



California Independent
System Operator Corporation

Corporate Governance

("Binder"; Principles; Framework, and Charters)

Governance/ADR Committee
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John C. Anders
Senior Counsel

Corporate Governance “Binder”

- **Corporate Governance Principles**
 - Updates Presented for Approval
- **Articles of Incorporation**
- **Corporation’s Bylaws**
 - Executive Session Item for Discussion
- **Board Nominee Recommendation Process**
- **Open Meeting Policy**
- **Committee Charters**
 - Draft Updates Presented for Discussion
- **Governors Code of Conduct**
- **Employees Code of Conduct**
- **Principles, Policies and Procedures Framework**
 - New Document Presented for Approval

Corporate Governance Principles

- **Approved June 15, 2005**
- **Changes Proposed Consistent With “Gap Analysis”**
- **Highlights of Proposed Changes:**
 - **Establish a Formal Training Program for Governors**
 - **Annual Assessment of Governors Skills and Characteristics**
 - **Self Assessment with Governance/ADR Committee Direction and Oversight**
 - **Formal Role in Succession Planning of the Executive Team**
 - **Formal Practice of Making Governance Materials Available**
 - **Include Governors in Confidential Reporting Process**
 - **Clarify Board’s Right to Access Outside Advisors**

Principles, Policies and Standards Framework

- **Identified in the Gap Analysis as a Best Practice**
- **Intended to Clarify the Role of the Board and Management**
- **Analogous to a Delegation of Authority**
- **Establishes a Three-Tier Framework:**
 - Principles (Key Values and Objectives)
 - Policies (Apply Principles to Strategic and Operational Needs)
 - Standards (Specific Tools and Instructions)
- **Board Responsible for Principles and Strategic Policies**
- **Management Responsible for Policies Related to Day-to-Day Operations and Standards**
- **Corporate Secretary Responsible for Oversight**

Approval Levels

	Board	CEO	VPs/Directors
Principles	- All		
Policies	<ul style="list-style-type: none"> - Delegating authority - ID'd in bylaws - Impacting strategy - Changing risk profile 	- Day to day operations affecting entire enterprise	- Below enterprise level (e.g. Divisional or departmental)
Standards	- Same as for policies	- Same as for policies	- Same as for policies except below director okay for more detailed or technical work

Principles, Policies and Standards (Example)

- **Principle**
 - Employer of Choice
 - Open and Non-Discriminatory Access
- **Policy**
 - Pay For Performance Program
 - Employees Code of Conduct
- **Standards**
 - Merit increase matrix
 - Grid/Market Operating Procedures

Development and Administration

- **Developing and drafting details are specified in existing...**
 - Corporate Policy Creation Procedures
 - Corporate Standards and Guidelines Creation Procedures
- **Corporate Secretary to review proposed changes to confirm appropriate levels of approval**
- **Annual review by Corporate Secretary to assure that governing documents are current**
- **Annual report by Corporate Secretary to CEO and Board Governance Committee re currency and changes since prior report**
- **Compliance assessment to be part of ERM audit planning; input into Corporate Secretary's report**

Committee Charters

- **Current Status**
 - **Finance Committee (A: 9/20/2001)**
 - **Human Resources Committee (A: 9/20/2001; D: 5/05/05)**
 - **Audit Committee (A: 9/20/2001)**
 - **Governance/ADR Committee (A: 9/20/2001; D: 5/05/05)**
 - **Operations Committee (A: 6/11/97; D: 6/15/05)**
 - **External Affairs Committee (D: 6/15/05)**
- **Changes**
 - **Changes to Reflect Current Membership and Structure**
- **Purpose**
 - **Concurrently Approve Charters for all Committees**
 - **Provide a Fresh Starting Point for Annual Review Process**
 - **“Living” Documents that Should be Reviewed Regularly**