

APPENDIX D: SELECTION PROCEDURE FOR REGIONAL ORGANIZATION BOARD OF DIRECTORS

1.0 Introduction and Scope

The Regional Organization (RO) Board of Directors is a seven-member body that exercises sole authority over the Western Energy Imbalance Market (WEIM) and the Extended Day-Ahead Market (EDAM). The RO Board is intended to meet the definition of an independent board of directors. The procedure defined in this document, which governs selection of Members of the RO Board, is drawn from other similar procedures and defines the process to be used once the RO is established as an ongoing organization. Since the RO will be a new entity when it is first launched, this document also includes a procedure to select the initial RO Board of Directors. The Members of the RO Board will be selected by a Nominating Committee comprised of stakeholder representatives. Board nominees will be subject to approval by the RO Board of Directors in an open meeting or, in the case of establishing the initial membership of the RO Board, by the RO Formation Committee.

This procedure explains the selection and composition of the Nominating Committee, how the Nominating Committee will select a slate of nominees for each open position, and how those nominees will be subject to a vote of approval by the RO Board.

2.0 Definitions

“Body of State Regulators (BOSR)” means the group of state regulators to be established pursuant to the charter of the RO Board of Directors, consisting of representatives from each state in which load-serving utilities participate in the ISO’s Energy Imbalance Market and its Real-time Market as those terms are defined in the tariff. The RO BOSR will transition from the current WEM BOSR with the same governance structure.

“Regional Organization Board of Directors” or “RO Board” means the independent body established by the tariff to have sole authority over the rules of the WEIM and EDAM.

“Executive Search Firm” means the firm retained by the RO to assist the Nominating Committee with identifying qualified candidates for the RO Board.

“Member” means a member of the RO Board.

“Nominating Committee” means the committee established by this procedure to identify a slate of nominees for positions on the RO Board, as detailed below in Section 3.0.

“RO Formation Committee” means the temporary group, acting as a subcommittee of the WWGPI Launch Committee, that has been established to develop, in collaboration with the CAISO, the details for establishing the RO. It is intended that the RO Formation Committee be established with up to ten (10) members from the Launch Committee and be assisted by a less than quorum of the WEM Governing Body and CAISO Board of Governors serving as liaisons.

3.0 Roles and Responsibilities

3.1 Nominating Committee

There will be a Nominating Committee of nine members, consisting of one representative each from the following sectors or groups:

- EDAM Entities
- WEIM Entities (including PMAs)

- ISO PTOs
- Non-IOU load serving entities serving load from WEIM or EDAM
- PIOs
- Consumer advocates
- Large C&I customers
- IPPs, independent transmission developers, and marketers
- Distributed Energy Resources (including distributed generation, storage, and demand response resources, aggregators, and enabling hardware and software providers)

3.2 Selection of Sector Representatives to the Nominating Committee

Not less than 150 days prior to the scheduled expiration of any Member's term, and at other times as may be necessary to fill a vacancy on the RO Board, the Corporate Secretary of the RO will ensure that each of the sectors identified in Section 3.1 above has a representative to the Nominating Committee and ensure that the makeup of the Nominating Committee reflects regional diversity and is not dominated by any one region.

Each sector will determine its own method of selecting a representative to serve on the Nominating Committee, and the term of service. A sector may designate a term of service for multiple years if it wishes to avoid the need to meet in the following year(s) to select a representative. The minimum term of service shall be one year.

The Nominating Committee members will work directly with their sectors to provide input on the selection of directors, similar to the process used in other Nominating Committees across the West. Nominating Committee members should work with their sectors to solicit candid feedback on candidates. The intent is to allow for open communications while at the same time respecting the need for candid Nominating Committee discussions and individual candidate desire for confidentiality in processes that will be defined by the Nominating Committee.

