

# Governance Structure and Practices in the FERC-Jurisdictional ISOs/RTOs

February 2021

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## LIST OF ACRONYMS

CAISO	California Independent System Operator
CAPS	Consumer Advocates of PJM States
CEC	California Energy Commission
CPUC	California Public Utilities Commission
EIM	Energy Imbalance Market
FERC	Federal Energy Regulatory Commission
ISAC	Independent State Agencies Committee
ISO	independent System Operator
ISO-NE	ISO New England
LSE	Load-Serving Entity
MISO	Midcontinent Independent System Operator
NECPUC	New England Conference of Public Utility Commissioners
NEPOOL	New England Power Pool
NESCOE	New England States Committee on Electricity
NYISO	New York Independent System Operator
NYSRC	New York State Reliability Council
OATT	Open Access Transmission Tariff
OMS	Organization of MISO States
OPSI	Organization of PJM States
PJM	PJM Interconnection
PSC	Public Service Commission
RSC	Regional State Committee
RTO	Regional Transmission Organization
SPP	Southwest Power Pool
WECC	Western Electricity Coordinating Council

## EXECUTIVE SUMMARY

This report provides a summary of the governance structure and practices of the six Federal Energy Regulatory Commission (FERC)-jurisdictional independent system operators and regional transmission organizations (ISOs/RTOs): California ISO (CAISO), New York ISO (NYISO), ISO New England (ISO-NE), Midcontinent ISO (MISO), PJM Interconnection (PJM), and Southwest Power Pool (SPP).

The governance structure and practices within each ISO/RTO are exceedingly complicated. The intent of this report is not to capture every nuance in a region's governance, but rather provide a macro view across the different ISOs/RTOs for comparison and discussion purposes, and thus may simplify or generalize certain aspects of the governance structure.

The matrices provide a summary comparison of the key aspects of the governance structure and practices across the six regions.

## COMPARISON MATRICES

## Role of States in ISO/RTO Governance and Practices

Table ES-1. Role of States in ISO/RTO Governance and Practices

AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
<i>State Commission / State Committee</i>	<ul style="list-style-type: none"> <li>CPUC</li> <li>CEC</li> </ul>	<ul style="list-style-type: none"> <li>NESCOE</li> <li>NECPUC</li> </ul>	OMS	<ul style="list-style-type: none"> <li>PSC</li> <li>NY DPS</li> </ul>	OPSI	RSC
<i>Sponsor Issues/Proposals in Stakeholder Process?</i>	Yes	NESCOE only	Yes	Yes	Yes	Yes
<i>Role in Stakeholder Process</i>	Non-voting	<u>Non-voting</u>	Voting	<u>Non-voting</u>	<u>Non-voting</u>	<u>Non-voting</u>
<i>Board Nomination Role</i>	<u>None</u>	NECPUC: 1 seat on Nomination Committee	State Regulatory Authorities or Public Consumer Advocates sector member <sup>[1]</sup>	<u>None</u>	<u>None</u>	<u>None</u>
<i>Board Engagement</i>	None	<ul style="list-style-type: none"> <li>State official meetings (2 per year)</li> <li><u>Board liaison meeting with State Commission (1 per year)</u></li> </ul>	None	Liaison Subcommittee (~12 per year)	<ul style="list-style-type: none"> <li><u>OPSI annual meeting (1 per year)</u></li> <li>General Sessions (2 per year)</li> </ul>	None
<i>Board Meeting Role</i>	Participant	None	Participant	Participant	None	Participant
<i>Form of Section 205 Filing Rights (where an entity files on their behalf)</i>	None	<u>NESCOE: Transmission Cost Allocation</u> NESCOE: Participants Committee Supported Proposal	<u>Transmission Cost Allocation</u>	None	None	<ul style="list-style-type: none"> <li><u>Transmission Planning &amp; Cost Allocation</u></li> <li><u>Resource Adequacy</u></li> </ul>

*Note:* Underlined items reflect differences from other participating stakeholders.

<sup>[1]</sup> Only two members of the Advisory Committee are selected, so while this could include members from these sectors, it also may not.

## Stakeholder Process

Table ES-2. ISO/RTO Stakeholder Process						
AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
<i>Open to Public?</i>	Yes	No <sup>[1]</sup>	Yes	Yes	Yes	Yes
<i>Senior Committee</i>	None	Participants Committee	Advisory Committee	Management Committee	Members Committee	Markets and Operations Policy Committee
<i>Voting Stakeholders</i>	None	NEPOOL members	MISO members <sup>[2]</sup>	NYISO voting members	PJM members <sup>[3]</sup>	SPP members
<i>Non-Voting Participating Stakeholders</i>	Stakeholders	NESCOE (and state commissions)	Non-members	<ul style="list-style-type: none"> <li>NYISO non-voting members</li> <li>NY DPS/PSC</li> </ul>	Non-members	Non-members
<i>Board Meeting Attendance (# of Board Members)</i>	None	Each Participants Committee (1)	Each Advisory Committee (10)	Each Management Committee, Business Issues Committee, Operating Committee (1)	None	None
<i>Sponsor Issues/Proposals in the Stakeholder Process</i>	Stakeholders	<ul style="list-style-type: none"> <li>NEPOOL members</li> <li>NESCOE</li> </ul>	Stakeholders	NYISO members	Stakeholders	Stakeholders
<i>Senior Committee Voting Approach</i>	None	6 weighted sectors (66%/60%) <sup>[4]</sup>	10 weighted sectors (66%) <sup>[5]</sup>	5 weighted sectors (58%)	5 weighted sectors (66%)	2 weighted sectors (66%)
<i>Appeals Process (to whom)?</i>	Yes (Board)	Yes (Participants Committee)	No	Yes (Management Committee/Board)	No	Yes (Board)
<i>Other Board Attendance Meeting Requirements</i>	None	<ul style="list-style-type: none"> <li>Sector meeting</li> <li>State official meetings</li> <li>Board State Commission meetings</li> </ul>	<ul style="list-style-type: none"> <li>Hot topic discussions</li> <li>Special quarterly Advisory Committee</li> <li>Membership meetings</li> </ul>	Liaison Subcommittee	<ul style="list-style-type: none"> <li><i>Ex parte</i> sector meetings</li> <li>Liaison Committee</li> <li>General Sessions</li> </ul>	Annual membership meeting



*Note:* This matrix is focused on how stakeholder provide feedback on proposals and not necessarily the transmission planning process or other regional stakeholder processes that may be in place.

- <sup>[1]</sup> The ISO-NE transmission planning stakeholder process is open to the public.
- <sup>[2]</sup> Includes representatives from the State Regulatory Authorities, Public Consumer Advocates, and Environmental/Other Stakeholders sectors.
- <sup>[3]</sup> Affiliate members can only vote in technical committees. Associate members cannot vote.
- <sup>[4]</sup> 66.67% of the weighted sector vote for non-market rule changes and 60% of the weighted sector vote for market rule changes and the information policy.
- <sup>[5]</sup> Most proposals are not considered by the Advisory Committee and are only considered in the technical committees which generally use a straight-voting process by those parties assigned to a sector.

