



Issue Paper

Revisions to Energy Imbalance Market Governance Documents

October 17, 2017

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I. Introduction

The California ISO seeks stakeholder feedback about proposed changes to two governance documents for the Western Energy Imbalance Market: the *Selection Policy for the EIM Governing Body* (“Selection Policy”) and the *Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body* (“Guidance Document”).

The Selection Policy explains the process for filling seats on the EIM Governing Body. The proposed changes would give the Nominating Committee discretion as to whether or not to use an independent executive search firm to identify qualified candidates. The changes also would provide additional guidance to the Nominating Committee on how to proceed when a sitting member of the EIM Governing Body asks to be considered for another term.

The Guidance Document describes how ISO staff will classify policy initiatives for purposes of obtaining approval from the Board of Governors, the EIM Governing Body, or both, and how to resolve any disagreements between the bodies as to the classification of a particular initiative. When necessary, the dispute resolution process culminates with a joint meeting of both bodies. Proposed changes to the Guidance Document clarify that management may work with the Chairs of the Board of Governors and the EIM Governing Body to resolve potential decisional classification challenges before the Chairs proceed with the rest of the dispute resolution process.

The stakeholder process schedule set forth below is based on the expiration date of the terms of two Members of the EIM Governing Body, set to end on June 30, 2018. This schedule will allow the proposed changes to the Selection Policy to become effective before work begins in early 2018 on the nomination process for the two open seats.

II. Plan for Stakeholder Engagement and Decision

Proposed changes to the Selection Policy and the Guidance Document require approval of the Board of Governors. Before then, Management will bring the proposed changes to the EIM Governing Body for its advisory input.

The schedule for this stakeholder process is as follows:

Date	Event
October 17	Issue paper posted
October 25	Stakeholder call to present this paper
November 8	Comments due
November 29	EIM Governing Body briefing for advisory input
December 13-14	ISO Board of Governors decision

III. Proposed Change to the Selection Policy

A. Currently Effective Version

The Selection Policy governs selection of Members of the EIM Governing Body. It provides that Members will be selected by a Nominating Committee and explains the selection and composition of the Nominating Committee, how the Nominating Committee operates, and how slates of nominees are approved or rejected by the EIM Governing Body.

Candidates for the EIM Governing Body are selected by a Nominating Committee comprised of eight members, consisting of one representative from each of the eight sectors or groups identified in the Selection Policy. The Nominating Committee operates by consensus of its voting members. The Nominating Committee's selections are subject to approval by the EIM Governing Body.

Currently, the Nominating Committee uses an executive search firm retained by the ISO to identify and select qualified candidates for each seat on the EIM Governing Body. However, if an EIM Governing Body Member whose term is scheduled to expire seeks to be nominated for a new term, then the Nominating Committee may decide to reappoint that Member without interviewing or considering other candidates.

A complete copy of the currently effective Selection Policy is available [here](#).

B. Proposed Change

After gaining experience with the selection process, it has become clear that members of the Nominating Committee have contacts with many qualified candidates who could be a good fit for the EIM Governing Body, both directly and through the other companies and organizations in their sectors. Consequently, it may not in all cases be necessary for the Nominating Committee to retain an executive search firm, which involves significant time and expense, to identify qualified candidates. For example, retaining such a firm may not be necessary in some instances where a sitting member is seeking another term, if the Nominating Committee decides that a more truncated consideration of potential other candidates is warranted. Rather than deciding whether an executive search firm must be retained in any particular circumstance, the proposed change to the Selection Policy shown in redline below would leave to the discretion of the Nominating Committee whether to use an executive search firm in each circumstance. If the Nominating Committee elects not to use the services of an executive search firm, the Nominating Committee itself will identify qualified candidates for consideration pursuant to Selection Policy criteria.

Additionally, the proposed change provides further guidance on how the Nominating Committee should proceed when a sitting Member asks to be considered for another term. Specifically, the changes require the Nominating Committee to interview the sitting member and state that the Committee should normally consider additional qualified candidates, either with or without the assistance of an executive search firm.

This guidance is intended to give the Nominating Committee substantial flexibility, while expressing the view that, in most cases, it would be advisable to consider additional candidates.

