

# Memorandum

**To:** EIM Transitional Committee  
**From:** Roger Collanton, Vice President, General Counsel  
**Date:** November 13, 2015  
**Re:** Decision on EIM Governance Documents

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***This memorandum requires Committee action.***

## EXECUTIVE SUMMARY

The EIM Transitional Committee's governance proposal, which the ISO Board of Governors adopted in September, calls for the creation of an EIM Governing Body with certain delegated authority over EIM market rules, as well as a body of regulators and a regional issues forum. Management has begun work toward implementing the proposal and ultimately establishing the EIM Governing Body. Before that can happen, several steps are necessary, including the adoption of foundational documents. To that end, Management has prepared three documents it plans to submit to the Board for approval in December:

- proposed amendments to the ISO bylaws,
- a charter for the EIM Governing Body, and
- a selection policy for the EIM Governing Body.

All three of these documents must be approved by the Board to become effective. To assist the Board with its decision, Management is providing these documents to the Transitional Committee to opine on whether these drafts are consistent with its EIM governance proposal. Accordingly, Management proposes the following motion:

***Moved, that the EIM Transitional Committee finds the draft governing documents provided with the memorandum dated November 13, 2015 – proposed amendments to the bylaws, a charter for the EIM Governing Body and a selection policy – are consistent with the EIM Transitional Committee's proposal for the governance of the energy imbalance market.***

### ***Proposed Amendments to the Bylaws***

The draft amendments to the ISO's corporate bylaws establish the EIM Governing Body and set forth the fundamental delegation of authority to that body. Specifically, they state that the Board will not approve tariff amendments that are within the primary authority of the EIM Governing Body without the prior approval of the EIM Governing Body.

The proposed amendments to the bylaws also require the Board to adopt two other documents also included with this memorandum: a charter for the EIM Governing Body and a selection policy.

### ***Charter for the EIM Governing Body***

The Transitional Committee's governance proposal specifically contemplates a charter for the EIM Governing Body. In addition to detailing the delegation of authority and the operation of the EIM Governing Body, the charter also establishes the body of regulators and the regional issues forum.

The charter is drawn directly from the Committee's proposal, except for certain non-substantive matters of administration (parts of Section 3, entitled "Administration," and Section 4, entitled "Secretary"). In addition, Section 1.4, entitled "Resignation and Vacancies," provides additional detail beyond that provided in the Committee's proposal. It authorizes 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***

Management has also prepared a selection policy reflecting the rules for selecting members of the EIM Governing Body. Embodying these rules in a separate document is consistent with the ISO's procedures for selecting the Board of Governors.

The selection policy is drawn directly from the Committee's proposal, except for the addition of two proposed rules about how to proceed when a sector cannot agree on a critical issue. 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 represent it, the EIM Governing Body will appoint a representative (or, before the initial members of the EIM Governing Body are selected, the Board of Governors will appoint a representative).

### ***Additional Document to be Drafted Later***

The proposed amendments to the corporate bylaws also require the creation of two other documents that are not before you today: a contract between the ISO and members of the EIM Governing Body, and procedures to guide ISO employees when they make an initial determination about how to classify a proposed amendment to the tariff for purposes of presenting

that matter for decision. These documents have not yet been prepared, as they are not necessary to begin selecting members of the EIM Governing Body, which is the ISO's current focus.

## **CONCLUSION**

Management asks the Transitional Committee to review the draft documents and to make a finding as to whether they are consistent with the Committee's proposal for governance of the EIM, or recommend any changes the Committee deems necessary prior to submittal to the Board.

### Attachments

- A – Proposed amendments to the ISO corporate bylaws
- B – Draft Charter for the EIM Governing Body
- C – Draft Selection Policy for the EIM Governing Body