



California ISO

**DRAFT Selection Policy for the EIM Governing Body
Version # 1.0**

Effective December 21, 2015



REVISION HISTORY

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1.0	12/17 or 12/18/2015	1 year from effective date	Board of Governors	Policy Adopted

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1.0 INTRODUCTION AND SCOPE

The EIM Governing Body is a five-member body that exercises delegated authority over the rules of the ISO's Energy Imbalance Market. This policy, which governs selection of Members of the EIM Governing Body, was adopted by the ISO Board of Governors pursuant to Article IV, Section 2 of the ISO bylaws. The policy provides that Members of the EIM Governing Body will be selected by a Nominating Committee comprised of certain stakeholder representatives. Nominees will be subject to approval by the EIM Governing Body in an open meeting or, in the case of establishing the initial membership of the EIM Governing Body, by the ISO Board of Governors.

This policy explains the selection and composition of the Nominating Committee, how the Nominating Committee will select a slate of nominees for each open position, and how that slate of nominees will be subject to a vote of approval by the EIM Governing Body (or, in the case of the initial nominees, by the Board of Governors).

2.0 DEFINITIONS

“Body of State Regulators” means the group of state regulators to be established pursuant to Section 5 of the charter for the EIM Governing Body, consisting of one representative from the public utilities commission of each state in which load-serving utilities participate in the ISO's Energy Imbalance Market or its Real-Time Market, as those terms are defined in the ISO Tariff.

“EIM Governing Body” means the body established pursuant to Article IV, Section 1 of the ISO bylaws.

“Executive Search Firm” means the firm retained by the ISO to assist the Nominating Committee with identifying qualified candidates.

“Member” means a member of the EIM Governing Body.

“Nominating Committee” means the committee established by this policy to identify a slate of nominees for positions on the EIM Governing Body that are scheduled to be open, as detailed below in Section 3.

3.0 ROLES AND RESPONSIBILITIES

3.1 Nominating Committee

There will be a Nominating Committee of eight members, consisting of one representative each from the following sectors or groups:

- EIM Entities;
- Participating Transmission Owners;
- Publicly-Owned Utilities;
- Suppliers and Marketers of Generation and Energy Service Providers;
- The Body of State Regulators;
- The EIM Governing Body (or, for the selection of initial members, the EIM Transitional Committee);
- The ISO Board of Governors; and
- Public Interest or Consumer Advocate Groups.

3.2 Selection of Sector Representatives to the Nominating Committee

Not less than 150 days prior to the scheduled expiration of any member's term, and at other times as may be necessary to fill a vacancy on the EIM Governing Body, the Corporate Secretary of the ISO will ensure that each of the following sectors has a representative to the Nominating Committee. The sectors will be as follows:

- The **“EIM Entities”** sector, which will include every EIM Entity and any entity that has executed an EIM Implementation Agreement to become an EIM Entity. The term “EIM Entity” will have the same meaning as in the ISO Tariff.
- The **“Participating Transmission Owners”** sector, which will include every Participating Transmission Owner. The term “Participating Transmission Owner” will have the same meaning as in the ISO Tariff.
- The **“Publicly-Owned Utilities”** sector, which will include every publicly-owned utility located within the balancing authority area of either the ISO or an EIM Entity. A “publicly-owned utility” is any utility that is excluded from certain provisions of the Federal Power Act by virtue of Section 201(f) of the Act. Section 201(f) covers “the United States, a State or any political subdivision of a state, or any agency, authority, or instrumentality of any one or more of the foregoing, or any corporation which is wholly owned, directly or indirectly, by any one or more of the foregoing.” By way of illustration, this includes, without limitation, municipally-owned utilities, power co-operatives and federal power marketing agencies. A publicly-owned utility that is either an EIM Entity or a Participating Transmission Owner shall participate in that sector rather than in the Publicly-Owned Utilities sector.
- The **“Suppliers and Marketers of Generation and Energy Service Providers”** sector, which will include every entity that is party to a Scheduling Coordinator Agreement or a Participating Generator Agreement with the ISO (as those terms are defined in the ISO tariff), provided that it does not qualify for the EIM Entities sector, the Participating Transmission Owners sector or the Publicly-Owned Utilities Sector.

- The “**Public Interest Groups and Consumer Advocates**” sector, which will include all public interest or consumer advocate groups that are actively involved in energy issues within the balancing authority area of the ISO or an EIM Entity.

