imbalance market participants outside of California and recognized that California ratepayers created and developed the energy imbalance market platform. Ms. Wagner stated that the EIM Transitional Committee began by examining two extreme views on independence. She explained that, at one extreme, there were suggestions to establish an advisory committee of the ISO Board with limited authority and governance responsibilities. She added that, at the other extreme, there were suggestions that the energy imbalance market be a distinct organization autonomous of the ISO and California, which ultimately would defeat the value proposition of the energy imbalance market. Ms. Wagner explained that, in trying to strike a

balance between the two bookends, the EIM Transitional Committee arrived at the delegated authority model.

Ms. Wagner next explained that the EIM Transitional Committee spent a significant amount of time on the delegation of authority component of the proposal. She said that, ultimately, the EIM Transitional Committee proposed a framework based on a 'but-for test' and recommended the creation of a guidance document that would be subject to stakeholder input to help guide this issue.

Ms. Wagner next discussed the EIM Transitional Committee's premise that governance should be re-evaluated after a period of time and experience with the chosen model. She explained that the EIM Transitional Committee discussed potential triggers for re-evaluation but did not define specific triggers, leaving it to the EIM Governing Body to determine when re-evaluation should occur.

She next explained that the EIM Transitional Committee established the Body of State Regulators to provide state commissioners with an opportunity to learn more about the energy imbalance market functions and processes, including how these functions and processes affect their jurisdictions.

Ms. Wagner stated that the EIM Transitional Committee established the Regional Issues Forum to create an opportunity or forum for discussion of broader issues, for example, seams issues, that affect entities outside of the energy imbalance market. She clarified that the Regional Issues Forum is not intended to serve as a super stakeholder process or to elevate these stakeholders in a way that minimizes the existing ISO stakeholder process. Rather, it is intended to serve as a touchpoint in the region, facilitating open dialogue and providing insight to the ISO about issues that might be of interest for future stakeholder processes.

Tony Braun, who served on the EIM Transitional Committee, explained that the energy imbalance market is geographically diverse. He added that the Regional Issues Forum is intended to augment the ISO stakeholder process to reach stakeholders who are not accustomed to its processes and culture.

Carl Zichella, who also served on the EIM Transitional Committee, added that the Regional Issues Forum is intended to provide opportunities for entities to become more comfortable with taking the step toward joining the energy imbalance market.

Ms. Wagner next discussed engagement, explaining that the EIM Transitional Committee sought to structure a governance model that fostered a culture of collaboration and cooperation between the ISO Board, the EIM Governing Body, and stakeholders. She stated that the EIM Governing Body is a function of a larger, more complex organization and that it has an important role in its reach to the region. Discussion ensued regarding potential evolution and breadth of participation of the Body of State Regulators and the Regional Issues Forum.

Ms. Wagner concluded her presentation by providing an overview of the EIM Transitional Committee's vision of success. She described success as including the existence of a well-functioning market, cooperation between the ISO Board and the EIM Governing Body with delegation of appropriate responsibilities to the EIM Governing Body, ISO Board acknowledgment and respect for delegated authority, and expression from stakeholders of a sense of being adequately represented.

Chair Schmidt then announced that feedback will be requested regarding stakeholders' vision of success for the EIM Governing Body. Discussion ensued regarding the scope and timeline for the feedback request. Chair Schmidt reported that themes identified in the responses will be discussed at the November 30, 2016 EIM Governing Body meeting in Phoenix, Arizona.

A 10-minute break was taken at this time.

BRIEFING FROM REGIONAL ISSUES FORUM

Tony Braun, Chair – Regional Issues Forum, provided an overview of the Regional Issues Forum's recent activities. He said that the topics of discussion at recent meetings have included external resource scheduling and attribution of carbon within the energy imbalance optimization. He reported that the Forum is planning to hold its next public meeting on November 29, 2016, adjacent to the EIM Governing Body's meeting on November 30, 2016, in Phoenix, Arizona. Mr. Braun reported that the Forum's liaisons participated in a conference call on October 4, 2016, to discuss logistics. He next reported that the Forum is working with ISO staff to obtain a place on the ISO website, subordinate to the EIM Governing Body, for Forum materials. Discussion ensued regarding the process for comments related to external resource participation, and Mr. Braun explained that, to clear up confusion, the Forum will re-solicit comments and any received will be posted to the Forum's designated place on the ISO website.

