

 California ISO	Board Policy	Revision Date Version No.	12/18/2015 1.0
Charter for Energy Imbalance Market Governance		Policy Adopted	12/18/2015



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This Charter establishes the EIM Governing Body, its responsibilities and procedures. In addition, this Charter establishes two other components of the overall governance structure for the EIM: a Body of Regulators and a Regional Issues Form.

This Charter is intended as a component of the governance framework within which the Board of Governors directs the affairs of the ISO.

1. Membership & Qualifications

1.1 Membership:

1.1.1 A full EIM Governing Body shall have five members.

1.1.2 Members must be independent of ISO market participants and stakeholders, and otherwise comply with the Code of Conduct and Ethical Principles as it applies to Governors of the ISO.

1.1.3 Members must execute a written services agreement with the ISO, as provided in the ISO bylaws.

1.2 Selection:

Members of the EIM Governing Body will be selected pursuant to the Selection Policy for the EIM Governing Body.

1.3 Terms of Office:

Except for the first terms of the initial members of the EIM Governing Body, all terms will be three years. The first terms of the initial members will be established by the Board of Governors so that terms are staggered. Members may serve a maximum of three terms, excluding any term that is less than three years.

1.4 Resignation and Vacancies:

A resignation shall be effective upon receipt of written notice by the Chair of the EIM Governing Body, the President or the Corporate Secretary, unless the notice specifies a later time of effectiveness. If a vacancy occurs and eighteen months or more will remain of the term of the departing member, a replacement member shall be selected to fill the vacancy pursuant to the Policy for Selection of the EIM Governing Body. If a vacancy occurs and less than eighteen months remain of the term of the departing member, the EIM Governing Body may, in its sole discretion, request that a replacement member shall be selected to fill the vacancy pursuant to the Selection Policy for the EIM Governing Body. If the EIM Governing Body does not direct that a replacement member shall be selected, then the seat of the departing member will be filled after his or her term would have expired. A member selected as a replacement shall serve the unexpired term of his or her predecessor.

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2. Mission and Responsibilities

2.1 Mission: The EIM Governing Body shall promote, protect and expand the success of the EIM for the benefit of its participants as a whole, with due consideration of the interests of all participants in the ISO's real-time market, including both participants transacting in the ISO's balancing authority area and participants transacting in EIM balancing authority areas (meaning the balancing authority areas of EIM entities, collectively).

The EIM Governing Body shall make decisions and recommendations that will:

- Help control costs to ensure that favorable cost/benefit ratios are maintained for the benefit of market participants;
- Protect the ISO market, including the EIM, its participants, and consumers against the exercise of market power or manipulation and otherwise further just and reasonable market outcomes;
- Facilitate and maintain compliance with other applicable legal requirements, including but not limited to environmental regulations and states' renewable energy goals;
- Allow EIM Entities to withdraw from the EIM prior to any action that would cause or create an exit fee; and
- Allow options to expand the functionality of the ISO market to provide additional services.

2.2 Areas of Responsibility / Delegation of Authority:

2.2.1 Decisions and Recommendations about Market Rule Changes

Through the ISO bylaws, the Board of Governors has delegated certain authority to the EIM Governing Body to approve or reject proposed amendments to the Tariff. The Board has also authorized the EIM Governing Body to provide it with advisory input on certain other market rules, as follows:

- "Primary authority": The EIM Governing Body will have primary authority to approve or reject proposed changes to market rules that are EIM-specific insofar as they apply uniquely to EIM balancing authority areas, or differently to EIM balancing authority areas than to other areas within the ISO's real-time market, and
- "Advisory authority": The EIM Governing Body will have advisory authority over rules that govern participation in the ISO's entire real-time market, including rules that specifically govern the real-time market or rules that generally apply to any participation in ISO markets.

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The role of the EIM Governing Body will differ depending on which of these two classifications applies to the proposed changes. As a policy initiative progresses, ISO staff will label the initiatives as falling within one of the following four categories, according to a guidance document and process to be approved by the Board of Governors:

Category	Description	Process for Approval
1 - Initiative Falls Entirely within EIM Governing Body's Primary Authority	Any policy initiatives that involve market rules changes that fall entirely within the EIM governing body's primary authority	The policy initiative goes first to the EIM governing body for approval, and then to the consent agenda of the ISO Board
2 - Initiative Falls Entirely within EIM Governing Body's Advisory Authority	Any policy initiatives that involve market rules changes that fall entirely within the advisory authority of the EIM governing body	The policy initiative goes to the ISO Board for approval and the EIM governing body is authorized to provide advisory input
3 - Hybrid Where Primary Driver For Initiative is EIM-Specific	When the primary driver for the initiative is EIM and the policy initiative is a hybrid in that it has both a component that would fall within the EIM governing body's primary authority and a component that would fall within its advisory authority	The whole policy initiative goes first to the EIM governing body for approval, and then the ISO Board would consider the entirety of the proposal on a non-consent-agenda basis; in other words, both bodies would need to approve the initiative in its entirety
4 - Hybrid Where Primary Driver For Initiative is <i>not</i> EIM-Specific	When the primary driver for the initiative is not EIM and the policy initiative is a hybrid in that it has both a component that would fall within the EIM governing body's primary authority and a component that would fall within its advisory authority	The EIM components of the policy initiative would first go to the EIM governing body for approval. Then, the ISO Board would consider the entirety of the proposal on a non-consent-agenda basis; in other words, the EIM governing body would need to have approved the EIM components and the ISO Board would need to have approved the entirety of the initiative