Each sector will determine its own method of selecting a representative to serve on the Nominating Committee, and the term of service for its representative. A sector may designate a term of service for multiple years if it wishes to avoid the need to meet in the following year(s) to select a representative. The minimum term of service shall be one year.

If one or more of these sectors does not have a currently serving representative to the Nominating Committee, the Corporate Secretary will designate a person from one of the entities in the sector to serve as a sector organizer to facilitate selection of a representative. Each sector organizer must make reasonable efforts to notify all entities that are qualified for participation in its sector about the initial organizational meeting or teleconference for the sector. These efforts shall include issuing, with assistance from ISO staff, an ISO market notice no less than seven calendar days in advance of the meeting or teleconference.

The entities in each sector should make their best efforts to amicably resolve any disagreements about which entities belong within the sector, and thus are entitled to participate in the sector’s selection of a representative to the Nominating Committee. Any disagreements that cannot be resolved by the entities in a sector may be referred to the management of the ISO for resolution. The Chief Executive Officer (or his or her designee), the Vice President, Policy & Client Services, and the General Counsel will hear from the interested parties and make a decision. Their decision shall be binding on the member entities of the sector.

Within 40 days after the ISO Corporate Secretary designates a sector organizer to facilitate selection of a representative, the sector organizer shall certify the choice of the sector representative and the representative’s terms of service to the ISO Corporate Secretary. If a sector organizer is unable to make such a certification because the sector has been unable to reach agreement on its representative, the EIM Governing Body will select a representative for the sector (or, before the first members of the EIM Governing Body have been selected, the Governing Board will select a representative for the sector). The ISO will post the name and contact information of each sector representative on its website.

3.3 Selection of Other Representatives to the Nominating Committee

No less than 150 days prior to the expiration of any Member's term, and at other times as may be necessary to fill vacancies on the EIM Governing Body, the ISO Corporate Secretary shall ask the following bodies to select one representative each to the Nominating Committee:

- The EIM Governing Body (or, for the selection of the initial Members, the EIM Transitional Committee);
- The Body of State Regulators; and
- The Board of Governors.

The representative from the EIM Governing Body will serve two functions: he or she will both help the Nominating Committee select nominees and serve as a liaison between the Nominating Committee and the EIM Governing Body, which will approve or reject the ultimate panel of nominees. For the selection of the initial Members, this will be the case for the representative from the Board of Governors.

Each of these bodies may determine its own method of selecting a representative to serve on the Nominating Committee, provided that the representative of the EIM Governing Body shall not be a member whose current term will be expiring.

The term of service for the representatives selected by these groups shall be one year.

3.4 Operation of the Nominating Committee

The Nominating Committee shall nominate a slate with one nominee for each seat on the EIM Governing Body for which the term is scheduled to expire.

The Nominating Committee shall act on the consensus of its voting members. The voting members will be the representatives of the following five sectors:

- EIM Entities;
- Participating Transmission Owners;
- Publicly-Owned Utilities;
- Suppliers and Marketers of Generation and Energy Service Providers; and
- The Body of State Regulators.

The other members of the Nominating Committee shall not have votes. Non-voting members are expected to share their views about the candidates and to participate fully in deliberations.

The Nominating Committee should convene no less than 100 days prior to the scheduled expiration of any Member's term to begin the process of identifying potential candidates for each open seat, or as soon as practicable when other vacancies arise.

If an EIM Governing Body member whose term is scheduled to expire has expressed a desire to be nominated for a new term, the Nominating Committee should determine whether it wants to re-nominate the departing member without interviewing other candidates. If the Nominating Committee does not decide to proceed in this manner, then it should ask the Executive Search Firm to identify at least two qualified candidates, in addition to the sitting member, for the Nominating Committee to interview.

With assistance from the Executive Search Firm, the Nominating Committee shall identify and select the best qualified candidates available in the United States. Optimally, the Committee's selections should ensure that the overall composition of the EIM Governing Body reflects diversity of expertise, so that there is not a predominance of Members who specialize in one subject area, such as operations or utility regulation. Similarly, no one state or sub-region in the West should have excessive representation – meaning members whose place of residence or work history tends to associate them with a particular Western state. The Committee should strive to ensure that the EIM Governing Body includes at least one member with expertise in Western electric systems and markets. If the Nominating Committee can identify a qualified candidate with a Western background who has as strong overall experience and knowledge as the other candidates, and all other factors being equal, the Committee should prefer the candidate with a Western background.

The deliberations of the Nominating Committee shall be confidential. Members of the Nominating Committee may share the names of candidates with others outside the Committee as part of the process of evaluating candidates. The Nominating Committee should have a common understanding about the extent to which they will share the names of candidates in connection with a particular search.