Mr. Braun concluded his update by explaining that the Regional Issues Forum is working to determine how best it will fit into the EIM Governing Body process. Discussion ensued regarding the Forum's potential role in providing feedback over which initiatives Forum participants think the EIM Governing Body should provide advisory input.

BRIEFING FROM BODY OF STATE REGULATORS

Commissioner Ann Rendahl, Washington Utilities and Transportation Commission and Chair, Body of State Regulators, provided an update regarding the Body of State Regulators' October 31, 2016 meeting, being held in conjunction with CREPC meeting in San Diego, California. Commissioner Rendahl provided an overview of tentative agenda items for the meeting, including an update from FERC Commissioner Cheryl LaFleur, discussion regarding administrative matters, an update from Chair Schmidt on behalf of the EIM Governing Body, and updates from ISO staff regarding the proposed guidance document, external resource participation, and greenhouse gas accounting. Discussion ensued regarding the Body of State Regulators' meeting schedule, changes

to the make-up of the Body of State Regulators, and participation by load-serving and other non-regulated entities.

BRIEFING ON WESTERN ENERGY IMBALANCE MARKET

Mark Rothleder, Vice President – Market Quality and Renewable Integration, provided an update on energy imbalance market implementation explaining that Arizona Public Service and Puget Sound Energy successfully integrated into the energy imbalance market on October 1, 2016. Mr. Rothleder reported that Portland General Electric will join the energy imbalance market in October 2017 and Idaho Power will join in spring of 2018. He next reported that Arizona Public Service and Puget Sound Energy have passed the balancing test in 95.8% and 100% of the time, respectively, and both passed the flexible ramp test 100% of the time. Mr. Rothleder concluded his presentation by discussing the entities' transfer capabilities.

Justin Thompson, Director – Resource Operations and Trading for Arizona Public Service, provided an update on APS's EIM implementation. Mr. Thompson described the cross functional process and technology used by APS, including providing an overview of its people, process, testing, technology, and field statistics. Mr. Thompson next provided data for the energy imbalance market operating day of October 3, 2016. He discussed implementation issues, including what went well and lessons learned. Mr. Thompson concluded his presentation by discussing APS's thermal generation load shape and its new product designed to resolve the load shape issue. Discussion ensued regarding resource participation and the new product.

Josh Jacobs, Director – Load Serving Operations for Puget Sound Energy, provided an update on Puget Sound's EIM implementation. Mr. Jacobs went over Puget Sound's system integration process and early observations. He reported that there were no sufficiency test failures and that participating generation is consistently following Dispatch Operating Targets. He next discussed market transfers and market pricing for the energy imbalance market operating days of October 1-3, 2016. Mr. Jacobs concluded his presentation by thanking ISO staff for guiding Puget Sound through implementation and PacifiCorp and NV Energy who were transparent with lessons learned.

BRIEFING ON ALISO CANYON GAS-ELECTRIC COORDINATION PHASE 2

Brad Cooper, Manager – Market Design and Regulatory Policy, provided a summary of the results of the Aliso Canyon gas-electric coordination phase 2 initiative. Mr. Cooper provided background information regarding the Aliso Canyon natural gas storage facility and described ISO Management's proposal to extend many of the temporary operational tools and market mechanisms implemented in summer 2016 to mitigate ongoing reliability risks. He reported that stakeholders supported and the ISO Board approved Management's proposal, which provides important functionality to mitigate the ongoing reliability impacts of the limited operability of the Aliso Canyon natural gas storage facility, includes flexibility that allows the ISO to adjust the use of the new tools to align with market and reliability needs, and includes a sunset date of November 30, 2017. Discussion ensued regarding the status

of the Aliso Canyon natural gas storage facility and generators impacted by the mitigation measures.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 4:35 p.m.