



Board Selection Policy
Version # 4.65.0

DRAFT (May 2020)

Effective ~~November 2, 2018~~ TBD

REVISION HISTORY

VERSION NO.	DATE	SUGGESTED REVIEW DATE	REVISED BY	DESCRIPTION
1.0	5/06/2005	-	Board of Governors	Policy adopted by the Board of Governors
2.0	8/03/2006	-	Board of Governors	Policy amended by the Board of Governors
3.0	3/26/2010	-	Board of Governors	Policy amended by the Board of Governors
3.1	3/11/2011	-	S. Karpinen	Updated ISO logo and made non-substantive changes
4.0	9/13/2012	9/13/2013	Board of Governors	Revision to section 4.3 to clarify oath of office requirement; general revisions to comply with new ISO standard policy format.
4.1	6/18/13	7/10/2014	S. Karpinen	Minor edits to correct policy titles throughout document.
4.2	5/9/2014	5/9/2015	S. Karpinen	Minor edits as part of the annual review process.
VERSION NO.	DATE REVIEW STARTED	EFFECTIVE DATE	REVISED BY	DESCRIPTION
4.3	3/18/2015	4/29/2015	S. Karpinen	Updated revision history table to match new standard. 2015 annual review.
4.4	2/26/16	6/13/2016	S. Karpinen	2016 annual review. Updated copyright. Updated minor typos and formatting. Fixed links
4.5	8/11/2017	9/5/2017	G. Fisher	2017 annual review.
4.6	8/28/2018	11/2/2019	S. Karpinen	2018 annual review. No changes.
<u>5.0</u>				

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1.0 INTRODUCTION

The California Independent System Operator (the ISO) is a nonprofit public benefit corporation responsible for ensuring the reliable and efficient use of the transmission grid in most of California and a part of Nevada. The ISO is a world leader in integrating renewable resources, operating one of the largest and most modern power grids in the world.

The ISO also administers a competitive energy market that matches supply with demand, procures operating reserves and allocates space on transmission lines for delivering electricity efficiently, all of which ultimately benefits consumers. This market provides open and nondiscriminatory access to the transmission grid for more than 200 market participants. The ISO also administers the Western Energy Imbalance Market. This extension of the ISO's real-time energy market facilitates transactions with and among various balancing authority areas in the western interconnection that are not a part of the grid the Company operates.

The ISO's markets and its grid operations are regulated by the Federal Energy Regulatory Commission, and comply with standards set by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council. A five-member Board of Governors (the Board) appointed by the Governor of the State of California (California Governor) and confirmed by the California State Senate governs the Company.

The selection of the Board is pursuant to a Board Selection Policy (Policy) that sets forth the process through which stakeholders, with the assistance of an executive search firm, identify and ultimately rank potential candidates for service on the Board. The Board-California Independent System Operator Corporation Board of Governors (Board) is composed of five members serving three-year staggered terms, as required under California current state law. The goal of the Policy is to identify highly qualified candidates who have the vision and experience needed to successfully oversee the Corporation and ensure its ability to meet both the current and future challenges of a rapidly evolving electric transmission grid and wholesale market. The ISO presents the list of recommended appointees to the California Governor-of the State of California ("California Governor") for each vacant position.

2.0 SCOPE

This policy describes the process by which a list of recommended appointees to the Board is presented to the California Governor for consideration entirely at his or her discretion.

3.0 ROLES AND RESPONSIBILITIES

3.1 ISO Management

Executive management is responsible for initiating the Board selection process.

3.2 Search Firm

The ISO will, where applicable, choose a search firm that is responsible for conducting ~~its~~ search for candidates in accordance with this policy.

3.3 Board Nominee Review Committee

The Board Nominee Review Committee, as established by this policy, is responsible for reviewing potential Board candidates and ranking each candidate in accordance with this policy.

3.4 Accountability and Ownership

The Corporate Secretary is responsible for the annual review of this policy to ensure that it is aligned with best practices. Should substantive changes to this policy be required the Corporate Secretary will seek Board approval of the proposed changes.

4.0 BOARD SELECTION PROCESS

4.1 Executive Search Process

Except as set forth in Section 4.3, no later~~Not less~~ than 120 days prior to the expiration of any Board member's term, the ISO will begin the process for considering candidates for service on the Board and commence steps to engage an independent executive search firm to seek out candidates for consideration by the Board Nominee Review Committee as outlined in this policy.

The search firm will seek out candidates having one or more of the qualifications listed below and will propose to the committee the candidates that complement, to the extent possible, the qualifications of the existing Board members. The goal is to have a Board that represents as many of the qualifications listed below as possible.

- Electric industry expertise — including, but not limited to, present or ~~such as retired~~ former electric utility senior executives currently unaffiliated with any market participant as described below; present or former executives with experience in forward-looking electric industry technologies, project development, resource operations, transmission grid security, or grid operations; present or former executives of electric power reliability councils; present or former executives from power pools; present or ~~former~~ retired military officers with relevant experience, such as the command or management of large organizations, particularly those relevant to utility operations; ~~or~~ present or former professional utilities electric services firm executives; or present or former executives in other industry sectors that are closely linked to the electricity sector.
- Markets expertise — including, but not limited to, ~~such as~~ present or former financial exchange executives; present or former commodity trading company executives; executives or attorneys with ~~extensive~~ anti-trust background; present or former executives in ~~recently~~ deregulated industries; former state or federal regulators with relevant deregulation experience; or academics or consultants with relevant market experience.
- General corporate/legal/financial expertise — including, but not limited to, ~~such as~~ present or former service industry executives or management consultants; present or former chief executives, chief financial officers; chief legal officers or chief information officers of for-profit or not-for-profit companies; present or former ~~national~~ law firm partners, law professors, or other prominent legal professionals; present or former senior executives of financial institutions, investment banking or financial accounting/auditing organizations.

