



California ISO
Your Link to Power

Governors Code of Conduct and Ethical Principles

 California ISO <small>Your Link to Power</small>	Board Policy	Revision Date Version No.	3/26/2010 4.0
Governors Code of Conduct and Ethical Principles		Policy Adopted	5/6/1997

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1. OVERVIEW

1.1 Purpose

The California ISO (“ISO”) is committed to integrity in all business dealings. The purpose of this Governors Code of Conduct and Ethical Principles (“Code”) is to support the ISO’s core values of integrity, teamwork, excellence, people-focus, and open communication and facilitate compliance with applicable laws and regulations.

1.2 Areas Affected

This Code applies to Governors of the ISO.

2. RESPONSIBILITIES

2.1 Individual Responsibilities

Each Governor must be familiar with this Code. When a Governor has questions about application of this Code or any other ISO principle, policy or standard, he or she should seek assistance from the Legal Department.

2.2 Reporting Violations

A Governor who becomes aware of any illegal or improper conduct on the part of any Governor, employee or contractor of the ISO, or conduct inconsistent with this Code, must promptly report such conduct to the General Counsel or the Chair of the Board, as appropriate.

2.3 Consequences for Violations

Governors shall be subject to discipline for failure to comply with all applicable federal and state laws or for failure to comply with this Code. Discipline may take the form of reprimand, monetary fines, or removal, as the other Governors shall determine.

3. INTEGRITY AND CONFLICTS OF INTEREST

A Governor must avoid any activity, investment or interest that might reflect unfavorably upon his or her own integrity and reputation or the ISO’s, whether in fact or simply in appearance. A Governor must not use his or her position with the ISO improperly to benefit himself or herself, his or her relatives, friends or other businesses. A Governor has a duty to perform his or her responsibilities in the best interests of the ISO. A Governor must avoid situations and relationships which compete with his or her loyalty to the ISO and which might affect or appear to affect his or her judgment in performing his or her duties.

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A Governor must avoid any activity that is inconsistent with or opposed to the legitimate best interests of the ISO. Conflicts of interest may arise when individuals become involved in specific circumstances that present dual loyalties. They can be real and factual or apparent and perceived. Conflicts of interest can arise in almost every business setting and there is a well accepted way to address and resolve conflicts of interest.

Many questions relating to conflict of interest issues can be avoided by timely and adequate disclosure of facts. When the facts are known and reviewed, the Board may, subject to applicable laws, consent to involvement by a Governor in a situation that otherwise might appear to create a conflict of interest. The intent is not to have a policy that infringes on personal lives; however, it must be recognized that a Governor assumes certain responsibilities of loyalty and trust when accepting appointment to the Board. Disclosure is the key to addressing conflicts of interest issues and each Governor will be required to complete a disclosure form annually.

The ISO has identified rules with respect to conflicts of interest to address an area of particular concern; however, it is possible to be in compliance with the specific requirements contained in the Code and still have a conflict of interest as described in the general principles above. Accordingly, it is important to keep in mind the spirit of these requirements and to contact the Legal Department with any questions or to obtain assistance in evaluating a potential conflict of interest.

3.1 Integrity of the Market

A Governor may not act as a broker in connection with any power sale or purchase, or purchase or sell electricity, except for ordinary personal uses or to the extent necessary to carry out the ISO's functions.

A Governor may not serve as an employee, director, attorney or consultant for any entity engaged in the generation, transmission, marketing or distribution of electricity within the geographic area of the Western Electricity Coordinating Council unless prior written approval has been granted by the Governing Board in response to a written request supported by specific reasons. Additionally, a Governor may not be 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.

A Governor may not have, directly or indirectly, a financial interest in any market participant that would be prohibited by 18 C.F.R. 35.34(j)(1)(i) or any successor provision.

No person shall become a Governor unless such person has agreed in writing to dispose of any such financial interests within six months after the time such person is to commence providing services to the ISO.

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3.2 Treatment of Non-Public Information

The ISO is the custodian of a significant amount of non-public third party information, primarily from market participants. In addition, the ISO has information of its own that is non-public. A Governor is required to treat all non-public information in accordance with the ISO tariff, contractual commitments, the Information Security Policy Standards and Classification, Information Availability Policy and other ISO policies and standards as applicable.

3.3 Disclosure

A Governor may not withhold information, except as may be allowed by a recognized legal privilege or appropriate assertion of confidentiality, nor give false information to, or attempt to mislead anyone conducting duly authorized investigations or audits of or relating to the ISO or its business.

3.4 Other Conflicts

3.4.1 Political Advocacy

A Governor may not use funds or resources of the ISO in support of any political party or candidate for elected office. A Governor may not use his or her position, authority, or influence with the ISO for the purpose of affecting the result of a political election. A Governor may not directly or indirectly coerce, attempt to coerce, command or advise any employee of the ISO or any contractor, to pay, lend, or contribute anything of value or to contribute personal services to a party, committee, organization, agency or person for political purposes.

