

# Memorandum

**To:** ISO Board of Governors  
**From:** Roger Collanton, Vice President, General Counsel and Corporate Secretary  
**Date:** March 14, 2018  
**Re:** **Decision to modify EIM Governing Body compensation**

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***This memorandum requires Board action.***

## ***Introduction***

California ISO Management proposes an increase to the overall compensation for the Energy Imbalance Market Governing Body. The members of the Governing Body receive an annual retainer as well as preparation and attendance fees, as applicable, for example, for noticed Governing Body meetings, Chair attendance at ISO Board of Governors meetings, and ISO-sponsored stakeholder events. The ISO Board of Governors sets the Governing Body's compensation pursuant to the ISO bylaws. Based on a recent compensation survey of governing bodies of comparable organizations, the EIM Governing Body's overall compensation, including its annual retainer and total compensation, is at approximately the 25<sup>th</sup> percentile of the market rate. As a result, and given the complexity and time involved in preparing for and engaging in the Governing Body meetings, and the competitive nature of attracting the required talent levels, Management recommends that the Board increase the EIM Governing Body's annual retainer and in-person meeting preparation and attendance fees, as detailed in this memorandum. Management does not recommend an increase of these fees for telephonic meetings, as they are typically brief meetings covering only relatively few specific topics. The proposed increases in compensation will provide the Governing Body with a more reasonable overall compensation structure that, although still at approximately the 50<sup>th</sup> percentile of the comparable market, will more fairly compensate the Governing Body for its time and the complexity of the work it performs, and will assist in retention for Governing Body members.

## ***Discussion***

Providing governance over the western energy imbalance market is a serious responsibility, requiring significant expertise. The EIM Governing Body is tasked with making complex decisions on specific market rules, working with the Board of Governors relating to various complex matters, including changes to the energy imbalance market structure.

Prior to each EIM Governing Body meeting, Governing Body members are often presented with a large amount of materials, including memos, letters and technical documentation, to review as part of their meeting preparation. At the meetings, they review and consider additional presentations for some agenda items, and make binding as well as advisory decisions that affect the EIM and support the ISO Board. In addition, the Governing Body Chair, or the Chair's designee, occasionally presents an EIM report to the Board of Governors at their noticed meetings. Outside of meetings, Governing Body members participate in outreach efforts, which are unpaid, and attend ISO-sponsored stakeholder events at the request of the ISO Chief Executive Officer or Chair of the Board of Governors. Service on the Governing Body is a time-consuming and demanding responsibility that requires a high degree of attention to complex matters, significant experience in the electric field or other industry, and excellent judgment. Because of the regional nature of the Governing Body and the varied locations of their meetings throughout the west, members frequently devote substantial additional travel time for each meeting. The Governing Body's five members have each been elected to serve this organization because of the expertise and experience they bring to help guide the EIM through the many challenges it faces, and their service warrants compensation at a rate more in line with industry standards.

For their service, Governing Body members currently receive compensation for noticed meetings and other obligations, as follows:

- A fee of \$750 for each day of participation at a noticed in-person Governing Body meeting, and a fee of \$500 for each day of participation at a noticed teleconference Governing Body meeting;
- A fee of \$750 for each meeting day for time spent preparing for a noticed in-person Governing Body meeting, and a fee of \$500 for each meeting day for time spent preparing for a noticed teleconference Governing Body meeting;
- A fee for the Chair (or Chair's designee) of \$750 for time spent preparing for a noticed Board of Governors meeting, and a fee of \$500 for each meeting day for time spent preparing for a noticed teleconference Board of Governors meeting;
- A fee for the Chair (or Chair's designee) of \$750 for each day of attendance at a noticed Board of Governors meeting; and a fee of \$500 for each meeting day for time spent preparing for a noticed teleconference Board of Governors meeting;
- A fee of \$750 for each day of in-person participation at ISO-sponsored stakeholder events at the request of the CEO or Board Chair;
- A fee of \$750 for new Governing Body members for each day of participation in the ISO's EIM Governing Body member orientation process; and
- A fee of \$750 for new Governing Body members for time spent preparing for

each day of participation in the ISO's EIM Governing Body member orientation process.

