

Memorandum

To: ISO Board of Governors

From: Karen Edson, Vice President Policy & Client Services

Roger Collanton, Vice President, General Counsel and Corporate Secretary

Date: May 21, 2014

Re: **Appointment of Energy Imbalance Market Transitional Committee members and decision on EIM Committee Charter**

This memorandum requires Board action.

EXECUTIVE SUMMARY

At its December 18, 2013 meeting the ISO Board of Governors approved the Energy Imbalance Market (EIM) Transitional Committee Charter, which established a Transitional Committee that allows EIM participants and other regional stakeholders to have a voice in EIM implementation and long-term governance design.

The Board was provided a list of twenty five nominees developed by seven industry sectors through a sector-based nomination and ranking process defined in the charter. Each sector ranked the nominees and provided a confidential list to the ISO Assistant Corporate Secretary for compilation and dissemination to the Board for its consideration.

Along with the confidential ranked lists, the Board received each nominee's resume and a statement of interest, indicating the nominee's relevant experience and reason for wanting to serve on the EIM Transitional Committee. The Board, in executive session, developed a slate of eleven candidates to consider for formal appointment. This proposed slate includes nine nominees from the sector rankings and the representatives of the two EIM entities guaranteed a seat on the committee since they have signed implementation agreements to participate in the EIM.

The Board's proposed slate results in one more member than originally proposed in the charter, as the charter initially contemplated eight members chosen from sector rankings. Thus, the Board will also need to revise the EIM Transitional Committee Charter to reflect the actual membership of the committee. A copy of the proposed amended charter is included as Attachment A.

The proposed slate of individuals, in alphabetical order, for the Transitional Committee is as follows:

1. *Stephen Beuning, Xcel Energy, Inc.*
2. *Tony Braun, Braun Blasing McLaughlin & Smith, PC*
3. *Dede Hapner, Pacific Gas and Electric Company*
4. *Natalie Hocken, Representative from EIM Entity PacifiCorp*
5. *Travis Kavulla, Montana Public Service Commission*
6. *Kevin Lynch, Iberdrola Renewables*
7. *Mark Smith, Calpine Corporation*
8. *Walter Spansel, Representative from EIM Entity NV Energy*
9. *Rebecca Wagner, Public Utilities Commission of Nevada*
10. *Robert Weisenmiller, California Energy Commission*
11. *Carl Zichella, Natural Resources Defense Council*

Once seated, the Transitional Committee will serve as an advisory committee to the Board for matters related to EIM implementation. In addition, the committee will be tasked over the next 12-18 months with developing a recommendation to advise the Board on establishing a long-term EIM governance structure that may include defined authority over EIM matters.

Management proposes the following motions:

Moved, that the ISO Board of Governors appoints the following individuals to the EIM Transitional Committee:

***Stephen Beuning
Tony Braun
Dede Hapner
Travis Kavulla
Kevin Lynch
Mark Smith
Rebecca Wagner
Robert Weisenmiller
Carl Zichella***

Moved that the ISO Board of Governors appoints Natalie Hocken to the Transitional Committee who will serve on behalf of PacifiCorp, an EIM Entity; and

Moved that the ISO Board of Governors appoints Walter Spansel to the Transitional Committee, who will serve on behalf of NV Energy, an EIM Entity.

To address the revision to the EIM Transitional Committee Charter, Management proposes the following motion:

Moved, that the ISO Board of Governors approves the proposed revisions to the EIM Transitional Committee Charter, as described in, and attached to, the memorandum dated May 21, 2014.

DISCUSSION AND ANALYSIS

The full details of the Transitional Committee, including its structure, member qualifications, formation process, committee operations and purpose, are found in the governance proposal and Board approved charter developed in a stakeholder process that began in August of 2013.

Transitional Committee structure

The proposed revised charter provides for twelve Transitional Committee members. Nine individuals are appointed from a pool of nominees developed by a broad cross-section of EIM stakeholders organized in seven sectors. The individuals could vary by occupation, expertise and affiliation, and need not be affiliated with a stakeholder to qualify.

In addition, the charter provides for a designated seat on the committee for the first three entities that execute an EIM implementation agreement. Currently, PacifiCorp and NV Energy have executed implementation agreements and thus have guaranteed seats on the committee. The next EIM entity that executes an implementation agreement will have the last representative seat on the committee.

Nomination process

Seven industry sectors were formed through an open process to nominate and rank individuals for consideration by the Board. The sectors included:

1. Investor owned utilities
2. Publicly owned utilities
3. Generators and marketers
4. Alternative energy providers
5. EIM participants
6. Government agencies
7. Public interest entities

Each sector was tasked with nominating at least two individuals for consideration. The minimum qualifications for Transitional Committee eligibility were directed toward establishing a diverse and sophisticated committee. All potential nominees were to possess a proven reputation for excellence in their areas of expertise, and optimally should reflect a diverse geographic background and viewpoint.

Qualities that sector groups used when identifying and considering nominees included:

1. Proven leadership skills with respect to diverse and complex issues;
2. Understanding of regional issues;
3. Ability and willingness to consider and represent a broad range of perspectives;
4. General industry experience;
5. Support for the success of EIM; and
6. Availability to participate in the Transitional Committee on an ongoing basis.

Both the nomination and ranking process were accomplished through sector conference calls and meetings, each led by the respective sector liaison. The liaison was selected by each sector membership to manage the process for their sector, coordinate communication, collaborate with other sector liaisons, and work with the ISO to follow the process as outlined in the governance proposal and charter.

The sector liaisons submitted their nominations, along with a resume and statement of interest from each nominee to the Assistant Corporate Secretary, who then compiled the names and posted them on the ISO's website on March 6, 2014.

Ranking process

Each sector, through meetings facilitated by sector liaisons, provided the ISO Assistant Corporate Secretary with a confidential ranked list of nominees on or before April 15, 2014.

Development of proposed slate

In a closed executive session on April 30, 2014, the Board evaluated the nominees' qualifications, pursuant to the guidelines established in the charter, reviewed the rankings from each sector and developed a potential slate of individuals. The charter's guidelines include how the committee membership as a whole needs to provide a broad and diverse range of regional perspectives on the implementation and long-term governance of EIM.

As a result of their deliberations, the Board proposed a slate of nine nominees from the sector nomination process, plus the two EIM entity representatives, for a total of eleven members. This proposed slate represents one more member than the eight members initially contemplated in the charter. Thus, Management also requests that the Board approve the revised EIM Transitional Committee Charter that reflects this change from eight to nine members from the sector nomination process.

Operation of the Transitional Committee

As contemplated by the charter, once seated, the committee will begin working immediately, with its first meeting tentatively scheduled for late June or early July 2014. The Transitional Committee meetings and deliberations will be subject to the ISO's Open

Meeting Policy, including its notice requirements. The members of the Transitional Committee will serve without compensation.

CONCLUSION

Management supports the slate of Transitional Committee members proposed by the Board and recommends that the Board appoints the members and approves the revision to the EIM Transitional Committee Charter to reflect the addition of one member to the committee for a total of twelve.

The Board and Management extend their sincere gratitude to all of the sector participants and nominees for their engagement, interest and conscientious work. We offer special thanks to the sector liaisons, who exceeded our expectations, worked collaboratively, thoroughly and timely to fulfill their mission and provided the Board with an exceptional list of nominees.