3.4.2 Unauthorized Use of Corporate Assets

A Governor may not use any ISO property or services for personal gain and shall not remove or dispose of the materials, supplies or equipment of the ISO without the authorization of the ISO.

3.4.3 Gifts and Gratuities

A Governor shall not accept directly or indirectly, any gift, favor, meal, transportation, discount, or service (“Gift”) that would tend to affect, or give the appearance of affecting, his or her judgment in the performance of his or her corporate duties.

The following Gifts (“Exempt Gifts”) will be generally presumed to not affect that judgment and thus may be accepted:

- (a) Gifts not from a “business related source”, as defined below;
- (b) meals and beverages, provided in connection or conjunction with a business related events, including social events and celebrations to the extent they are in conjunction with a business related event;

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- (c) inexpensive non-cash Gifts such as pens, calendars, items of clothing provided as promotional items or for a special occasion;
- (d) Gifts from immediate family members; and
- (e) Gifts from other relatives and personal friends that are traditionally exchanged on a personal basis.

A “business related source” means:

- (a) A market participant;
- (b) An existing vendor or contractor or a vendor or contractor seeking the business of the ISO;
- (c) Any entity in the business of the distribution, marketing or development of electric energy;
- (d) Any company that is a service provider or supplier to a market participant.

A Gift is deemed to be indirectly received from a business-related source if it is from one or more of its directors, officers, employees or agents, its subsidiary or parent company, or from any company, trade group or non-profit organization owned, controlled by or that receives a substantial amount of its revenues or funding from one or more business-related sources.

In addition to Exempt Gifts listed above, and subject to the limitations in this paragraph, a Governor may receive a Gift from a business-related source so long as its receipt would not tend to affect, or give the appearance of affecting, his or her judgment in the performance of his or her corporate duties. Each Governor shall keep a record of every such Gift with a market value exceeding fifty dollars. The record must include the donor, the Gift value, and receipt date. A current, cumulative record shall be available upon request of the ISO. Additionally, each Governor will provide the record of Gifts for each calendar year to the Corporate Secretary. A Governor shall not knowingly accept Gifts, other than Exempt Gifts, totaling more than two-hundred and fifty dollars from any single business-related source in a twelve-month period. A Governor shall not accept cash gifts from any business-related source other than an immediate family member.

A Governor shall not accept compensation or expense reimbursement for any action taken in his or her corporate capacity, from a source other than the ISO except that he or she may accept, or be reimbursed for tuition, meals, transportation, lodging, and incidental expenses related to the attendance of a course or conference, facility tour, or other business gathering if the acceptance is consistent with and furthers the purposes of the ISO. The nature and an estimated of value of this compensation shall be reported to the Corporate Secretary in advance of attendance and shall be limited to the reasonable value of business expense reimbursement

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for such an event. The actual value of the compensation shall be reported to the Corporate Secretary within ten days after its receipt.

4. CORPORATE COMPLIANCE

The ISO is a Public Utility as defined by the Federal Power Act and is therefore subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”). As such, all rates, terms and conditions of FERC jurisdictional service provided by the ISO must be on file with FERC in the form of a tariff. Pursuant to its FERC-filed tariff, the ISO provides open, nondiscriminatory access to the transmission system and operates markets for wholesale electric energy and energy related services and products. Failure to comply with the tariff and failure to administer the tariff in a manner that treats all participants without preference or undue discrimination can result in FERC imposed penalties and create litigation risk for the corporation. Failure to comply with the tariff and failure to administer the tariff in a manner that treats all participants without preference or undue discrimination is also a violation of the Code. If a Governor believes that a tariff violation has occurred or that the tariff has been administered in a manner that is inconsistent with the obligation to treat all participants without preference or undue discrimination, the Governor must report the conduct to the Chief Compliance Officer or the Legal Department.

In addition, the ISO and the activities it engages in are subject to legal requirements arising under federal, state and local laws, regulations and ordinances. A Governor must comply with all laws and regulations applicable to the conduct of the business of the ISO and this Code. Questions about the applicability of any law or regulation to a Governor’s activities should be addressed promptly to the Chief Compliance Officer or the Legal Department. Consultation with the Legal Department is required prior to making disclosures to regulators or law enforcement authorities related to compliance.

5. IMPLEMENTATION

5.1 Training

The ISO will inform and train Governors on applicable provisions of federal and state law related to this Code.

5.2 Communications

The ISO will distribute copies of this Code to Governors. Copies of this Code will be provided to any new Governor as part of an orientation process.

5.3 Evaluation

The Audit Committee will evaluate the Board's experience and refine the relevant procedures, if necessary, to ensure continued compliance with this Code.

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5.4 Monitoring

The Audit Committee will monitor Governors' compliance with this Code.

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