



Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel

Date: April 24, 2017

Re: Decision on amendments to Charter for Energy Imbalance Market Governance

This memorandum requires Board action.

At the request of the EIM Governing Body, ISO Management proposes amendments to the Charter for Energy Imbalance Market Governance (Charter), to more clearly identify the role of the EIM Governing Body in modifications of the Charter. Under the proposed revisions, substantive changes to the Charter will be presented to the EIM Governing Body for its advisory input, before being presented to the ISO Board of Governors for approval, with the exception of proposed revisions to the sections relating to the Body of Regulators and the Regional Issues Forum. As revised, any changes to those sections that the EIM Governing Body recommends would be presented to the Board for approval on its consent agenda.

Management proposes the following motion:

Moved, that the Board approves the amendments to the Charter for Energy Imbalance Market Governance, attached to the memorandum dated April 24, 2017, as endorsed by the EIM Governing Body.

The Charter is a Board-approved policy that is required by the ISO bylaws. It details the mission of the EIM Governing Body, its delegated authority over certain market rules, and its administration, as well as the supporting role of ISO staff. In addition, the Charter establishes the relationship between the ISO and the Body of Regulators (Section 5) and the Regional Issues Forum (Section 6).

The Charter currently states that “substantive changes ... must be approved by the Board.” See Section 7 of the currently effective Charter. The role of the EIM Governing Body in considering proposed changes, however, is not specifically addressed. The currently effective Section 7 indicates that Management will obtain input from the EIM Governing Body regarding proposed substantive changes, in a sentence about the

annual review and update of the Charter. The Charter currently does not explicitly address the role of the EIM Governing Body in changes proposed at other times.

The proposed changes to the Charter add the following sentence: “Any proposed substantive changes will be presented first to the EIM Governing Body for its advisory input to the Board of Governors.” In addition, the proposed revisions specify that the EIM Governing Body may initiate changes to the two Sections that address the relationship between the ISO and the entities that support EIM Governance (the Body of Regulators and the Regional Issues Forum) by adding the following language to Section 7 (which would become Section 8):

Any changes to Sections 5 or 6 that the EIM Governing Body advises the Board to approve will be placed initially on the Board’s consent agenda.

This language contemplates a decisional process similar to the one that is used for proposed tariff amendments that fall within the primary authority of the EIM Governing Body. While those changes require approval of the Board (in addition to the EIM Governing Body), the default assumption is that the Board will act on any changes approved by the EIM Governing Body through its consent agenda. While the Board may decide to consider such a proposed change in the normal course outside its consent agenda, and may decide to accept or reject the proposed change, this full consideration will occur only if the Board affirmatively decides to take up the issue.

To support this proposed role for the EIM Governing Body in its authority over modifications of Sections 5 and 6, additional changes to those sections are proposed related to ISO staff support. Specifically, Sections 5.2 and 6.1.3, which address ISO staff support for the Body of Regulators and the Regional Issues Forum, would be moved without substantive modification to a new section (a new Section 7). Moving these provisions out of Sections 5 and 6 to a new section is meant to reaffirm that the enhanced role of the EIM Governing Body to propose changes to Sections 5 and 6 does not diminish the Board’s authority over ISO personnel.

Management presented the proposed revised Charter for consideration by the EIM Governing Body at its April 19, 2017 meeting. At that meeting, the Governing Body discussed the amendments, received no stakeholder comments, and unanimously voted in favor of endorsing the amendments and recommending submittal to the Board for its approval of the revised Charter.

A redline of the proposed Charter is enclosed.