## Board Structure and Practices

Table ES-3. Board Composition						
AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
Total # of Directors	5	10	10	10	10	10
Includes ISO/RTO CEO (ex officio)?	No	Yes	Yes	Yes	Yes	Yes
Length of Term	3 years	3 years	3 years	4 years	3 years	3 years
Qualifications (number of directors that must meet qualification)	<ul style="list-style-type: none"> <li>▪ Corporate leadership and cross-section of industry skills (5)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cross-section of industry skills including consumer advocacy/retail rate regulation (6)</li> <li>▪ Electric industry (3)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate leadership (6)</li> <li>▪ Electric operations (1)</li> <li>▪ System planning (1)</li> <li>▪ Markets (1)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate leadership or cross-section of industry skills (6)</li> <li>▪ Electric industry (3)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate leadership or cross-section of industry skills (4)</li> <li>▪ Operation of transmission utility (1)</li> <li>▪ Electric operations &amp; system planning (1)</li> <li>▪ Markets (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate leadership or cross-section of industry skills (9)</li> </ul>
Board Committees (* denotes stakeholder representation)	<ul style="list-style-type: none"> <li>▪ Audit</li> <li>▪ Department of Market Monitoring and Oversight</li> <li>▪ Market Surveillance</li> <li>▪ EIM Governing Body</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nominating and Governance</li> <li>▪ Audit and Finance</li> <li>▪ Compensation and Human Resources</li> <li>▪ Board Markets</li> <li>▪ System Planning and Reliability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate Governance &amp; Strategic Planning</li> <li>▪ Audit &amp; Finance</li> <li>▪ Human Resources</li> <li>▪ Market Technology</li> <li>▪ System Planning</li> </ul>	<ul style="list-style-type: none"> <li>▪ Governance</li> <li>▪ Audit and Compliance</li> <li>▪ Commercial Compensation</li> <li>▪ Markets and Reliability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Board Governance</li> <li>▪ Finance*</li> <li>▪ Regulatory, Risk &amp; Audit</li> <li>▪ Human Resources</li> <li>▪ Competitive Markets</li> <li>▪ Reliability &amp; Security</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate Governance*</li> <li>▪ Finance*</li> <li>▪ Human Resources*</li> <li>▪ Oversight</li> <li>▪ Strategic Planning*</li> </ul>

Table ES-4. Director Selection

AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
<i>Term Limit</i>	None	3 full terms	3 full consecutive terms	3 full terms	5 full terms	None
<i>Age Limit</i>	None	70	None	75	75	None
<i>In-Region Preference?</i>	No	Yes	No	Yes	No	No
<i>Nominating Committee Composition</i>	6 sectors (36)	<ul style="list-style-type: none"> <li>▪ Directors (7)</li> <li>▪ NEPOOL members (6)</li> <li>▪ NECPUC (1)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Directors (3)</li> <li>▪ Advisory Committee (2)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Board</li> <li>▪ Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Directors (3)</li> <li>▪ PJM members (5)<sup>[1]</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ SPP CEO</li> <li>▪ Board Chair</li> <li>▪ SPP members (9)</li> </ul>
<i>Minimum number of candidates per position</i>	4	1	2	3	1	1
<i>Initial Approval Entity</i>	Governor	Participants Committee (6 weighted sectors of 70%)	Board <sup>[2]</sup>	None	None	None
<i>Final Approval Entity</i>	State Senate	Board	MISO members <sup>[3]</sup>	Board	Members Committee	SPP Members
<i>Final Approval Threshold</i>	Majority	Majority	Majority	Majority	5 weighted sectors (50%)	2 weighted sectors (66%) <sup>[4]</sup>
<i>Group or Individual Vote</i>	Individual	Group	Individual	Individual	Individual	Individual

<sup>[1]</sup> One member from each sector.

<sup>[2]</sup> MISO Board selects a candidate from the nominating committee's recommended candidates.

<sup>[3]</sup> Excludes non-paying members in the State Regulatory Authorities, Public Consumer Advocates and Environmental/Other Stakeholders sectors.

<sup>[4]</sup> If there are multiple nominees, the weighted sector vote only needs to be 50%.

**Table ES-5. Board Meetings and Communications**

AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
<i>Meetings</i>	Open	Closed	Open	Closed	Closed	Open
<i>Attendees (beyond Board and ISO/RTO Management)</i>	Stakeholders	None	Stakeholders	<ul style="list-style-type: none"> <li>▪ NY DPS/PSC</li> <li>▪ FERC</li> </ul>	None	<ul style="list-style-type: none"> <li>▪ Members Committee</li> <li>▪ Stakeholders</li> </ul>
<i>Agendas</i>	Public	Public	Public	Stakeholders	Board only	Public
<i>Minutes</i>	Public	Board only (summary provided to Participants Committee)	Public	Public	Board only	Public
<i>Meeting Materials</i>	Public	Board only	Public	Board only	Board only	Public

**Table ES-6. Board Decision-Making**

AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
<i>Approves Regulatory Filings?</i> <sup>[1]</sup>	Yes	No	No	Yes	Yes	Yes <sup>[2]</sup>
<i>ISO/RTO CEO Vote?</i>	N/A	No	Yes	Yes	No	Yes
<i>Quorum</i>	2/3 <sup>rd</sup> of directors	Majority of elected directors	Majority of directors	6 directors	Majority of elected directors	Majority of directors plus one additional director
<i>Approval Threshold</i> <sup>[3]</sup>	Majority	Majority	Majority	Majority	Majority	Majority

<sup>[1]</sup> Refers to generally if the board is reviewing proposed changes to the tariff. There is discretion for Boards to review or not review items depending upon a number of factors.

<sup>[2]</sup> Items approved through the stakeholder process and that are not appealed specifically to the SPP Board are not specifically reviewed and approved by the Board.

<sup>[3]</sup> Approval threshold for general matters brought to the board. Most regions have different thresholds defined for handling of certain specific matters.

## Filing Rights

**Note:** This table simplifies the filing rights responsibilities to allow for comparison between regions. Reference the report for more specific details.

Table ES-7. Filing Rights						
AREA	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
<i>Local Transmission Costs</i>	Transmission owner	Transmission owner	Transmission owner	Transmission owner	Transmission owner	Transmission owner
<i>Regional Transmission Costs (entity that files on behalf the party)</i>	Transmission owner	<ul style="list-style-type: none"> <li>▪ Participating Transmission Owners Advisory Committee</li> <li>▪ NESCOE (transmission owners)</li> </ul>	<ul style="list-style-type: none"> <li>▪ MISO</li> <li>▪ Transmission Owners Committee</li> <li>▪ OMS (MISO)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transmission owners</li> <li>▪ PSC (NYISO)</li> </ul>	TOA-Administrative Committee	<ul style="list-style-type: none"> <li>▪ SPP</li> <li>▪ RSC (SPP)</li> </ul>
<i>Other Tariff Sections (entity that files on behalf of the party)</i>	CAISO	<ul style="list-style-type: none"> <li>▪ ISO-NE</li> <li>▪ NEPOOL (ISO-NE)</li> </ul>	MISO	<ul style="list-style-type: none"> <li>▪ NYISO<sup>[1]</sup></li> <li>▪ Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ PJM</li> <li>▪ Members Committee<sup>[2]</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ SPP</li> <li>▪ RSC (SPP)</li> </ul>

<sup>[1]</sup> The Management Committee and the NYISO Board must agree on items to be filed under Section 205 by NYISO.