The Nominating Committee should use its best efforts to reach consensus on a slate of nominees no later than 30 days before the expiration of the current Members' terms. If the Committee is having difficulty reaching consensus, it should consider interviewing additional candidates as one possible step.

Except as otherwise provided in this Policy, the Nominating Committee may establish its own procedures.

3.5 Executive Search Criteria

Not less than 90 days prior to the scheduled expiration of any Member's term and as necessary to fill other vacancies, the ISO will engage an independent Executive Search Firm to identify qualified candidates for consideration by the EIM Nominating Committee.

Based on direction from the Nominating Committee, the Executive Search Firm will seek out candidates having one or more of the qualifications listed below, and will propose to the Nominating Committee candidates that complement, to the extent possible, the qualifications of the Members whose terms are not expiring, with the goal that the EIM Governing Body should have broad expertise in the following areas.

- Electric industry – such as former electric utility senior executives currently unaffiliated with any market participant or stakeholder, as described below; present or former executives of electric power reliability councils; present or former executives from power pools; retired military officers with relevant experience; or present or former executives of firms that perform professional services for utilities.
- Markets – such as present or former financial exchange executives; present or former executives of commodity trading companies or commodities markets; executives or attorneys with extensive background in anti-trust law; present or former executives in recently deregulated industries; former state or federal regulators with deregulation experience; or academics or consultants with relevant market experience.
- General corporate/legal/financial – such as present or former management consultants or service industry executives; present or former chief executives; chief financial officers; chief legal officers or chief information officers of profitmaking companies; present or former national law firm partners; present or former senior executives of financial institutions, investment banking or financial accounting/auditing organizations.

The Executive Search Firm should also consider candidates with senior executive experience in public interest organizations provided they otherwise have the relevant background described above.

All potential candidates must possess a proven reputation for excellence in their areas of expertise, and optimally should reflect a diverse background (e.g., ethnicity, gender) and viewpoint.

The Executive Search Firm shall not consider candidates who

- are employed by or provide consulting services to any entity (or person) that would disqualify them from service as a Member of the EIM Governing Body, including

any entity that is engaged in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council;

- holds a financial interest that would be prohibited by 18 C.F.R section 35.34(j)(1)(i); or
- has another actual or perceived conflict of interest that would be prohibited by the Code of Conduct & Ethical Principles and that could not be resolved before the candidate becomes a member of the EIM governing body.

However, the Executive Search Firm may consider a candidate who has an otherwise prohibited relationship or financial interest if the candidate commits to promptly end any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after appointment.

3.6 Approval of Nominees

The slate submitted by the Nominating Committee shall be subject to approval by the EIM Governing Body in open session (except for the nominees selected to be the initial Members, who will be subject to approval by the Governing Board in open session). If the decision occurs before the end of the expiring terms, the EIM Governing Body member or members whose terms are expiring will be recused from the approval decision. The EIM Governing Body must accept or reject the slate as a whole.

If the slate is accepted, the nominees will become Members of the EIM Governing Body upon execution of a services agreement with the ISO.

If the slate is rejected, the Nominating Committee must re-convene and establish a new slate of nominees. The new slate must not be identical to the prior slate, though the Nominating Committee may retain one or more nominees from a prior slate involving multiple nominees. After the Nominating Committee submits its second slate of nominees, the EIM Governing Body shall decide, in public session, to approve one of the two slates that was submitted by the Nominating Committee.

4.0 COMMUNICATIONS

A current version of this policy will be available on the ISO website.

5.0 MODIFICATIONS

Any substantive revisions to this policy must be approved by the Board of Governors.

6.0 RESOURCES

Below is a list of additional resources, policies and procedures relevant to this policy.

- ISO corporate bylaws
- 18 C.F.R. § 35.34(j)(1)(i)
- Code of Conduct & Ethical Principles
- Corporate Governance Principles
- Charter for the EIM Governing Body and EIM Governance

7.0 CONTACTS

For questions regarding subject matter covered in this policy, please contact Stacey Karpinen, skarpinen@caiso.com.

8.0 APPROVAL

This policy has been reviewed and approved by the following managers:

Responsible Manager Title:

Name

Name

Signature

Date

Sponsoring Officer Title:

Karen Edson

Name

Signature

Date

President and CEO:

Steve Berberich

Name

Signature

Date

Corporate Secretary and VP, General Counsel and Chief Administrative Officer:

Roger Collanton

Name

Signature

Date