



EBA • MAY 6 - 7, 2019

ANNUAL MEETING & CONFERENCE

SESSION A: RTO GOVERNANCE: THE BOARD PERSPECTIVE

MAY 6, 2019, 3:45 PM – 5:00 PM

Every RTO/Independent System Operator has established governance structures to meet their unique needs. The Boards of Directors of each of these organizations play a critical role in managing and providing strategic guidance and oversight. This panel of esteemed past and present Board members will explore the structure, roles and responsibilities of their respective organizations' Boards exploring such issues as: how the Board is organized; the role of the Board relative to RTO/ISO management; and, how the Board interacts with RTO/ISO members and stakeholders, their market monitoring units, and other third parties. The panel will also discuss how their Boards are helping to shape the strategic direction of each organization.

Moderator: David Doot, Partner and Chair of Energy and Utility Department, Day Pitney LLP's

Speakers:

Barney Rush, Board Member, ISO New England

Mike Curran, Former Chair MISO Board and Current Board Member, ISO New England

Howard Schneider, Former Chair PJM Board, and Senior Consultant, Charles River Associates

Barbara J. Krumsiek, Former President and Chief Executive Officer, Calvert Investments Inc.

ISO/RTO Board Comparison



		ISO-NE	NYISO	PJM	MISO	SPP	ERCOT	CAISO
Composition	Number	10 9 + CEO <i>ex officio</i>	10 9 + CEO <i>ex officio</i>	10 9 + CEO <i>ex officio</i>	10 9 + CEO <i>ex officio</i>	10 9 + CEO <i>ex officio</i>	16 (TX PUC Chair non-voting)	5
	Term	3 years	4 years	3 years	3 years	3 years	3 years (Unaffiliated dir.) 1 year (Segment directors)	3 years
	Term Limits	3 full terms (waivable by JNC)	3 terms	5 terms	3 successive terms (4 th with Board waiver)	none	3 terms (Unaffiliated dir.) none (Segment directors)	none
	Other Limits • Independence from Members • Age (when elected/re-elected)	• Independent • ≤ 70	• Independent • < 75	• Independent • < 75	• Independent • none	• Independent • none	• Hybrid 5 Unaffiliated, 9 Segment, 1 PUC Chair, 1 OPUC Pub Counsel • none	• Independent • none
Selection	How Identified	Joint Nominating Committee (JNC) • 6 Indep. Directors (not from class under consideration) • 6 Sector Reps (1/Sector) • 1 NECPUC Comm.	Management Committee • recommends candidates	Nominating Committee • 3 Indep. Directors (one non-voting) • 5 Sector Reps (1/Sector)	Board assisted by Nominating Comm. • 3 Indep. Directors • 2 Advisory Comm. Reps	Corporate Governance Comm. • SPP Pres (Chair) • Board Chair or Vice-Chair • 9 Organization Group Reps (1/Group)	Nominating Committee (for Unaffiliated directors) • All <i>voting</i> directors	Board Nominee Review Committee • 36 member-class reps (6/class)
	How Elected	By Slate • Members endorse slate • Sitting Board Members elect slate	Individually • Sitting Board Members elect	Individually • Members (MC) elect	Individually • Members elect	Individually • Members elect	Individually Unaffiliated Directors • Members elect • TX PUC approves Segment Directors • Segment elects	Individually • CA Governor appoints • CA Senate confirms
Meetings	Frequency – Full Board Meetings • Minimum Req. • 2019 Scheduled (each Board has multiple Committees that also meet regularly)	• Quarterly • 6	• Quarterly • 5	• Quarterly • 4	• Quarterly • 4	• 3 • 6	• Quarterly • 6	• Quarterly • 8
	Min. Notice Req.	5 days	7 days	5 days	7 days	15 days	7 days	4 days
	Meetings with Market Participants (Boards also have mtgs separately with State Representatives)	• 2x / year (by Sector) • NPC meetings (individual members on occasion)	• 1x / year • Liaison Comm. monthly	• 2x/year Gen. Session • Liaison Comm. 4-5x/yr • Trial 1x/yr by Sector • Enhanced Liaison Comm. • 2 Bd members at monthly MRC/MC mtgs	• 1x/year (Annual Stakeholder Meeting) • Advisory Comm.	• 1x / year • Indiv. Members attend meetings on occasion	• Nothing structured	• Nothing structured Attend / participate in stakeholder symposiums, not ISO stakeholder mtgs

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RTO GOVERNANCE: THE BOARD PERSPECTIVE

PJM BOARD

By HOWARD SCHNEIDER

Senior Consultant

CHARLES RIVER ASSOCIATES

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PJM Interconnection, LLC (“PJM”) is a Federal Energy Regulatory Commission (“FERC”) approved Regional Transmission Organization (“RTO”) which operates the power grid in 13 states and the District of Columbia in the mid-Atlantic section of the United States. It services approximately 65 million customers through its member companies and is the largest power grid operator in the US.