<sup>[2]</sup> The Members Committee and PJM each have a specific section of the Tariff assigned to them.

# 1 INTRODUCTION

This report provides a summary of the six Federal Energy Regulatory Commission (FERC) jurisdictional independent system operator and regional transmission organization (ISO/RTO) governance structure and practices for California ISO (CAISO), New York ISO (NYISO), ISO New England (ISO-NE), Midcontinent ISO (MISO), PJM Interconnection (PJM), and Southwest Power Pool (SPP).

Since the stakeholder process is often the primary mechanism for impacted parties to communicate information and perspectives to the ISO/RTO's management and board of directors, this report also includes discussion on the stakeholder structure and processes including how states participate in these processes.<sup>1</sup> Finally, this report provides a discussion of the parties that have Section 205 filing rights under the Federal Power Act over the ISO/RTO tariffs to provide a more complete understanding of board interactions, decision-making, and authority in each region.

The governance structure and practices within each ISO/RTO are exceedingly complicated. The intent of this report is not to capture every nuance in a region's governance, but rather provide a macro view across the different ISOs/RTOs for comparison and discussion purposes, and thus may simplify or generalize certain aspects of the governance structure. There are, no doubt, board of director practices and informal interactions not reflected in the governing documents on a range of issues, which may inform the board's decision-making function and relationship with ISO/RTO management.

## 1.1 REPORT STRUCTURE

Each section of this report covers an ISO/RTO region, and follows a similar structure:

- I. **Introduction.** High-level introduction of the ISO/RTO, its mission statement, and an overview of its governance structure and practices.
- II. **Role of States in ISO/RTO Governance and Practices.** Introduction to how regional state committees and state commissions are engaged with the ISO/RTO and a summary of their role in ISO/RTO governance.
- III. **Stakeholder Structure and Process.** Introduction to the stakeholder committee structure, membership definition, and sectors and discussion as to which stakeholders are able to participate, raise issues, and vote within the stakeholder process and how the voting process is structured.
- IV. **Filing Rights.** Discussion of what parties have Section 205 filings rights under the Federal Power Act over the ISO/RTO tariff.

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<sup>1</sup> This summary of the stakeholder process is not intended to be comprehensive, but rather provides sufficient context for how the board of directors receives information and attempts to capture the division of Section 205 filing rights under the Federal Power Act.

## V. Board Structure and Practices

- a. **Board Composition.** Details board structure, qualification criteria, and subcommittees.
- b. **Director Selection.** Details the processes to identify candidates, including criteria such as term limits or age requirements, selection of new directors, and removal of existing directors from the board.
- c. **Board Stakeholder Interaction.** Details the formal mechanisms beyond the stakeholder process and formal board meetings that allow stakeholders to interact and communicate with the board and its directors.
- d. **Board Meetings and Communication.** Details who is allowed to participate in board meetings and how information on board actions is communicated to stakeholders.
- e. **Board Decision-Making.** Details how the board approaches decision-making and how minority viewpoints are incorporated into their process.<sup>2</sup>

## 1.2 REPORT COMMON CONSTRUCTS

In order to allow for easier comparison across regions, this report uses general terms and concepts rather than regional, tariff-specific terminology. This was most often the case with terminology for how boards of directors and various parties in the stakeholder process are referenced. While there may be some nuances within each region, the following terminology is used generally:

- *Board committees* refers to the committees reporting to the ISO/RTO Board comprised primarily of board members.
- *Director* refers to a member of the ISO/RTO Board.
- *Governing documents* refers to the tariff, operating agreements, manuals, procedures, etc. that govern the ISO/RTO and are generally voted upon in the stakeholder processes.
- *ISO/RTO Board* refers to the board of directors' construct in the region.
- *Member* refers to an entity that can participate in the stakeholder process as a member of the ISO/RTO. For some regions, members are divided into voting members and non-voting members.
- *Participating stakeholders* refers to all of the stakeholders that can participate in the stakeholder process (including ISO/RTO members and state agencies/organizations as appropriate).

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<sup>2</sup> ISO/RTO boards may delegate a certain amount of their decision-making to ISO/RTO management and/or senior stakeholder committees, thus, for example, obviating a responsibility to review and approve every regulatory filing made by an ISO/RTO.

- *Regional system plan* refers to the transmission enhancement and expansion plan developed for a region.
- *Sectors* and *subsectors* refer to how stakeholders (generally ISO/RTO members) are organized/grouped generally for voting purposes.
- *Senior stakeholder committee* (or *senior committee*) refers to the standing stakeholder committee(s) responsible for providing final feedback to ISOs/RTOs in the stakeholder process and to the ISO/RTO Board. This committee generally has the final decision-making authority in the stakeholder process (e.g., NEPOOL Participants Committee)
- *Stakeholder* refers to any entity (including state agencies, state committees, and the public) that might be impacted by the wholesale electricity markets.
- *State agency/organization* refers to an agency or regional committee that is included in the ISO/RTO governance structure.
- *State commission* refers to the regulatory utility authority in each state.
- *Technical stakeholder committee* (or *technical committee*) refers to the various *ad hoc*/issue-specific and standing committees, subcommittees, task forces, and working groups that are in place to assist in the resolution of issues, development of proposals, and/or to support the transmission planning process. The report focuses on discussing only technical committees that are relevant to the governance structure and practices and generally does not discuss any committees that do not report to the senior committee.

