

Memorandum

To: ISO Board of Governors
From: Roger Collanton, Vice President General Counsel
Date: December 10, 2015
Re: Decision on EIM governance documentation

This memorandum requires Board action.

EXECUTIVE SUMMARY

The EIM Transitional Committee recommended modifications to the ISO's governance structure designed to provide all stakeholders with a meaningful voice in decisions about the market rules of the energy imbalance market (EIM). In September, the Board adopted the Committee's proposal and directed Management to implement it.

The governance modifications involve creating a five-member EIM Governing Body, which will have certain delegated authority over real-time market rules, as well as a body of state regulators and a regional issues forum. As an essential step toward implementing these changes, Management proposes amendments to the corporate bylaws and the adoption of two new governing documents – a charter and a selection policy for the EIM Governing Body. These documents have been reviewed by the Transitional Committee, which found them to be consistent with their proposal.

The approval of these governance documents will enable stakeholders to move ahead in the process of selecting representatives for the EIM Governing Body nominating committee and liaisons to the regional issues forum. Once the initial EIM governing body has been seated, the Board can move forward with the contemplated delegation of authority described in the bylaws. ISO staff has organized calls to help stakeholder sectors begin those efforts starting December 14.

Accordingly, Management proposes the following motion:

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.

Background

The proposed governing documents were posted for public review on November 13, 2015, six days before Transitional Committee's meeting on November 19. During that meeting, the Committee stated that the documents "are consistent with the EIM Transitional Committee's proposal for the governance of the energy imbalance market." There have been no revisions to those documents.

Bylaws

The proposed amendments to the corporate bylaws establish the authority of the EIM Governing Body once it is initially seated – i.e., that the Board will not approve tariff amendments within the primary authority of the EIM Governing Body without its prior approval. These rules are written at a high level, suitable for corporate bylaws. The bylaws also require the Board to adopt supporting documents that will include further details, including a charter for the EIM Governing Body and a selection policy.

Charter for the EIM Governing Body

The charter, which is expressly contemplated in the Transitional Committee's governance proposal, details the delegation of authority and the administration of the EIM Governing Body. It also establishes the body of state regulators and the regional issues forum.

The terms of the charter are drawn directly from the Committee's proposal, except for certain non-substantive matters of administration (see Section 3, entitled "Administration," and Section 4, entitled "Secretary"). In addition, Section 1.4, entitled "Resignation and Vacancies," provides additional detail that goes beyond the Committee's proposal by authorizing the EIM Governing Body to decide whether or not to fill certain vacancies when there are less than eighteen months remaining in the term of the departing member.

Selection Policy

The selection policy reflects the rules for selecting members of the EIM Governing Body. Embodying these rules in a standalone policy document is consistent with ISO's procedures for selecting the Board of Governors.

The material in the selection policy is drawn directly from the Committee's proposal, except for the addition of two proposed rules about how to proceed if a stakeholder sector cannot reach agreement. The concluding paragraphs of Section 3.2 specify that, in the case of disagreements about which entities qualify to participate in a certain sector, Management will resolve the disagreement. In addition, if a sector cannot agree on who will serve as its representative, the EIM Governing Body will appoint a representative for it (or, before the initial members of the EIM Governing Body are selected, the Board of Governors will appoint a representative).

CONCLUSION

Management recommends that the Board approve the proposed amendments to the corporate bylaws, the charter and the selection policy so that stakeholders can move ahead with the process of selecting the EIM Governing Body and representatives to the regional issues forum.

Attachments

- A – Proposed amendments to the ISO corporate bylaws (amendments shown in redline)
- B – Proposed Charter for the EIM Governing Body
- C – Proposed Selection Policy for the EIM Governing Body