If one or more of these sectors does not have a currently serving representative to the Nominating Committee, the Corporate Secretary will designate a person from one of the entities in the sector to serve as a sector organizer to facilitate selection of a representative. Each sector organizer must make reasonable efforts to notify all entities that are qualified for participation in its sector about the initial organizational meeting or teleconference for the sector. These efforts shall include issuing, with assistance from RO staff, a market notice no less than seven calendar days in advance of the meeting or teleconference.

The entities in each sector should make their best efforts to amicably resolve any disagreements about which entities belong within the sector and thus are entitled to participate. Disagreements that cannot be resolved by the entities in a sector may be referred to the management of the RO for resolution. The Chief Executive Officer (or his or her designee) and the General Counsel will hear from the interested parties and make a decision. Their decision shall be binding on the member entities of the sector.

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Within 40 days after the Corporate Secretary designates a sector organizer to facilitate selection of a representative, the sector organizer shall certify the choice of the sector representative and the representative's terms of service to the Corporate Secretary. If a sector organizer is unable to make such a certification because the sector has been unable to reach agreement on its representative, the RO Board will select a representative for the sector. The RO will post the name and contact information of each sector representative on its website.

3.3 Selection of Other Representatives to the Nominating Committee

No less than 150 days prior to the expiration of any Member's term, and at other times as may be necessary to fill vacancies on the RO Board, the RO Corporate Secretary shall ask the following bodies to select one representative each to the Nominating Committee:

- The RO Board, and;
- The BOSR

The representative from the RO Board will serve two functions: they will help the Nominating Committee select nominees and serve as a liaison between the Nominating Committee and the RO Board, which will approve or reject the ultimate panel of nominees.

Each of these bodies may determine its own method of selecting a representative to serve on the Nominating Committee, provided that the representative of the RO Board shall not be a Member whose current term will be expiring and is seeking renomination.

The term of service for the representatives selected by these groups shall be one year.

3.4 Operation of the Nominating Committee

The Nominating Committee shall nominate a slate with one nominee for each seat on the RO Board for which the term is scheduled to expire.

The Nominating Committee shall act on the consensus of its voting members. The voting members will be the representatives of the sectors and the BOSR, excluding the member from the RO Board. If the Nominating Committee cannot reach a consensus on a slate of candidates, the Nominating Committee may bring forward a slate for consideration based upon a super-majority vote. A super-majority shall be defined as 70% or more of the voting representatives.

The member of the Nominating Committee from the RO Board shall not have a vote; however, they are expected to participate fully in deliberations.

The Nominating Committee should convene no less than 100 days prior to the scheduled expiration of any Member's term to begin the process of identifying potential candidates for each open seat, or as soon as practicable when other vacancies arise.

If an RO Board Member whose term is scheduled to expire has expressed a desire to be nominated for a new term, the Nominating Committee should determine whether it wants to re-nominate the sitting Member without interviewing other candidates. A super-majority of the voting members of the Nominating Committee would need to affirmatively vote to renominate a sitting member without interviewing other candidates. In making this decision, the Nominating Committee should consider whether the sitting Member has the qualifications to serve in light of the responsibilities associated with overseeing both a day-ahead and real-time market. If the Nominating Committee does not decide to proceed in this manner, then it should first determine which set of diverse

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qualities would best complement the remaining Members and should seek out or ask the Executive Search Firm to identify if one is being used at least two qualified candidates to interview, in addition to the sitting Member. Any current RO Board Member who applies will be interviewed, but they will be expected to go through the Nominating Committee process like other applicants.

With assistance from the Executive Search Firm or other recruiting mechanism, the Nominating Committee shall identify and select the best qualified candidates available in the United States. This can include allowing for self-nomination by potential candidates and recommendations brought forward from sector representatives by their respective sector participants if the Nominating Committee desires. Optimally, the Nominating Committee's selections should ensure that the overall composition of the RO Board reflects a diversity of perspectives that may result from different areas of expertise, geographic background, ethnicity, gender and professional backgrounds, and life experience. Similarly, no one state or sub-region in the West should have excessive representation - meaning Members whose place of residence or work history tends to associate them with a particular Western state. The Committee should strive to ensure that the RO Board includes at least one Member with expertise in Western electric systems and markets. If the Nominating Committee can identify a qualified candidate with a Western background who has as strong overall experience and knowledge as the other candidates, and all other factors being equal, the Committee should prefer the candidate with a Western background.