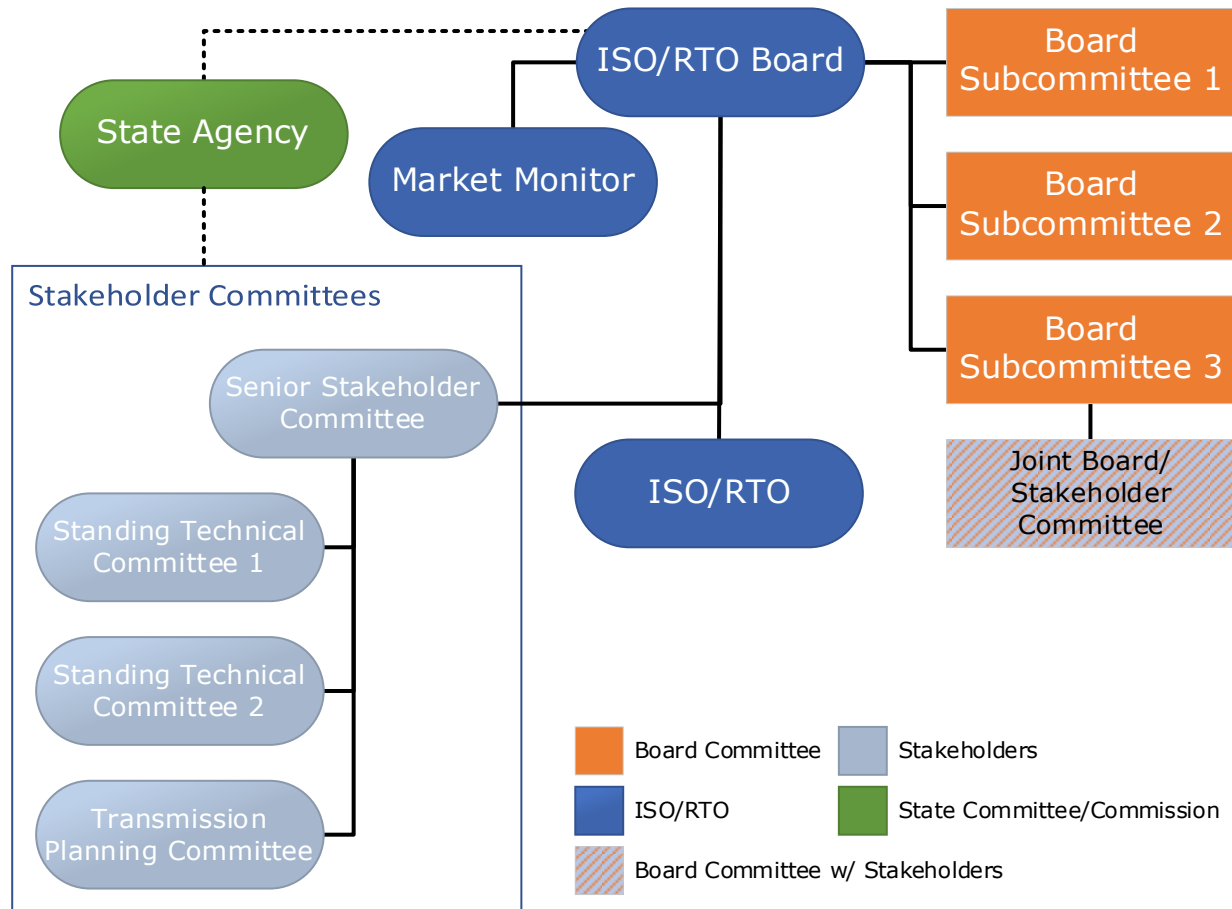
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### 1.2.1 Overview of Governance Structure

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For each region, a simplified view of the governance structure is provided that allows for easier comparison from region to region and highlights major structural differences. Figure 1-1 provides an example of a generic structure that is used for each region. Solid lines reflect hierarchal reporting relationships, while dotted lines reflect a relationship, but not a reporting responsibility.





**Figure 1-1. Example of ISO/RTO Governance Structure**

### 1.2.2 Filing Rights Under the Federal Power Act

This report discusses the filing rights under the Federal Power Act of various parties in each of the ISO/RTOs. Filing rights are under Section 205 and Section 206.

*Section 205 requires a public utility to file a rate schedule with [FERC]. Rate changes are not permitted unless a new rate schedule has been filed. Section 206 provides for the review of rates already in effect. [FERC] has the authority to determine that an existing rate is unjust or unreasonable and set a new rate. . . . Sections 205 and 206 of the Federal Power Act concern rates and charges collected by a public utility in transmitting or selling electric energy in interstate commerce. These rates and charges "shall be just and reasonable, and any*

*such rate or charge that is not just and reasonable” shall be unlawful.<sup>3</sup>*

One party, identified in the ISO/RTO tariff, is generally assigned the right to make specific tariff filings under Section 205. The ISO/RTO tariffs can include multiple parties with Section 205 rights over the same tariff section, or obligate the party with Section 205 rights to file alternative proposals under their Section 205 rights on the behalf of other parties.

Across all of the ISO/RTOs, all parties generally maintain the right to challenge the existing tariff with the FERC under Section 206.

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<sup>3</sup> Congressional Research Service, *Authority of the Federal Energy Regulatory Commission to Fix Electricity Rates and Charges and to Require Refund Payments by a Public Utility*, January 9, 2001.

## 2 CALIFORNIA ISO

### 2.1 INTRODUCTION

The California Independent System Operator (CAISO) manages the bulk electric grid for 80% of California and part of Nevada, accounting for around 26,000 circuit-miles of transmission lines.<sup>1</sup> As of the beginning of 2021, CAISO has 20 transmission owners,<sup>2</sup> and 257 parties participating in its market.<sup>3</sup>

CAISO does not explicitly refer to a mission statement, but rather provides a purpose, a strategy, and set of operating principles (below). This is defined through its strategic framework, but not in its filed tariff.

#### **Our Purpose:**

*Lead the way to tomorrow's energy network.*

#### **Our Strategy:**

- *Lead the transition to renewable energy*
- *Maintain reliability during industry transformation*
- *Expand regional collaboration to unlock mutual benefits*

#### **Our Operating Principles:**

*For the benefit of our customers, we:*

- *Attract, develop and retain a highly skilled workforce*
- *Operate the grid reliably and efficiently*
- *Provide fair and open transmission access*
- *Promote environmental stewardship*
- *Facilitate effective markets and promote infrastructure development*
- *Provide timely and accurate information.*<sup>4</sup>

The CAISO Board of Governors (CAISO Board) is the primary approval body on matters related to CAISO. To help inform this decision-making, CAISO uses a public stakeholder process to review issues and reports and develop proposals. The CAISO stakeholder process is structured differently than all the other ISOs/RTOs. It is focused on specific initiatives or topics rather than presenting topics following a defined hierarchical, committee structure.<sup>5</sup>

<sup>1</sup> CAISO, [About Us → Our Business](#).

<sup>2</sup> CAISO, [Participating Transmission Owners](#).

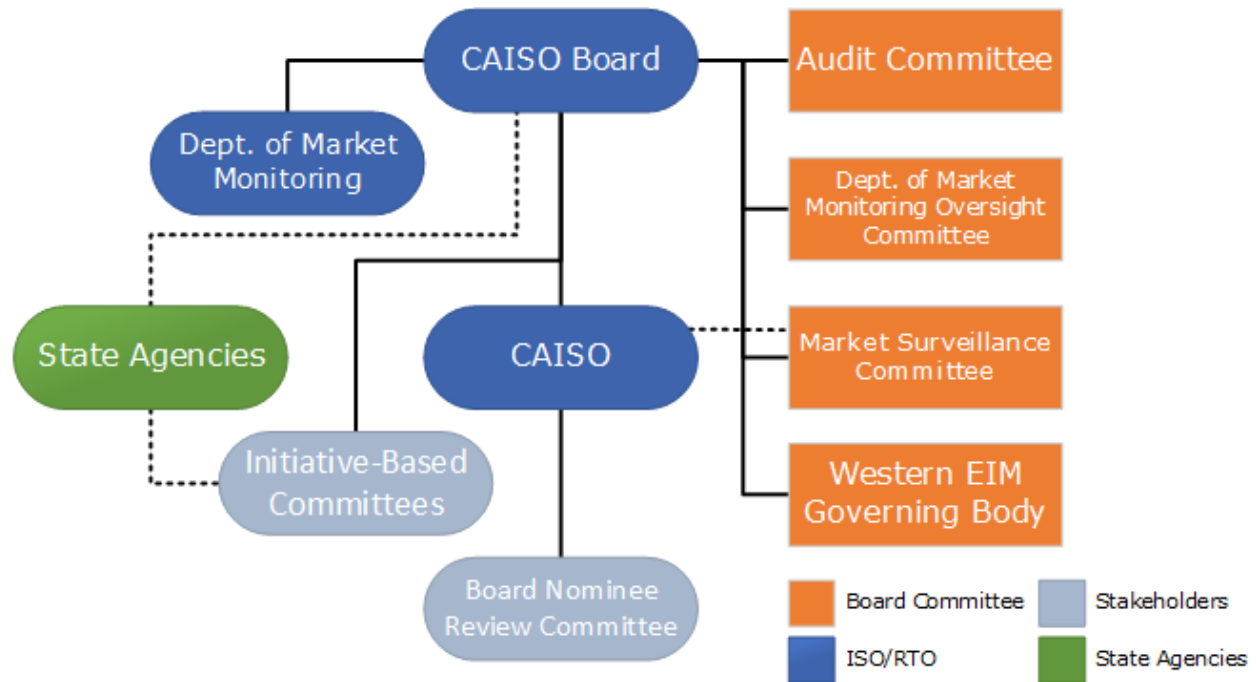
<sup>3</sup> CAISO, [List of SCs, CRR Holders, Convergence Bidding Entities](#), January 12, 2021.