- Public interest expertise — including, but not limited to, such as former state or federal (non-energy) regulators; present or former executives of environmental or consumer organizations; former attorneys general or consumer affairs officials; former legislators, academics or economics experts with relevant public interest background; individuals with a demonstrated reputation and record of commitment to consumer issues; energy office officials (state or federal ALJs, judges, etc.); or strategic planners or public policy experts.

All potential candidates must possess a proven reputation for excellence in their areas of expertise, forward-looking leadership capabilities, and optimally should reflect a diverse background (e.g., ethnicity, gender) and viewpoint (e.g., no two academics from the same school, no two government officials from the same administration or political party, no two corporate executives from the same corporation or affiliated group).

The search firm shall not consider candidates who are employed by or provide consulting services to any person or entity that ~~is~~:

- is engaged in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electricity Coordinating Council;
- is affiliated with any actual or potential participant in any market administered by the ISO, as required by Section 337 of the California Public Utilities Code;
- holds any 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 Board.

However, the search firm may consider a candidate who has an otherwise prohibited relationship or financial interest if he or she 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.

The search firm will be responsible for developing a list of no fewer than four candidates for each open Board seat not later than 90 days prior to the expiration of the term of the current Board member. The search firm will develop and deliver to the ISO a matrix analysis showing the desired competencies across the candidates, each of whom will be contacted by the search firm to ensure he or she would serve, if appointed.

4.2 Board Nominee Review Committee

The ISO will organize a representative group of stakeholders, called the Board Nominee Review Committee, to review and rate candidates from the ~~list~~ state compiled by the search firm. The committee will be composed of ~~36~~ members ~~with each member~~ representing the following one of six sectors ~~member classes that include the following~~:

1. Participating Transmission Owners, as defined in Appendix A of the ISO Tariff (vertically integrated utilities and merchant transmission owners);
2. end-users within the ISO balancing authority area and retail energy providers (e.g., load-serving entities (including community choice aggregators and energy service providers) that do not own transmission or distribution assets and that serve customers within the ISO balancing authority area);
3. public interest groups (e.g., consumer advocates, environmental groups and citizen participation groups) that are actively involved in energy issues within the ISO balancing authority area;
4. generators, marketers, and other alternative energy providers (e.g., sellers of power from distributed generation resources, demand response technologies, and energy storage resources renewable energy) whose resources are located within the ISO balancing authority area and that engage in transactions for power within the ISO balancing authority area;
5. publicly owned transmission-dependent utilities that are located within the ISO balancing authority area and that engage in transactions for power within the ISO balancing authority area; and
6. entities that are located outside the ISO balancing authority area that engage in transactions for power with the ISO balancing authority area generators and marketers.

~~Each sector member class~~ shall determine its own method of selecting a sector lead and its six identifying five additional individuals from that sector members to serve on the committee. An entity that falls within more than one sector must choose one sector in which it will participate and may not serve in more than one sector. If any given sector has fewer than six remaining members after entities who fall into more than one sector have made their choice of sector, then the total number of participants for that sector may be less than six, provided that all remaining members of the sector are given an opportunity to participate.

Upon receiving the list of candidates from the search firm, the committee will rank each candidate in descending order.

Not less than 60 days prior to expiration of a Board member's term the committee will forward its rankings of each candidate to the ISO. The ISO will confirm that the ranked candidates include all persons identified by the search firm and that they meet the qualifications as stated above. Upon confirming these conditions and in accordance with California~~state~~ law, the ISO will forward the list of candidates recommended by the search firm and the ranking order established by the committee to the California Governor ~~of the State of California~~ for consideration.

4.3 Potential Reappointment of an Existing Board Member

If a Board member whose term is expiring has indicated an interest in being reappointed, ISO management will discuss with the California Governor's office. Based on the feedback received and with input from the Nominee Review Committee, ISO management may make adjustments as appropriate to the processes set forth in this Policy.

4.43 Board Appointees

Board appointees will begin serving upon the term expiration of the seat coming open or, if any position is already vacant, immediately upon appointment and only after executing the oath of office.

Appointees will be subject to confirmation by the state Senate, as set forth in the Public Utilities and Government Codes.

5.0 COMMUNICATIONS

A current version of this policy will be available on the ISO website. Any substantive revisions to this policy will be approved by the Board and communicated as necessary.

6.0 COMPLIANCE

This policy has been developed pursuant to requirements set forth by the Federal Energy Regulatory Commission and the California Public Utilities Commission. ISO compliance to this policy shall be monitored to the extent that the Governor of California relies on this information.

7.0 RESOURCES

Below is a list of additional resources that are relevant to this policy.

- [18 C.F.R. § 35.34\(j\)\(1\)\(i\)](#)
- [ISO Corporate Bylaws](#)

- [Code of Conduct & Ethical Principles](#)
- [Section 337 of the California Public Utilities Code](#)
- [Corporate Governance Principles](#)

8.0 CONTACTS

For questions regarding this policy, please contact Stacey Karpinen, Deputy Corporate Secretary at skarpinen@caiso.com.

9.0 APPROVAL

This policy has been reviewed and approved by:

Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary:

Roger Collanton

Signature on file

11/02/2018TBD