

Memorandum

To: ISO Board of Governors
From: Roger Collanton, Vice President, General Counsel and Corporate Secretary
Date: July 10, 2024
Re: **Decision to modify WEIM Governing Body compensation**

This memorandum requires ISO Board of Governors action.

Introduction

In accordance with the Western Energy Imbalance Market Governance Review Committee's recommendation that the ISO conduct a review of WEIM Governing Body compensation relative to other similar bodies in 2023, Management commissioned such a review, and based on that, proposes that the Board implement an increase to the annual retainer fee for the WEIM Governing Body. Governing Body members receive as compensation an annual retainer fee, in addition to other fees, such as meeting attendance and preparation fees. The Board sets the WEIM Governing Body's compensation pursuant to the California Corporations Code and the ISO bylaws. Further, Governing Body compensation is set in accordance with the Transitional Committee's original recommendation that the Governing Body be compensated "at a level that would attract talented and dedicated members, generally consistent with the compensation of the ISO Board [of Governors]." Based on a recent benchmarking survey, the Governing Body's overall compensation, including its annual retainer and total compensation, is currently well below the 25th percentile of the market rate. This has also been the case on historical surveys; nonetheless, the Governing Body has not had its annual retainer fee increased in more than five years. As a result, and given the complexity and time involved in engaging in Governing Body and joint ISO Board meetings and activities, especially considering the Governing Body's added responsibilities to establish and operate the EDAM, Management recommends that the Board increase the Governing Body's annual retainer fee, as detailed below. The proposed increase in compensation, although modest, will provide the Governing Body with a more reasonable overall compensation structure. And while the overall compensation will still be below the 25th percentile of the market compared to that of peer organizations, it will more fairly compensate the Governing Body for its time and the complexity of the work it performs, which will help the ISO attract and retain highly qualified and dedicated Governing Body members going forward.

Discussion

Providing governance over the market rules for one of the largest electric systems is a tremendous responsibility. The Governing Body has a broad and important mission, and is faced with complex decisions relating to changes to the ISO and WEIM/EDAM market structure, integrity and functionality, as well as significant and sensitive efforts to incorporate regional benefits. The Governing Body also engages in significant outreach to fulfill its mission to “promote, protect and expand the success of the WEIM and EDAM for the benefit of its participants as a whole, with due consideration of the interests of all participants in the ISO’s real-time and day-ahead markets, including both participants transacting in the ISO’s balancing authority area and participants transacting in WEIM/EDAM balancing authority areas...”

Prior to each Governing Body or joint meeting with the ISO Board, Governing Body members are typically presented with hundreds of pages of materials, including memos, letters and technical documentation, to review as part of their preparation. At the meetings, they review and consider additional presentations for most agenda items. Service on the Governing Body is a time-consuming and demanding responsibility that requires a high degree of attention to complex matters, significant experience in the electric field or other industry, and excellent judgment. Governing Body meetings combined with joint ISO Board meetings generally last two consecutive days. The Governing Body’s five members have each been selected by a Nominating Committee of stakeholders, and appointed by the Governing Body, to serve this organization because of the expertise, experience and judgment they bring to help guide the ISO through the many market design challenges it faces. These challenges and the time Governing Body members dedicate to addressing them have increased over the past several years, particularly with the addition of the establishment and success of the EDAM added to their responsibilities, and their service warrants compensation at a rate more reasonable and more in line with industry standards.

For their service, Governing Body members currently receive an annual retainer of \$40,000. Management proposes to increase the annual retainer fee from \$40,000 to \$50,000, paid in accrued quarterly installments, effective with the July-September 2024 quarterly installment, to bring their overall compensation up to a more reasonable level as measured against peer organizations, which will help attract and retain highly qualified and respected members like the Governing Body has had over the years.

Motion

Moved, that in accordance with Article IV, Section 6 of the bylaws, the ISO Board of Governors hereby modifies the compensation to WEIM Governing Body members for their service to the California ISO, effective July 1, 2024 as follows:

- ***The standard annual retainer paid to a Governing Body member shall be \$50,000, paid in accrued quarterly installments, commencing with payment***

for the accrued quarterly installment for the 3rd quarter of 2024;

- A fee of \$1,000 shall be paid for each day of participation at a noticed in-person WEIM Governing Body meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Governing Body meeting;***
- A fee of \$1,000 for each meeting day shall be paid for time spent preparing for a noticed in-person Governing Body meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Governing Body meeting;***
- A fee of \$1,000 for each meeting day shall be paid to the non-voting Governing Body member for each day of participation a noticed in-person DMM Oversight Committee meeting, and a fee of \$500 for each day of participation at a noticed teleconference DMM Oversight Committee meeting;***
- A fee of \$1,000 for each meeting day shall be paid to the non-voting Governing Body member for time spent preparing for a noticed in-person DMM Oversight Committee meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference DMM Oversight Committee meeting;***
- A fee of \$500 for attendance at a working group meeting, not to exceed a maximum of \$1500 per quarter.***
- A fee of \$1,000 shall be paid to the Chair (or Chair's designee) for each day of participation at a noticed in-person Board of Governors meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Board of Governors meeting;***
- A fee of \$1,000 for each meeting day shall be paid to the Chair (or Chair's designee) for time spent preparing for a noticed in-person Board of Governors meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Board of Governors meeting;***
- A fee of \$1,000 shall be paid for each day of in-person participation at ISO-sponsored stakeholder events where the Chief Executive Officer or Chair of the Board of Governors specifically requests the Governing Body member's attendance;***
- A fee of \$1,000 shall be paid to new Governing Body members for each day of participation in the ISO's Governing Body member orientation process;***

- *A fee of \$1,000 shall be paid to new Governing Body members for time spent preparing for each day of participation in the ISO's Governing Body member orientation process;*
- *Reasonable expenses associated with in-person or teleconference meetings shall be reimbursed;*
- *Governing Body members who attend meetings or events as representatives of the Governing Body, including ISO/RTO Council meetings and other electric utility or power industry meetings, at the request of the Chair of the Governing Body or ISO Management in consultation with the Chair, are not eligible for compensation but shall be eligible for reimbursement of reasonable expenses, as deemed appropriate and approved by the Chair of the Governing Body;*
- *Governing Body members shall be eligible for conference fees and reasonable expenses associated with seminars, training and conferences related to corporate governance or best practices for Governing Boards, deemed appropriate and approved by the Chair of the Governing Body; and*
- *Reimbursements for reasonable expenses, as set forth above, shall be in compliance with the ISO Travel Policy for Governors.*