<sup>4</sup> CAISO, [About Us → What we stand for](#).

<sup>5</sup> Initiatives can take from one to three years to complete the stakeholder process.

This process allows for stakeholder feedback to CAISO and to the CAISO Board; however, there are no voting requirements for CAISO members and CAISO reserves the right to make final decisions as to what should be incorporated into proposals presented to the CAISO Board.

Figure 2-1 provides an overview of the ISO/RTO, the CAISO Board and its committees, state agencies, and stakeholder structure and how they interact.



**Figure 2-1. Overview of CAISO Governance Structure**

### 2.1.1 Western Energy Imbalance Market

While beyond the scope of this report, an important aspect of CAISO is its role in the management and operation of the Western Energy Imbalance Market (EIM). The CAISO Board delegates EIM-specific responsibilities to the EIM Governing Body and, as a result, the EIM has its own governance structure. The EIM Governing Body holds primary and advisory authority over EIM policy initiatives, and decision-making authority is divided between EIM and CAISO on initiatives that impact both areas. The CAISO Board holds the ultimate authority on all decisions though, and can override decisions made by the EIM Governing Body.

This report focuses solely on the CAISO stakeholder process and CAISO Board-associated responsibilities as related to CAISO, and not on the governance structure of the EIM.

## 2.2 ROLE OF STATES IN ISO/RTO GOVERNANCE AND PRACTICES

There is no separate organization of states operating within CAISO. The California Public Utilities Commission (CPUC) represents the state's interests in conjunction with the California Energy Commission (CEC) and other regulatory authorities. The CPUC has responsibility for resource adequacy.

### 2.2.1 Stakeholder Process

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CAISO's open-meeting policy (public) provides state agencies the ability to fully participate, that is, raise issues and provide input on issues and proposals up for discussion, in the stakeholder process in the same manner as other stakeholders.<sup>6</sup>

#### Transmission Planning and Cost Allocation

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While the transmission planning process follows the same open-meeting policy and process as other initiatives, the CPUC, CEC, and other state/local regulatory agencies are specifically identified as providing inputs around the resource adequacy assumptions, such as the future resource mix and load forecast, and identifying reliability-driven transmission solutions (which can also be done by other stakeholders). The transmission planning process requires significant coordination with these state agencies and reflects the responsibilities of resource adequacy in California largely belonging to the CPUC. According to CAISO's 2019-2020 Transmission Plan:

*The transmission plan is developed through a comprehensive stakeholder process and relies heavily on coordination with key energy state agencies – the [CPUC] and the [CEC] – for key inputs and assumptions regarding electricity demand side forecast assumptions as well as supply side development expectations. Both remain critical, building on past transmission planning efforts, as integrated resource planning considerations need to focus not only on accessing renewable generation but also accessing the necessary integration resources to effectively operate the grid in a future of high volumes of renewable generation, and distributed energy resources and shifting customer needs necessitate a high degree of coordination in supply side and demand side forecasting.<sup>7</sup>*

Any changes to cost allocation rules would be handled as an initiative modifying the tariff through the normal stakeholder process. The CPUC, CEC, and other state/local regulatory agencies can provide input on this process like other stakeholders.

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<sup>6</sup> CAISO, [Open Meeting Policy](#), December 9, 2019.

<sup>7</sup> CAISO, [2019-2020 Transmission Plan](#), March 25, 2020, p. 1.

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### 2.2.2 Board Engagement

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CAISO's open-meeting policy provides state agencies the ability to participate in CAISO Board meetings in the same manner as all other stakeholders.

Unlike CAISO members, the state agencies do not have a direct role in the nomination of candidates for the CAISO Board; however, final decisions around the proposed candidates are made by the state governor and state senate.

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### 2.2.3 Filing Rights

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State agencies do not have Section 205 filing rights under the Federal Power Act.

As noted above, the CPUC is responsible for resource adequacy, so it does have significant control over these aspects of the "market design" which inherently impacts what CAISO does in regards to resource adequacy and its capacity procurement mechanism (and subsequently, what the CAISO may file at the FERC).

The state agencies also provide a number of the inputs in the transmission planning process and their policies are considered in the development of the transmission plan. Thus, while the agencies do not have specific Section 205 filing rights related to the transmission owners' tariffs, they do have significant influence, based on the input assumptions being applied in the transmission planning process, on what is filed with the FERC in the transmission rate cases.

## 2.3 STAKEHOLDER STRUCTURE AND PROCESS

CAISO employs a public, advisory-only stakeholder process that provides input to CAISO and the CAISO Board on transmission system planning and a range of market and tariff-related issues and policy initiatives.

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### 2.3.1 Committee Structure

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CAISO, unlike the other ISOs/RTOs, does not employ a hierarchical committee structure with sectors and voting. Rather, CAISO schedules regular meetings on a range of market- and transmission-related issues and policy initiatives that are open to the public (i.e., all stakeholders that may be interested).<sup>8</sup> This can be thought of as having a separate committee for each topic. Since these meetings are public (and there are no voting requirements), there are no member or voting sectors defined for the purposes of the stakeholder process.

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<sup>8</sup> While meetings are public, certain documents (e.g., operating procedures) are not available for the general public and are only reviewed with "operationally affected" stakeholders.

## Members, Sectors, and Groups

CAISO members are divided into six sectors: Participating Transmission Owners; End-Users and Load-Serving Entities (including community choice aggregators and energy service providers); Public Interest Groups (e.g., consumer advocates, environmental groups and citizen participation groups) that are actively involved in energy issues in CAISO; Generators, Marketers, and Other Energy Providers (e.g., sellers of power from distributed generation, demand response, and energy storage); Publicly-Owned Utilities; and External Entities that are located outside the CAISO balancing authority area that engage in transactions for power with CAISO.<sup>9</sup>

These sector groupings are not relevant to the stakeholder process, but are used in the CAISO Board selection process discussed in a later section.

### 2.3.2 Stakeholder Process

Any stakeholder may submit an issue for review, including members of the CAISO Board and the CAISO. Issues are reviewed by CAISO, and CAISO develops policy papers/straw proposals for discussion with the stakeholders.