The deliberations of the Nominating Committee shall respect confidential personnel information and be conducted in a manner that fosters candid discussions. Nominating Committee members may share the names of candidates with others outside the Committee as part of the process of evaluating candidates. The Nominating Committee should have a common understanding about the extent to which they will share the names of candidates in connection with a particular search and that those being contacted understand they need to protect the privacy rights of candidates.

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The Nominating Committee should use its best efforts to reach consensus on a slate of nominees no later than 30 days before the expiration of the current Member's terms. If the Nominating Committee concludes that it will be unable to reach consensus on the proposed nominee(s) with sufficient time to allow the RO Board to approve the nominee(s) before the term of the sitting Member(s) expires, the Nominating Committee may ask the RO Board to consider requesting that the sitting Member(s) to continue service for up to sixty additional days after their term(s) would otherwise expire. If the Nominating Committee is having difficulty reaching consensus, it should consider interviewing additional candidates as one possible step.

Except as otherwise provided in this Procedure, the Nominating Committee may establish its own procedures.

3.5 Executive Search Criteria

Not less than 90 days prior to the scheduled expiration of any Member's term and as necessary to fill other vacancies, the RO can engage an independent Executive Search Firm to identify qualified candidates for consideration by the Nominating Committee. The RO may decide to pursue other avenues for finding and recruiting qualified candidates.

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Based on direction from the Nominating Committee, the Executive Search Firm will seek out candidates having one or more of the qualifications listed below and will propose to the Nominating Committee candidates that complement, to the extent possible, the qualifications of the Members whose terms are not expiring, with the goal that the Governing Body should have broad expertise in the following areas.

- Electric Industry - such as former electric utility senior executives currently unaffiliated with any market participant or stakeholder, as described below; present or former executives of electric power reliability councils or power pools; retired military officers with relevant experience; or present or former executives of firms that perform professional services for utilities; or academics or consultants with expertise in electric utility issues.

- Markets - such as present or former financial exchange executives; present or former executives of commodity trading companies or commodities markets; executives or attorneys with extensive background in anti-trust law; present or former executives in other regulated industries; former state or federal regulators with deregulation experience; or academics or consultants with relevant market expertise.

- General Corporate/Legal/Financial - such as present or former management consultants or service industry executives; present or former chief executives; chief financial officers; chief legal officers or chief information officers of profitmaking companies or nonprofit organizations; present or former law firm partners; present or former law professors; present or former senior executives of financial institutions, investment banking or financial accounting/auditing organizations.

- Public Interest – such as former state or federal regulators; executives of environmental, consumer or labor organizations; former attorneys general or consumer affairs officials; former legislators, academics or economics experts with relevant public interest background; individuals with a demonstrated reputation and record of commitment to consumer issues, including representing consumer interests in legislative, lobbying, and litigation efforts; former energy officials; or public policy experts.

The Executive Search Firm should also consider candidates with senior executive experience in public interest organizations provided they otherwise have the relevant background described above.

All potential candidates must possess a proven reputation for excellence in their areas of expertise, and optimally should reflect a diverse background (e.g., ethnicity, gender) and viewpoint. The candidates should also have a proven track record in stakeholder engagement and responsiveness as the RO Board will be setting the cultural tone for the new organization.