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2.2.2 Dispute Resolution Procedure

If either the Chair of the Governing Board or the Chair of the EIM Governing Body notifies the Corporate Secretary that he or she objects to an initial determination by ISO employees about how to categorize a policy initiative that proposes to amend or modify the ISO Tariff, the Corporate Secretary will schedule a joint meeting of the Governing Board and the EIM Governing Body to decide the issue. The joint meeting will be governed by the rules and policies that govern meetings of the Board of Governors except as follows:

- (i) A quorum must be present from both the Governing Board and the EIM Governing Body, and
- (ii) The joint bodies will determine how to classify the proposed amendment or modification. The act of the joint bodies will be determined by the affirmative vote of a majority of the combined members of both bodies who are participating in the joint meeting. If the vote is a tie, the matter shall be decided by the vote of the Chair of the Governing Board.

2.2.3 Exigent Circumstances

2.2.3.1 For any policy initiative that falls entirely within the primary authority of the EIM Governing Body, the Governing Board shall be deemed to have approved an amendment or modification to the Tariff if both of the following conditions are satisfied:

- (i) the proposed amendment or modification to the Tariff will be effective for no longer than 90 days; and
- (ii) in approving the amendment or modification to the Tariff, the EIM Governing Body finds that exigent circumstances exist such that any further delay necessary to obtain the approval of the Governing Board could jeopardize the reliability of the transmission system or risk material manipulation of the market.

2.2.3.2 For any hybrid policy initiative that includes both a component that would fall within the EIM governing body's primary authority and a component that would fall within its advisory authority, the EIM Governing Body shall be deemed to have approved the proposed amendment or modification to the Tariff if both of the following conditions are satisfied:

- (i) the proposed amendment or modification to the Tariff will be effective for no longer than 90 days; and
- (ii) in approving the amendment or modification to the Tariff,

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the Governing Board finds that exigent circumstances exist such that any further delay necessary to obtain the approval of the EIM Governing Body could jeopardize the reliability of the transmission system or risk material manipulation of the market.

2.2.4 Re-Evaluating EIM Governance

No later than September 2020, the EIM Governing Body will initiate a review of EIM governance in light of accumulated experience and changed circumstances.

3. Administration

- 3.1 The ISO will assign a full-time staff member to serve the administrative needs of the EIM Governing Body and to ensure that other ISO personnel provide any support needed by the EIM Governing Body.
- 3.2 In discharging its responsibilities, the EIM Governing Body may inquire into any matter it considers appropriate and relevant to its mission, and may have access to all books, records, facilities and personnel of the ISO. The EIM Governing Body should report to the Governing Board if it believes that the ISO has failed to provide adequate resources to support the EIM Governing Body's fulfillment of its responsibilities.
- 3.3 The EIM Governing Body shall select a Chair from among its Members who will preside over meetings, serve as the primary contact with ISO management, and enlist the necessary assistance of other members of the EIM Governing Body in accomplishing the responsibilities assigned to the EIM Governing Body.
- 3.4 A quorum for any meeting of the EIM Governing Body shall be two-thirds of the members then in office. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of members, provided that any action taken is approved by the required number of members, as specified in these bylaws. Two-thirds of the members then present, whether or not constituting a quorum, may adjourn any meeting to another time and place.
- 3.5 The affirmative vote of a majority of the members then in office shall be the act of the EIM Governing Body. Each member shall have one vote. Members who have recused themselves on a particular matter will not be counted for purposes of determining whether a sufficient vote exists for purposes of actions taken by the EIM Governing Body on that matter.
- 3.6 The EIM Governing Body may fix its own time and place of meetings. Meetings may be called by the Chair of the governing body at such dates, time and places as the EIM Governing Body shall determine. The regularly scheduled meetings of the EIM Governing Body shall be established in advance for each calendar year.

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- 3.7 Special meetings of the EIM Governing Body may be called at any time by the President, the Chair or a majority of the members of the EIM Governing Body then in office.
- 3.8 Meetings shall be conducted in accordance with the ISO's Open Meeting Policy, as if the EIM Governing Body were the Board of Governors. In addition, to ensure open access to the meetings as well as adequate notice to both the public and members of the EIM Governing Body, meetings will be governed by Article III Section 7.3, 8 through 10 and 17 of the ISO bylaws as if the term "Governing Board" in those sections referred to the EIM Governing Body and the term "Governor" or "Governors" referred to members of the EIM Governing Body.
- 3.9 Minutes shall be kept of each meeting, and shall be maintained as a record of the ISO.