All stakeholders have the opportunity to provide comments on the straw proposal or policy paper (which likely goes through multiple iterations) and any associated governing language changes. CAISO reviews stakeholder comments and chooses which, if any, to incorporate before submitting a final proposal to the CAISO Board for approval. The Board can choose to incorporate recommendations from stakeholders during this process, but is not required to do so before making its decision.

Figure 2-2 provides an overview of CAISO's standard stakeholder process.



**Figure 2-2. CAISO Standard Stakeholder Process**

**Source:** [CAISO Stakeholder Initiatives](#).

For decisions made by the CAISO Board that result in a FERC filing, there is no ability to appeal the decision within the stakeholder process; rather, a stakeholder would need to intervene in the CAISO filing at the FERC. However, for changes associated with the business practice manual, a stakeholder may submit an appeal of the decision to the Executive Appeals Committee. This committee is comprised of at least three CAISO officers

<sup>9</sup> CAISO, Board Selection Policy, p. 5.

who hear the appeal in a public session and then issue a written response. If the stakeholder who submitted the appeal is not satisfied with the result, they may present their appeal directly to the CAISO Board or provide a letter to the Board reflecting their concerns.<sup>10</sup>

## Transmission Planning and Cost Allocation

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The transmission planning process and cost allocation approach follow a similar structure to any other initiative; however, this is considered a recurring initiative which is performed on a regular cycle pursuant to the CAISO tariff. All stakeholders are able to provide input through the process on assumptions, studies to be performed, and final recommendations made by CAISO to its Board.

## 2.4 FILING RIGHTS

Section 205 filing rights under the Federal Power Act are jointly held by CAISO and the transmission owners. A summary of how these responsibilities are divided is provided below; however, the breakdown between CAISO, transmission owners, and other entities is more nuanced and complicated than what is reflected here.

- Transmission owners are responsible for filing their (local and regional) transmission revenue requirements and cost allocation; however, unlike many ISOs/RTOs, these are not included as part of the CAISO tariff, which shows a clearer line in responsibility to the transmission owners.
- CAISO has the authority, upon approval by the CAISO Board, to unilaterally file changes to “rates, terms, conditions, charges, classifications of service, Scheduling Coordinator Agreement, rule or regulation under Section 205 of the [Federal Power Act].”<sup>11</sup>

The CAISO tariff also identifies specific cases where CAISO, scheduling coordinators,<sup>12</sup> generation owners, and transmission owners can file under Section 205; however, these filings are generally related to cost recovery in the markets,<sup>13</sup> reliability must-run

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<sup>10</sup> CAISO, [BPM Change Management](#), Section 2.4.10.  
CAISO, Tariff, Section 22.11.1.6.

<sup>11</sup> Ibid., Section 15.

<sup>12</sup> Scheduling coordinators are those entities responsible for scheduling and bidding generation and load into the CAISO markets as defined in Section 4.5 of the tariff.

<sup>13</sup> For example, “the Scheduling Coordinator has the right to file proposed values and supporting information for major maintenance adders for Start-Up or Minimum Load Costs.” (Source: CAISO, Tariff, Section 30.4.1.1.4.)



agreements,<sup>14</sup> and generation interconnections,<sup>15</sup> and do not impact the overall governance structure. Also, participation agreements between CAISO and individual parties must be agreed upon between CAISO and the party in order to be filed under Section 205 with the FERC.<sup>16</sup>

## 2.5 BOARD STRUCTURE AND PRACTICES

### 2.5.1 Board Composition

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The CAISO Board is comprised of five directors (called *governors*). Members of the Board serve three-year, staggered terms (as required by California state law). Board members must comply with the CAISO code of conduct and ethical principles and cannot (with limited exception) be affiliated with any current or potential CAISO market participants or be employed with or consulting for an entity engaged in electricity generation, transmission, marketing, trading, or distribution in the Western Electricity Coordinating Council (WECC).<sup>17</sup>

CAISO Board members, collectively, must have expertise in the electricity industry, markets, general corporate, legal and financial areas; and public interest.<sup>18</sup> The Board elects a chair and vice chair through a simple majority vote.

The CAISO Board has two standing subcommittees: Audit Committee and Department of Market Monitoring and Oversight Committee. Both of these committees have at least two

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<sup>14</sup> For example, “[i]f FERC authorization is required to permit Owner to recover the CAISO’s Repair Share from CAISO or to include the costs of a Capital Item in a Surcharge Payment or the rates paid by CAISO hereunder, Owner shall make a Section 205 filing limited to recovery of the costs and implementation of related changes to performance characteristics, shall request that the filing become effective as of the date the Capital Item or Repair was placed in service and request expedited consideration of the filing.” (Source: CAISO, Tariff, Appendix G Pro Forma Reliability Must-Run Contract.)

<sup>15</sup> For example, “[t]he CAISO and Participating TO shall each have the right to make a unilateral filing with FERC to modify this Agreement pursuant to section 205 or any other applicable provision of the Federal Power Act and FERC’s rules and regulations thereunder with respect to the following articles of this Agreement and with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation covered by these articles: Introductory Paragraph, 1.1, 1.2, 1.3, 1.4, 1.5.1, 1.5.2, 1.5.3, 1.5.4, 1.5.5, 1.5.6, 1.5.7, 1.6, 1.7, 1.8.1, 1.9, 2.1, 2.2.1, 2.3, 3, 4.1.1 (last sentence only), 5.1, 5.3, 6.2, 7, 8, 9, 11, 12, 13, Attachment 1, Attachment 4, Attachment 5, and Attachment 7.

“The Participating TO shall have the exclusive right to make a unilateral filing with FERC to modify this Agreement pursuant to section 205 or any other applicable provision of the Federal Power Act and FERC’s rules and regulations thereunder with respect to the following articles of this Agreement and with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation covered by these articles: 2.2.2, 4.1.1 (all but the last sentence), 4.1.2, 4.2, 5.2, 6.1.1 (all but the last sentence), 6.1.2, 6.3, 10 (all but preamble), Attachment 2, Attachment 3 and Attachment 6.

“The CAISO shall have the exclusive right to make a unilateral filing with FERC to modify this Agreement pursuant to section 205 or any other applicable provision of the Federal Power Act and FERC’s rules and regulations thereunder with respect to the following articles of this Agreement and with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation covered by these articles: 1.8.2, 6.1.1 (last sentence only) and 10 (preamble only).” (Source: CAISO, Tariff, Appendix T Small Generator Interconnection Agreement.)

<sup>16</sup> CAISO, Tariff, Appendix B.

<sup>17</sup> CAISO, [Code of Conduct and Ethical Principles](#).

<sup>18</sup> CAISO, Board Selection Policy, pp. 3-4.

members that are elected by a two-thirds affirmative vote of the Board. The Board chair appoints the chair for each of these committees.

- Audit Committee is responsible for assisting with oversight of legal, financial, and regulatory requirements as well as audits.
- Department of Market Monitoring and Oversight Committee is responsible for conducting oversight of CAISO's market monitoring functions, administration, and operations.

The CAISO Board is also responsible for the Market Surveillance Committee and EIM Governing Body.