Candidates must meet the standard of independence defined by FERC in Order 2000 and cannot have a prohibited relationship or prohibited financial interest. A candidate is in a prohibited relationship or holds a prohibited financial interest if they:

- are employed by or provide consulting services to any entity (or person) that would disqualify them from service as a Member of the RO Board, including any entity that is engaged in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council;
- holds a financial interest that would be prohibited by 18 C.F.R section 35.340)(1)(i);

or

- has another actual or perceived conflict of interest that would be prohibited by the Code of Conduct & Ethical Principles and that could not be resolved before the candidate becomes a Member of the RO Board.

The Executive Search Firm may not consider a candidate who has a prohibited relationship or financial interest, unless the candidate commits to promptly end any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after appointment.

3.6 Approval of Nominees

The slate of individuals submitted by the Nominating Committee shall be subject to approval as a slate by the RO Board in open session. If the decision occurs before the end of the expiring terms, the RO Board member(s) whose terms are expiring will be recused from the approval decision.

If the slate is accepted, the nominees will become Members of the RO Board upon execution of a services agreement with the RO.

If the slate is rejected by the RO Board, the Nominating Committee must re-convene and establish a new alternate nominee(s). After the Nominating Committee submits its alternate slate, the RO Board shall decide, in public session, to approve that alternate slate.

Individual stakeholders may submit letters of recommendation to the RO Board supporting either the entire slate or individual candidates.

Selection Procedure for Initial Seating of the RO Board

Introduction

For the initial selection of the RO Board Members, the RO Board will not exist and will not be able to perform the functions noted in the selection procedure. In addition, there are some other issues that should be considered in the initial RO Board Member selection process. This appendix provides a recommended approach for the initial selection process.

Proposed Approach for Initial RO Board Selection

The following items are recommended for the initial selection process:

a. An RO Formation Committee will be created to coordinate with the CAISO in the detailed creation of the RO. The Formation Committee will consist of up to ten members from the Pathways Launch Committee and be assisted by a less than quorum of the existing WEM Governing Body and CAISO Board of Governors serving as liaisons, selected by the WEM Governing Body and CAISO Board of Governors respectively.

b. For purposes of the initial RO Board selection, the Launch Committee will provide the functions of the RO Board in the selection process procedure. Voting on the initial slate will be done in a public meeting for full transparency. "Non-voting" Launch Committee Members will be given the option of casting a vote on the initial slate. For a vote to pass and the slate to be approved, there must be a supermajority of [70%] of the LC members casting votes. In addition, the Launch Committee will select one Committee member to serve in the RO Board seat on the Nominating Committee.

If a Launch Committee member is serving as the NC representative for their sector, they will not cast a vote on the initial slate of candidates. That LC member's alternate will instead vote in their place. This will allow individual members of the Launch Committee to serve as a Nominating

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Committee member on behalf of their sector if so desired, but precludes those members from performing the dual function of also approving the initial slate.

c. Preparation for the RO Board selection process may be initiated beforehand, but the actual commencement of seating the Nominating Committee, selecting an Executive Search Firm or other recruiting mechanism, and initiating the selection process should not commence until California legislation has been approved.

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d. In selecting the initial RO Board Members, the Nominating Committee should give due consideration to members of the existing WEM Governing Body who are willing to serve on the new RO Board to the extent that they meet the expertise criteria. This would allow for ease of transition since the existing WEM Governing Body members would provide continuity and history to the new RO Board. There should be no restriction on the number of current WEM Governing Body members that can serve on the new RO Board. A full 5-member WEM Governing Body (GB) needs to stay in place until the RO tariff is approved and implemented, given the ongoing WEIM oversight and EDAM implementation activities over the next several years. If WEM GB members are interested in serving on the RO Board before the RO tariff is approved and implemented, the WEM GB would need to replace anyone who is chosen for the RO Board to maintain a full 5-member WEM GB.

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e. In order to ensure a proper rotation of terms on the RO Board, the terms of the initial seats will be randomly assigned by lot as follows:

- 2-seats: 1-year terms
- 2-seats: 2-year terms
- 3-seats: 3-year term

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