The full changes proposed for the Selection Policy are shown in redline below:

3.4 Operation of the Nominating Committee

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If a Governing Body member whose term is scheduled to expire has expressed a desire to be nominated for a new term, the Nominating Committee ~~should~~shall ~~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~~interview and consider that individual for the position. The Nominating Committee should also normally consider additional qualified candidates ~~to interview, in addition to the sitting member. The Nominating Committee has discretion to decide whether or not to have the ISO engage an Executive Search Firm to identify additional candidates. If the Nominating Committee decides that an Executive Search Firm will not be engaged, then the Nominating Committee shall itself identify the additional candidates, following the same criteria set forth in this Section and Section 3.5 of this policy.~~

With ~~or without the~~ assistance from ~~the an~~ 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 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 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 Nominating Committee should interview and consider at least two candidates for each position that it is seeking to fill, in the situation where a sitting member is not seeking renomination.

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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, if requested by the Nominating Committee, engage an independent Executive Search Firm to identify qualified candidates for consideration by the Nominating Committee.

IV. Proposed Change to the Guidance Document

A. Currently Effective Version

The EIM Governing Body has delegated authority over market rules of the western energy imbalance market. The Guidance Document explains the scope of this delegated authority and the process that Management should follow with policy initiatives during the stakeholder process and the decisional phase to ensure that the EIM Governing Body can perform its functions effectively and with the benefit of stakeholder input. The current version of the Guidance Document states that Management will reach its conclusion about the decisional classification of an initiative after written comments are due on the draft final proposal. Management then notifies the Chair of the Board of Governors and the Chair of the EIM Governing Body of this classification and provides links to the policy papers and any relevant stakeholder input about the classification.

Either of the Chairs may object to the decisional classification and, if an objection is made, the Chairs may confer with each other in an attempt to resolve the matter. Unless the Chairs agree to the proper decisional classification, a formal dispute resolution process is triggered that would involve a joint meeting of both bodies.

A complete copy of the currently effective Guidance Document is available [here](#).

B. Proposed Change

The proposed change shown in redline below would clarify that management may work with the Chairs of the two bodies to resolve a potential decisional classification challenge before the Chairs proceed with the dispute resolution process. This provides Management, which often may be in the best position to address any such concerns, with an opportunity to attempt to do so without the need for further meetings. In addition, the proposal would remove the descriptor “initial” from the term “initial decisional classification” because in most cases this is also the final classification.

The full changes to the Guidance Document are shown in redline below:

IV. Decisional Phase: ~~Initial~~ Decisional Classification, Dispute Resolution and Presentations to the EIM Governing Body

A. ~~Initial~~ Decisional Classification

After stakeholder comments are due on the draft final proposal, Management will reach its conclusion about the ~~initial~~ decisional classification and its plans to seek approval for the initiative. Management will notify the Chair of the ISO Board and the Chair of the EIM Governing Body of this ~~initial~~ decisional classification and provide links to the relevant papers about the initiative. If any stakeholders have submitted written comments on the draft final proposal disagreeing with Management's proposed decisional classification, the notice will also include a link to the relevant written comments from stakeholders regarding the initial classification. The notice, which will be posted on the ISO website, should also include a date when any responses from the Chairs are due back to Management. Under ordinary circumstances, the Chairs will have at least one week to review the notice before any response is due.

Unless Management receives an objection from either the Chair of the EIM Governing Body or the Chair of the Board, Management should proceed to present the initiative for approval as proposed in its notification. If an objection is submitted from either Chair, Management may consult with the objecting Chair in an effort to address and, if possible, resolve the matter. This may include, where appropriate, a revision to the classification, with notification of the change made to both Chairs, at which point either Chair again has the option to object. If Management cannot resolve the matter, the Chairs of the two bodies shall confer on the matter in an attempt to do so. UnlessIf the Chairs cannot agree on the proper decisional classification after having conferred on the matter, then the following dispute resolution process will be triggered.

V. Next Steps

On October 25, the ISO will host a stakeholder call to discuss this issue paper and solicit views from stakeholders. Written comments will be due November 8.

Stakeholders may submit written comments to initiativecomments@caiso.com.