- Market Surveillance Committee is an independent body of highly skilled industry experts (at least three nominated by the CAISO CEO and appointed by the Board) that provide comments, critiques, and recommendations about the market monitoring process and market issues to the CAISO CEO and Board. In addition, the committee also reviews and comments on Department of Market Monitoring analyses and reports.<sup>19</sup>
- EIM Governing Body (which is elected by a group of western stakeholders) reviews and approves initiatives and governs policies pertaining specifically to the EIM.

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## 2.5.2 Director Selection

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Prior to the expiration of a director's term, CAISO engages an executive search firm to identify at least four potential candidates that meet the qualifications to be on the CAISO Board and whose areas of expertise are complementary to other Board members.<sup>20</sup> Further, "[a]ll potential candidates must possess a proven reputation for excellence in their areas of expertise, forward-looking leadership capabilities, and optimally should reflect a diverse background (e.g., ethnicity, gender) and viewpoint (e.g., no two academics from the same school, no two government officials from the same administration or political party, no two corporate executives from the same corporation or affiliated group)."<sup>21</sup> There are no term limits or age restrictions for potential candidates.

CAISO establishes the Board Nominee Review Committee to support the review of potential candidates identified by the executive search firm. This committee is comprised of 36 members, six from each of the six sectors identified earlier. Each sector decides how to select its six members to serve on the committee, including the lead of the sector.

The list of potential candidates prepared by the executive search firm is provided to the Board Nominee Review Committee which is charged with ranking the list of candidates in descending order. The ranked list is provided to CAISO for review, so the CAISO can confirm that candidates meet the qualifications before being provided to the California governor for

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<sup>19</sup> CAISO, [Stay Informed → Board Committees → Market Surveillance Committee](#).

<sup>20</sup> The search firm can consider candidates that are willing to remove any conflicts within six months of being appointed.

<sup>21</sup> CAISO, Board Selection Policy, p. 4.

consideration. The governor then selects one candidate for each vacancy, which is then provided to the state senate for approval, requiring a majority of 21 affirmative votes out of 40 total votes.<sup>22</sup>

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## Director Removal

The CAISO Board may remove any director, with or without cause, if at least two-thirds of the directors vote in favor of such removal.

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### 2.5.3 Board Stakeholder Interaction

The primary mechanisms through which stakeholders provide feedback to CAISO on proposals is the stakeholder process and then direct participation in CAISO Board meetings. There are no other formal avenues available for stakeholders to engage with the Board.

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### 2.5.4 Board Meetings and Communication

The CAISO Board is required to conduct at least one public meeting per calendar quarter. The date and time of these quarterly meetings are scheduled ahead of each fiscal year. The Board chair, majority of directors, and the CAISO CEO all have authority to call additional meetings as necessary; however, they must provide adequate public notice to ensure equal opportunity for any interested stakeholder to participate. At any point, the Board (with a majority affirmative vote) may go to executive session if sensitive information needs to be discussed (topics that are expected to be in executive session are noted on the agenda).

All meeting agendas, minutes, and other related material for the CAISO Board are made available to the public through the [CAISO website](#). All Board committee meetings are conducted in the same manner as the regular Board meetings.

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### 2.5.5 Board Decision-Making

The CAISO Board approves measures through a simple majority vote with affirmative votes from three of the five directors needed for passage. A quorum is considered participation of two-thirds of the directors at any Board meeting.

*The Board, using its independent judgment, is responsible for balancing commercial and public policy objectives to ensure that the ISO is operated in a sound commercial manner, while at the same time fulfilling the public policy responsibilities assigned to it as a California nonprofit public benefit corporation created under state law. In fulfilling its responsibilities, the Board should also consider the interests that employees, customers, and stakeholders, such as governmental authorities,*

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<sup>22</sup> California, [Standing Rules of the Senate](#), January 19, 2017, para. 47 (31).

*market participants, vendors and communities, may have in the ISO.*<sup>23</sup>

While CAISO finalizes and presents proposals to its Board, any stakeholder is permitted to participate and present a position during CAISO Board meetings, including members, CAISO, and the general public.<sup>24</sup> Although the Board is required to hear all feedback presented at Board meetings, it is not required to act upon any such comments.

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<sup>23</sup> CAISO, [Corporate Government Principles](#), October 25, 2019, Section 3.1.

<sup>24</sup> CAISO, Bylaws, Section 9.

## 3 ISO NEW ENGLAND

### 3.1 INTRODUCTION

ISO New England (ISO-NE) plans and operates the transmission system (9,000 miles of transmission lines at 69 kV and above) and administers the wholesale electric power markets across the six New England states. The New England Power Pool (NEPOOL)<sup>1</sup> collaborates with ISO-NE in managing and implementing the region's stakeholder process. NEPOOL has over 500 members and over 275 voting members.<sup>2</sup> ISO-NE solely administers the Planning Advisory Committee, a public stakeholder forum for providing input to ISO-NE on transmission system planning issues that is distinct from NEPOOL stakeholder process. ISO-NE also administers the Consumer Liaison Group, a public forum on regional electricity matters.

ISO-NE's mission statement is reflected in the tariff and the Participants Agreement.

**Mission Statement:**

- a. To assure the bulk power supply system within the New England Control Area conforms to proper standards of reliability;*
- b. To create and sustain open, non-discriminatory, competitive, unbundled, markets for energy, capacity and ancillary services (including operating reserves) that are (i) economically efficient and balanced between buyers and sellers, and (ii) provide an opportunity for a participant to receive compensation through the market for a service it provides, in a manner consistent with proper standards of reliability and the long-term sustainability of competitive markets;*
- c. To provide Market Rules that (i) promote a market based on voluntary participation, (ii) allow market participants to manage the risks involved in offering and purchasing services, and (iii) compensate at fair value (considering both benefits and risks) any required service, subject to the Commission's jurisdiction and review;*
- d. To allow informed participation and encourage ongoing market improvements;*
- e. To provide transparency with respect to the operation of and the pricing in markets and purchase programs;*

<sup>1</sup> NEPOOL is a voluntary organization that considers and acts on matters pertaining to ISO-NE's wholesale electric power arrangements.

<sup>2</sup> NEPOOL, [Annual Report 2020](#).

- f. To provide access to competitive markets within the New England Control Area and to neighboring regions; and*
- g. To provide for an equitable allocation of costs, benefits and responsibilities among market participants.<sup>3</sup>*

In late 2020, ISO-NE issued a vision statement: “To harness the power of competition and advanced technologies to reliably plan and operate the grid as the region transitions to clean energy.” ISO-NE has included this new vision statement in presentations,<sup>4</sup> but it is not part of the tariff.

The ISO-NE governance structure places most of the decision-making responsibility with ISO-NE management, which is overseen by an independent Board of Directors (ISO-NE Board).

The stakeholder processes inform ISO-NE and the Board of stakeholder perspectives:

- The NEPOOL stakeholder process uses a hierarchical committee structure composed of technical committees all reporting to a senior parent committee (Participants Committee) that provides advice to the ISO-NE and its Board on proposed changes to the governing documents and other matters presented for discussion and vote.
- Regional transmission planning is further informed by the Planning Advisory Committee and ISO-NE-administered technical committees (such as the Load Forecast Committee).
- ISO-NE also administers the Consumer Liaison Group in which it provides information to and receives input from the public on regional electricity matters. This open forum meets four times per year.

