

Memorandum

To: ISO Board of Governors
From: Roger Collanton, Vice President, General Counsel and Corporate Secretary
Date: July 10, 2024
Re: Decision to modify ISO Board of Governors compensation

This memorandum requires ISO Board of Governors action.

Introduction

Management proposes that the Board implement an increase to the annual retainer fee for the ISO Board of Governors. Board members receive as compensation an annual retainer fee, in addition to other fees, such as meeting attendance and preparation fees. The Board sets its compensation, pursuant to the California Corporations Code and the ISO bylaws. Based on a recent Board compensation survey of ISOs and RTOs where the data was aged to January 2024, the Board's overall compensation, including its annual retainer and total compensation, is positioned below the 25th percentile of the market rate. This has also been the case on historical surveys, nonetheless, the Board has not increased its annual retainer in more than five years. As a result, and given the complexity and time involved in engaging in ISO Board meetings and activities, especially considering the Board's added responsibilities to establish and operate the EDAM, Management recommends that the Board increase its annual retainer fee, as detailed below. This modest proposed increase in compensation will provide the Board with a more reasonable overall compensation structure. And although the total compensation will still be below the 25th percentile of the market compared to that of other ISOs and RTOs, it will more fairly compensate the Board for its time and the complexity of the work it performs, and will allow the ISO to continue to attract and retain highly qualified and respected Board members.

Discussion

Providing governance over one of the largest electric systems is a tremendous responsibility. The Board is faced with complex decisions relating to the business of the ISO, including changes to its market structure, integrity and functionality, modifications to its transmission-planning framework to accommodate the need to interconnect large amounts of renewable resources, as well as significant and sensitive efforts to incorporate regional benefits, and changes to operational rules to support the reliability of the grid. The Board also provides important governance oversight for the organization, leading the organization in its compliance obligations and carrying out its

fiduciary responsibilities to ensure careful oversight and management of the non-profit public benefit corporation, including overseeing and approving the organization's budget.

Prior to each Board or committee meeting, Board members are typically presented with hundreds of pages of materials, including memos, letters and technical documentation, to review as part of their preparation. At the meetings, which include regular joint meetings with the WEIM Governing Body as well as additional duties for committee meetings, they review and consider additional presentations for most agenda items. Service on the ISO Board of Governors and its committees 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. Board meetings combined with committee meetings generally last all day and frequently two consecutive days. The Board's five members have each been appointed by the Governor to serve this organization because of the expertise, experience and judgment they bring to help guide the ISO through the many challenges it faces, which have increased over the past several years, especially in recent years with the additional responsibility of establishing the EDAM, and their service warrants compensation at a rate more reasonable and more in line with industry standards.

For their service, Board members currently receive an annual retainer of \$40,000. Management proposes to increase the annual retainer fee from \$40,000 to \$50,000, paid in accrued quarterly installments, effective with the July-September 2024 quarterly installment, to bring their overall compensation up to a more reasonable level as measured against peer organizations, which will help attract and retain highly qualified and respected members like the Board has had over the years.

Motion

Moved, that in accordance with Article III, Section 16 of the bylaws, the ISO Board of Governors hereby modifies the compensation to Board members for their service to the California ISO, effective July 1, 2024 as follows:

- ***The standard annual retainer paid to a Governor shall be \$50,000, paid in accrued quarterly installments, commencing with payment for the accrued quarterly installment for the 3rd quarter of 2024;***
- ***A fee of \$1,000 shall be paid for each day of participation at a noticed in-person Board meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Board meeting;***
- ***A fee of \$1,000 for each meeting day shall be paid for time spent preparing for a noticed in-person Board meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Board meeting;***

- *A fee of \$1,000 shall be paid for each day of participation at a noticed in-person Board Committee meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference Board Committee meeting;*
- *A fee of \$1,000 for each meeting day shall be paid for time spent preparing for a noticed in-person Board Committee meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference Board Committee meeting;*
- *Governors who are not also Committee members will not be compensated for optional attendance at a Committee 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 specifically requests Governor attendance;*
- *A fee of \$1,000 shall be paid to new Governors for participation in each day of the ISO's Board member orientation process;*
- *A fee of \$1,000 shall be paid to new Governors for time spent preparing for each day of participation in the ISO's Board member orientation process;*
- *A fee of \$500 for attendance at a working group meeting, not to exceed a maximum of \$1500 per quarter;*
- *Reasonable expenses associated with in-person or teleconference meetings shall be reimbursed;*
- *Governors who attend meetings or events as representatives of the Board, including ISO/RTO Council meetings and other electric utility or power industry meetings, at the request of the Chair 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 Board;*
- *Governors 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 Board; and*
- *Reimbursements for reasonable expenses, as set forth above, shall be in compliance with the ISO Travel Policy for Governors.*