
Selection Procedure Options for the Regional Organization Board of Directors

1.0 Introduction and Scope

The Regional Organization (RO) Board of Directors is proposed as a seven-member body that exercises sole authority over the Energy Imbalance Market (EIM) 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, Appendix A proposes a process for selection of the initial RO Board of Directors. Consistent with other board nominating procedures, the proposed procedure in this document provides that the Members of the RO Board will be selected by a Nominating Committee comprised of certain stakeholder representatives. Board nominees will be subject to concurrence by the States Committee and 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 document describes a procedure for 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 concurrence by the States Committee and a vote of approval by the RO Board.

2.0 Definitions

“States Committee” 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. (NOTE: To be updated based upon input from the Pathways Public Interest Work Group).

“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 Energy Imbalance Market and Extended Day-Ahead Market.

“Executive Search Firm” means the firm retained by the Regional Organization 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.

“Regional Organization (RO) Formation Committee” means the temporary group that has been established to develop, in collaboration with the CAISO, the details for establishing the Regional Organization. It is intended that the RO Formation Committee be established with up to five (5) members from the Pathways Launch Committee, a state regulator, and a less than quorum number of the WEM Governing Body. (NOTE: To be updated based upon input from the Pathways Launch Committee).

3.0 Roles and Responsibilities

3.1 Nominating Committee

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

- EIM/EDAM Entities;
- Participating Transmission Owners;
- Publicly-Owned Utilities;
- Load-serving Entities that Do Not Own Transmission or Distribution;
- Suppliers and Marketers of Generation and Energy Service Providers;
- States Committee;
- The RO Board;
- Public Interest Groups;
- Consumer Advocates;
- Large customer advocacy group
- Other.

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 following sectors 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.

- The "EIM/EDAM Entities" sector, which will include every EIM Entity and any entity that has executed an EIM Implementation Agreement to become an EIM Entity, including but not limited to EIM Entities that also participate in EDAM. The terms "EIM Entity" and "EDAM Entity" will have the same meaning as in the Tariff.
- The "Participating Transmission Owners" sector, which will include every participating transmission owner. The term "Participating Transmission Owner" will have the same meaning as in the Tariff.
- The "Publicly-Owned Utilities" sector, which will include every publicly-owned utility located within the balancing authority area of either the ISO or an EIM/EDAM Entity. A publicly-owned utility is any utility that is excluded from certain provisions

of the Federal Power Act by virtue of Section 201(f) of the Act. By way of illustration, this includes, without limitation, municipally owned utilities, power cooperatives and federal power marketing agencies. A publicly-owned utility that is either an EIM Entity or a Participating Transmission Owner shall participate in that sector rather than in the Publicly-Owned Utilities sector.

- The “Load Serving Entities that Do Not Own Transmission or Distribution Assets” sector, which will include any load serving entity that is not a public utility and does not own transmission or distribution assets.
- The "Suppliers and Marketers of Generation and Energy Service Providers" sector, which will include every entity that is party to a Scheduling Coordinator Agreement or a Participating Generator Agreement (as defined in the tariff) with the ISO, provided that it does not qualify for the EIM Entities sector, the Participating Transmission Owners sector or the Publicly- Owned Utilities Sector.
- The "Public Interest Groups" sector, which will include all public interest groups that are actively involved in energy issues within the balancing authority area of the ISO or an EIM/EDAM Entity. (NOTE: This sector does not include consumer advocate groups, which are in a separate sector)>
- The “Consumer Advocates” sector, which will include all consumer advocate groups defined in state statute to represent consumers at that state’s regulatory commission and other forums and that are actively involved in energy issues within the balancing authority area of the ISO or an EIM/EDAM Entity.
- The “Large Customer Advocacy Group” sector, which will include large commercial and industrial energy consumers not represented in the Consumer Advocates sector.

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.

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 in the sector's selection of a representative to the Nominating Committee. Any 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.

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 States Committee.

The representative from the RO Board will serve two functions: he or she 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.

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, 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 other member of the Nominating Committee from the RO Board shall not have a vote; however, they are expected to share their views about the candidates and 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. 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 qualities would best complement the remaining Members and ask the Executive Search Firm to identify at least two qualified candidates to interview, in addition to the sitting Member.

With assistance from the Executive Search Firm, 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 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 be confidential. 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 maintain confidentiality.

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 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 will engage an independent Executive Search Firm to identify qualified candidates for consideration by the Nominating Committee.

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 RO Board 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; 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.

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 he or she:

- is employed by or provides 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 submitted by the Nominating Committee shall first be subject to concurrence by the States Committee. The States Committee may reject one or more proposed candidates only if both a majority of states and a majority of load represented on the States Committee vote to do so (or by some other voting structure that the Pathways Public Interest Working Group recommends). Otherwise, the slate will be considered to be approved by the States Committee. If a candidate is rejected by the States Committee, the Nominating Committee must reconvene to select a new candidate who will be subject to States Committee review.

The slate submitted by the Nominating Committee, with concurrence from the States Committee, shall then be subject to approval 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. The RO Board must accept or reject the slate as a whole.

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 slate of nominees. The new slate must not be identical to the prior slate, though the Nominating Committee may retain one or more nominees from a prior slate involving multiple nominees. After the Nominating Committee submits its second slate of nominees, and with concurrence from the States Committee, the RO Board shall decide, in public session, to approve one of the two slates that was submitted by the Nominating Committee.

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

Appendix A – 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 5 members from the Pathways Launch Committee, a state regulator, and a non-quorum of the existing WEM Governing Body, selected by the WEM Governing Body.
- b. For purposes of the initial RO Board selection, the Formation Committee will provide the functions of the RO Board in the selection process procedure. In addition, the Formation Committee will select one Committee member to serve in the RO Board seat on the Nominating Committee. This may not be a WEM Governing Body Member if that member has submitted his/her name for consideration for the RO Board. (NOTE: Other options to consider for handling the RO Board function of approving the initial board members include: the existing WEM Governing Body; the CAISO Board of Governors; or the Nominating Committee itself. This warrants further discussion among the Pathways Launch Committee and feedback from stakeholders).
- 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, and initiating the selection process should not commence until CA legislation has been approved and the tariff amendments are filed at FERC.
- 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. However, the number of existing WEM Governing Body members selected should not create a quorum for the new RO Board.
- 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 terms