I. Four Key Principles on which PJM Board is Guided:

1. Independence

Pre-formation incident in which Board refused to sit - (TOs veto on what could be considered by the Board)

2. Operate as a normal corporate board.

- No constituent representation on the Board
- No stakeholder representation
- No one state control
- No financial interest in any stakeholder
If so, must divest
(De minimus exceptions)

3. Fiduciary duty concept

The good of the entity is the paramount consideration;
NOT:

- a group
- a sector
- an individual

But the Board is biased towards:

- markets
- reliability
- planning

4. Ethical tone from top down

II. Board Member Qualifications and Term

Qualification

How Constituted: Nine independent members; CEO as tenth ex-officio member.

Per Operating Agreement (“OA”) (PJM constitution), qualifications for independent Directors are:

- 4 Members expertise + experience in senior management or board level, or finance, or accounting, engineering or utilities laws or regulation
 - 1 Member expertise + experience in operation or concerns of transmission dependent utilities
 - 1 Member expertise + experience in the operation or planning of transmission systems
 - 1 Member expertise + experience in area of commercial markets and trading and associated risk management
-
- Board Members can have cross characteristics (more than one)
 - No conflicts with members
 - No security ownership
 - Code of Conduct
 - Diversity consideration
 - Footprint consideration

Term

3 years – staggered (every year, 1/3 of Board up for election)

Against current corporate governance thinking - Why?

- Learning Curve
- Stability
- Longer term view

Age Limits - 75

Term limits - 5 terms

Nomination and Election of Board Members

Each year, Nominating Committee constituted

- 5 stakeholders representatives (selected by stakeholder vote)
1 from each Member Sector
Transmission Owners, Generation Owners, End Use Customers,
Electrical Distributors, Other Suppliers
- 3 Board Members (selected by Board vote)
1 ex officio (chair) and 2 voting members

Stakeholder members control, but Board members are highly influential – Deference to Board Members

If current Director wants to stand for reelection, needs:

- To so state
- Get Board endorsement
- Get Nominating Committee vote

If Director vacancy:

HR Search firm (\$100,000+ per search)

Selection process

Chair + Vice Chair of the Board

Duties –

- Liaison
- Board Agenda
- Run Board
- Communications with CEO on behalf of the Board

Board, each year, elects its own Chair + Vice Chair

Selects committee chairs and members

Governance Committee role

Operate by Committee

then, to full Board

Main Committees

1. BRC (ops + planning)
2. CMC (markets, MMU)

Auxillary Committees

3. Regulatory (State and Consumer advocate relations)
4. Audit (same as for regular corporation)
5. HRC (personnel, benefits, etc.)
6. Governance (key committee – strategy, committee assignments)
7. Finance (liaison with stakeholders on budget, finance matters)

III. Relationship to Management

- Oversight
- Not in the weeds - high level direction
- Strategy- sets strategy (every couple of years – revised)
- Set goals each year
- CEO succession planning
- Ethics

IV. Section 205 + Section 206 of the Federal Power Act

At FERC, filing:

Section 205 – requires proposer to show “just and reasonable”

Section 206 – requires proposer to show (more stringent standard) that current provision is “unjust and unreasonable” and how proposed revision is “just and reasonable”

In PJM,

Management Committee of Stakeholders (“MC”) has Section 205 rights with respect to the OA

- PJM does not have Section 205 rights, so MC role is critical; Board is, in effect, advisory
- PJM has Section 205 rights over the Tarriff and the RAA, so Board role is critical and MC is advisory in this aspect

Not to say, can’t file a Section 206 – just harder

V. Board Interaction with Stakeholders

- 2 Board members at monthly MRC / MC meetings (Hear debate and report)
Recap for non-attending Directors, circulated to all Board members
- Liaison Committee (meets 4-5 times per year)

Participants –

- 3 persons from each sector (15), plus Chair + Vice Chair/Members Committee
- Entire Board of 10, including CEO
- Agenda – how developed.
- Representative from each Sector speaks for Sector
- Vetting of issues
- Information exchange
- Does influence the Board's thinking
- Consumer Issues are relevant

VI. Special Relationships

1. States (13 plus DC)

Chose not to be members

Non –Jurisdictional to PJM

- Need to find a way to allow states to participate more fully in issues from the start.
- Become PJM members?
- Need to recognize different state views (not a monolith)

2. Market Monitoring Unit (“MMU”)

- Independent
- Separate from PJM, but not really
- History
- Contractual relationship
- State Support (history)
- Funding
- CMC Special role
- Data Sharing among MMU and RTO

Hears: Management and MMU

Moderates: the issues

Advocates: at times

Big Picture (All MMUs)

FERC responsibility

FERC should delineate the MMU’s role in detail

- e.g., is there a strict monitoring function, or does MMU actually formulate rules; if so, is that a conflict (monitor rules that MMU put into effect)?
- e.g., can MMU sue their RTO or just refer the matter to FERC?
- e.g., a matter – once decided by FERC - matter should be ended and should be off the list of MMU recommendations.

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