4. Secretary

The Corporate Secretary or his or her designee will serve as the Secretary to the EIM Governing Body.

5. Body of Regulators

- 5.1 ISO staff shall facilitate periodic meetings by a Body of Regulators.

5.1.1 Membership: The Body of Regulators will consist of one commissioner from each of the state public utilities commissions in which a load-serving utility participates in the ISO real-time market, including both the ISO balancing authority area and EIM balancing authority areas. Each state public utilities commission will select its own representative to the body. When necessary, a state public utilities commission may select a representative who is not a commissioner.

5.1.2 Purposes:

5.1.2.1 Nominating committee: The Body of Regulators may select a voting member of the Nominating Committee for the EIM Governing Body, as provided in the Selection Policy for the EIM Governing Body.

5.1.2.2 Inform regulators: Through its meetings, the Body of Regulators with assistance from ISO staff will inform regulators about the EIM, the EIM Governing Body and related ISO developments that may be relevant to their jurisdictional responsibilities.

5.1.2.3 Advice and input: The Body of Regulators should provide advice to the EIM Governing Body upon request, and otherwise provide input to the EIM Governing Body.

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5.1.3 The Body of Regulators should conduct periodic meetings. In order to reduce travel costs and facilitate attendance, meetings may be held in conjunction with the meetings of other groups that members may attend, such as the Western Interstate Energy Board.

5.2 Assistance and support: The Vice President, Policy & Client Services should ensure that a staff liaison is identified for the Body of Regulators, who provides the body with assistance and support to perform its functions, as appropriate and necessary. Such assistance will include facilitation of meetings, if requested by the Body of Regulators, education and information about the EIM and the activities of the EIM Governing Body, as well as reimbursement by the ISO of travel expenses incurred by one representative from each state commission to attend meetings, to the extent reimbursement is permitted under applicable state ethics rules.

5.3 Self-Governing: The Body of Regulators may establish its own rules, procedures or practices to govern meetings. Membership in the Body of Regulators does not restrict members from taking any position before FERC or in any other forum concerning matters related to the ISO or the EIM.

6. Regional Issues Forum

6.1 A Regional Issues Forum will meet three times annually.

6.1.1 Frequency and Purpose: Forums shall discuss broad issues related to EIM. Generally speaking, the Regional Issues Forum would not consider individual policy issues that are currently part of an ongoing stakeholder process, but rather address broader issues of EIM operations. The Forum may share opinions on issues regarding EIM and relevant topics, or address topics suggested by the ISO. The forums may produce documents or opinions for the benefit of the EIM Governing Body or the ISO. The Forum is expected to establish its own procedures and methods of operation.

6.1.2 Open meetings and availability of materials: The meetings of the Forum will be open to all members of the public. All materials used in or generated by the meetings shall be made available to the public.

6.1.3 Meetings organized by stakeholder liaisons: Meetings will be organized by liaisons, who will facilitate input and participation from their respective sectors on the topics and content of the meeting in order to ensure that a diversity of input is heard. Liaisons will be selected as described below in Section 6.2. Liaisons and the organizations they are affiliated with will be responsible for all costs associated with organizing and traveling to meetings.

6.2 Selection of Liaisons: Liaisons of this Regional Issues Forum shall be self-selected by each of the sectors described below in a manner similar to how stakeholder sectors select representatives to evaluate candidates for the ISO Board of Governors, and how they selected nominees to the EIM Transitional Committee. The following sectors may select two liaisons each:

- Transmission-owning utilities: These entities will be within the EIM footprint, and could be EIM Entities or Participating Transmission Owners;

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- Independent generators and marketers: Independent generators must be located within the EIM footprint and marketers must be transacting within the EIM footprints;
- Publicly-owned utilities: This sector will be made up of publicly-owned utilities (including rural cooperatives), and any federal or state entities, that are within the EIM footprint. Examples of state and federal entities include power marketing administrations (BPA and WAPA) and state agencies (the California Department of Water Resources, Colorado River Commission and others);
- Public interest groups and consumer advocates: This sector will include organizations that represent the public interest or end-use customers; and
- Neighboring adjacent balancing authority areas: This sector will include any balancing authority area whether public or investor owned, including any non-participating power marketing administration that interconnects with the EIM footprint.

6.1.3 Role of ISO Staff: ISO staff may choose to respond to any written work product generated by the forum and will be available to work collaboratively with liaisons. However, staff will not be responsible for preparing reports or other written work product for the Regional Issues Forum. ISO staff shall assist liaisons in communicating with stakeholders and coordinating meetings, including meetings that the liaisons choose to hold at ISO facilities.

6.1.4 Review: After four to five meetings of the Forum or, even if the Forum has not met four times, beginning in April 2017, the efficacy and role of the Regional Issues Forum will be reconsidered through a stakeholder process, considering its performance and also any changed governance structures and regional market development as a whole.

7. Modifications of this Charter

Any substantive changes to this Charter must be approved by the Board. Management will review this charter on an annual basis and recommend updates thereto to the EIM Governing Body, as appropriate, for approval by the Board.