

Memorandum

To: ISO Board of Governors
From: Rebecca Wagner, EIM Transitional Committee Chair
Date: July 9, 2015
Re: **Update on activities from the EIM Transitional Committee**

This memorandum does not require Board action.

COMMITTEE UPDATE

The committee completed and posted the draft final proposal on EIM governance on June 22, 2015. The proposal was presented at the EIM Transitional Committee general session meeting on June 25, 2015. The committee is requesting stakeholder comments on the proposal by July 9, 2015. We intend to present our final proposal to you at your September Board meeting.

The discussion and questions from stakeholders provided valuable feedback to the committee as it considered revisions to the draft final governance proposal. Certain key issues drove our progress:

- The Transitional Committee determined that separate EIM governance is prudent and necessary notwithstanding PacifiCorp's announcement that they are studying the benefits of joining the ISO as a full participating transmission owner.
- There is widespread agreement among stakeholders concerning many of the fundamental aspects of the committee's proposal
- It is important to the committee to develop a proposal that properly positions the EIM governing body as a regional voice and it is foundational to the success of EIM in the west.
- The committee continues to reject the concept of a parallel and autonomous governance model and rather, supports a structure that gives the EIM Governing Body certain delegated authority over EIM market rules and a formal advisory role to other market rules that may have an impact on EIM.

The draft final proposal refines, clarifies and modifies the straw proposal with an emphasis on the following aspects of the proposal:

- A set of processes were described for assigning new ISO policy initiatives to either the EIM governing body or the ISO Board of Governors. It includes a

process for resolving any related disagreements about which body should be the primary decision maker.

- The proposal refines the details of members and nominating committee by more clearly describing qualifications sought for members of the EIM body, modifying the set of stakeholder sectors to be represented in nominating committee and which representatives will vote.
- It describes a process for amending bylaws which includes a vote of the Board in public meeting.
- It modifies the recommendation to develop a committee of state regulators to now only include state utility commissioners
- It recommends establishment of a Regional Advisory Committee, a body of stakeholders that would meet periodically to provide input on high-level EIM issues. This committee would not supplant or replace the ISO's well-established stakeholder input process.
- It narrows the discussion of the commitment to re-evaluate EIM governance and sets a time period to re-evaluate in five years or sooner in the discretion of the EIM governing body

The committee continues to encourage stakeholder comments. They have been invaluable as it considers these complex issues. It anticipates making further refinements or modifications to the proposal before it decides on a final proposal at the August 25 meeting and bring to the ISO Board for consideration at its September 17-18 meeting.

The committee discussed how to view its responsibilities going forward, following the Board's decision on the proposal. If the Board accepts the proposal, the committee, or a portion of the committee, could be involved in the implementation phase, and have a representative serve as a non-voting member of the nominating committee. If the Board so directs, the committee could continue to participate in the EIM enhancement process, such as following the year one enhancements phase 2 effort just getting underway.

The committee continues to receive briefings from ISO Management on EIM operations and the implementation status with NV Energy, Puget Sound Energy and Arizona Public Service. The committee also receives briefings on the memorandum of understanding between the ISO and PacifiCorp from ISO Management.

NEXT STEPS

The next meeting is an executive session only teleconference scheduled for July 20. The next full meeting is on August 25 at the ISO offices in Folsom, CA.

The committee members continue to provide education and outreach to various stakeholders through presentations and meetings. I look forward to continuing to provide the Board of Governors with updates and seek your feedback.