Management proposes to increase the annual retainer fee from \$20,000 to \$40,000, and to increase each of the non-teleconference meeting fees listed above by \$250, from \$750 to \$1,000. Management thus proposes the following modifications, effective July 1, 2018:

- Increase the annual retainer fee from \$20,000 to \$40,000, paid in accrued quarterly installments, effective with the July – September 2018 quarterly installment;
- Increase the fee for each day of participation at a noticed in-person Governing Body meeting from \$750 to \$1,000;
- Increase the fee for each meeting day for time spent preparing for a noticed in-person Governing Body meeting from \$750 to \$1,000;
- Increase the fee for the Chair (or Chair's designee) from \$750 to \$1,000 for each day of attendance at a noticed Board of Governors meeting;
- Increase the fee for the Chair (or Chair's designee) from \$750 to \$1,000 for time spent preparing for a noticed Board of Governors meeting;
- Increase the fee paid for each day of in-person participation at ISO-sponsored stakeholder events where the Chief Executive Officer or Board Chair specifically requests Governing Body attendance, from \$750 to \$1,000;
- Increase the fee paid to new Governing Body members for each day of participation in the Governing Body member orientation process from \$750 to \$1,000; and
- Increase the fee paid to new Governing Body members for time spent preparing for each day of participation in the Governing Body member orientation process from \$750 to \$1,000.

### **Motion**

***Moved, that in accordance with Article IV, Section 6 of the bylaws, the ISO Board of Governors hereby modifies the compensation to EIM Governing Body members for their service to the EIM Governing Body, effective July 1, 2018 as follows:***

- ***The standard annual retainer paid to a Governing Body member shall be \$40,000, paid in accrued quarterly installments, commencing with payment for the accrued quarterly installment for the 3rd quarter of 2018;***
- ***A fee of \$1,000 shall be paid for each day of participation at a noticed in-person Governing Body meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Governing Body meeting;***

- ***A fee of \$1,000 for each meeting day shall be paid for time spent preparing for a noticed in-person Governing Body meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Governing Body meeting;***
- ***A fee of \$1,000 shall be paid to the Chair (or Chair's designee) for each day of participation at a noticed in-person Board of Governors meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Board of Governors meeting;***
- ***A fee of \$1,000 for each meeting day shall be paid to the Chair (or Chair's designee) for time spent preparing for a noticed in-person Board of Governors meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Board of Governors meeting;***
- ***A fee of \$1,000 shall be paid for each day of in-person participation at ISO-sponsored stakeholder events where the Chief Executive Officer or Chair of the Board of Governors specifically requests the Governing Body member's attendance;***
- ***A fee of \$1,000 shall be paid to new Governing Body members for each day of participation in the ISO's Governing Body member orientation process;***
- ***A fee of \$1,000 shall be paid to new Governing Body members for time spent preparing for each day of participation in the ISO's Governing Body member orientation process;***
- ***Reasonable expenses associated with in-person or teleconference meetings shall be reimbursed;***
- ***EIM Governing Body members who attend meetings or events as representatives of the EIM Governing Body, including ISO/RTO Council meetings and other electric utility or power industry meetings, at the request of the Chair of the EIM Governing Body or ISO Management in consultation with the Chair, are not eligible for compensation but shall be eligible for reimbursement of reasonable expenses, as deemed appropriate and approved by the Chair of the EIM Governing Body;***
- ***Governing Body members shall be eligible for conference fees and reasonable expenses associated with seminars, training and conferences related to corporate governance or best practices for Governing Boards, deemed appropriate and approved by the Chair of the EIM Governing Body; and***
- ***Reimbursements for reasonable expenses, as set forth above, shall be in compliance with the ISO Travel Policy for Governors.***