Transmission owners are responsible, through the Participating Transmission Owner Administrative Committee, for Transmission Operating Agreement-related items and in other areas such as updating information on the formula transmission rates. Input is provided to the transmission owners through the NEPOOL stakeholder process.

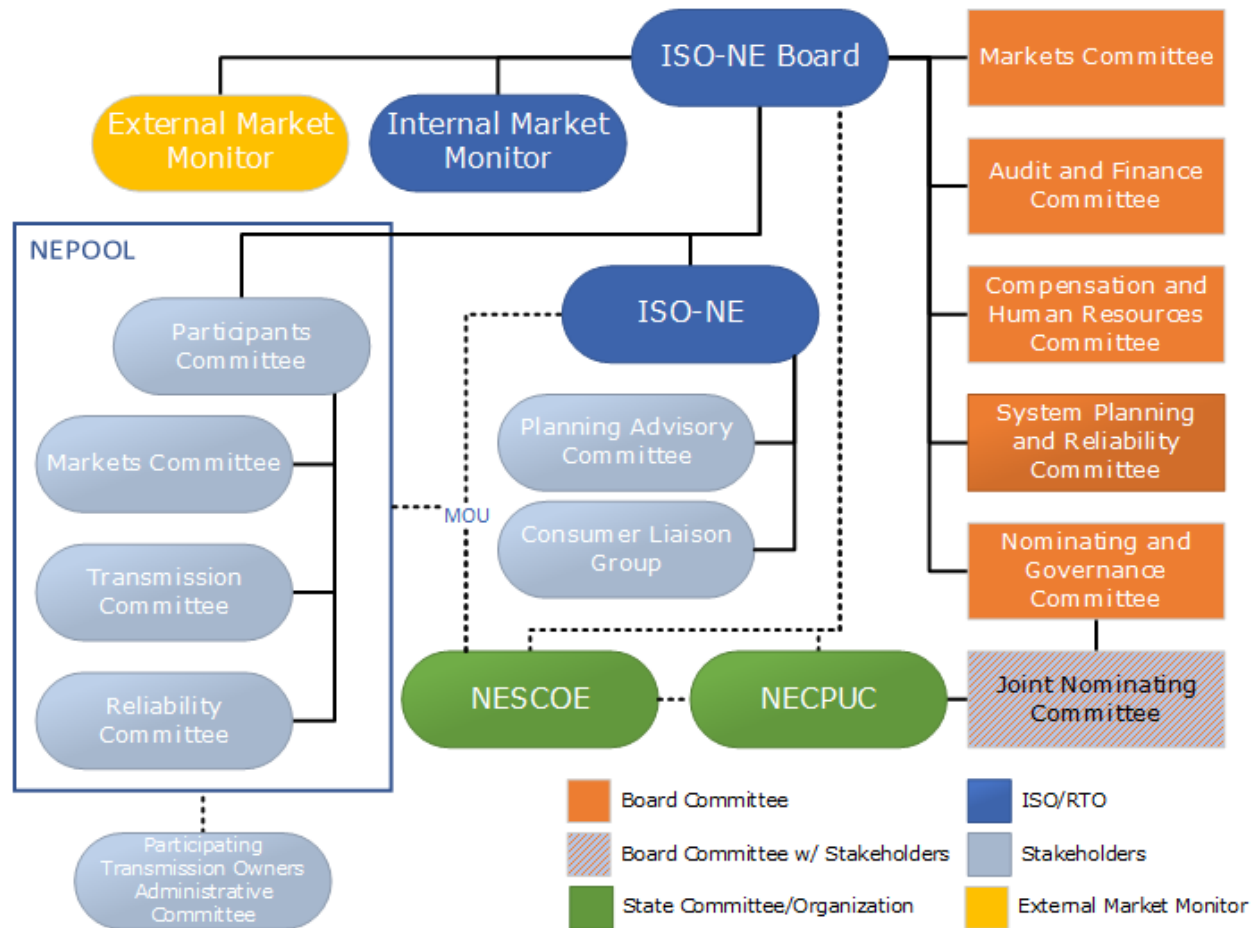
New England has a regional state committee, the New England States Committee on Electricity (NESCOE). NESCOE operates pursuant to a memorandum of understanding among NESCOE, ISO-NE, and NEPOOL in connection with participation in regional electricity matters (NESCOE MOU). The New England states also engage in regional electricity matters through individual state commissions, which work together through the New England Conference of Public Utility Commissioners (NECPUC). Some state agencies choose to be NEPOOL members.

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<sup>3</sup> ISO-NE, Tariff, Section I.1.3.  
ISO-NE, Participants Agreement, Section 2.3.

<sup>4</sup> ISO-NE, [ISO-NE CEO highlights importance of wholesale market and transmission planning evolution](#), December 1, 2020.

Figure 3-1 provides an overview of the ISO/RTO, ISO-NE Board and its committees, regional state committee, and stakeholder structure and how they interact.



**Figure 3-1. Overview of ISO-NE Governance Structure**

## 3.2 ROLE OF STATES IN ISO/RTO GOVERNANCE AND PRACTICES

NESCOE, NECPUC, and individual state agencies are all active in the regional stakeholder process.

NESCOE represents the collective perspective of the six New England states on regional electricity matters. It advances the New England states' common interest in the provision of electricity to consumers at the lowest possible price over the long term, consistent with maintaining reliable service and environmental quality. NESCOE is governed by a board of managers appointed by the governors of the six New England states. Each governor appoints a state NESCOE Manager(s). NESCOE's advocacy typically reflects the commonality of interests across all states on consumer issues and many shared policy objectives.

NESCOE focuses on two areas: resource adequacy and system planning and expansion. NESCOE offers proposals in connection with planning and market rule changes to advance consumer interests and states' shared energy objectives, and it advocates those interests in response to proposals advanced by ISO-NE and others.

NECPUC and individual state commissions also participate in the stakeholder processes. NECPUC's board of directors is made up of state commissioners in each New England state. NESCOE and NECPUC coordinate to avoid duplicating efforts.<sup>5</sup>

A number of other state agencies that advocate for consumers participate in the stakeholder processes as voting members of NEPOOL in the End User sector.

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### 3.2.1 Stakeholder Process

NESCOE's role in both the stakeholder process and ISO-NE practices is defined in the NESCOE MOU. NESCOE participates in all NEPOOL technical committee meetings and at the Participants Committee—raising issues, presenting proposals and amendments, and offering positions on proposals under consideration. Any proposal or amendment that NESCOE offers in the NEPOOL stakeholder process is treated in the same manner as a proposal or amendment made by a NEPOOL member. NESCOE is not a NEPOOL member and does not vote in NEPOOL matters. NESCOE also participates in ISO-NE's Planning Advisory Committee and the various technical committees of the Planning Advisory Committee.

Individual state commissions, and NECPUC as their collective representative, engage directly in the regional stakeholder process. By choice, neither state commissions individually nor NECPUC have a vote in NEPOOL matters, except in regard to NECPUC's role in the ISO-NE Board nominating process (described below).

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### Transmission Planning and Cost Allocation

NESCOE, NECPUC, and state entities participate in the public Planning Advisory Committee meetings like other stakeholders. NESCOE also has a defined role in the ISO-NE tariff in connection with the transmission planning process for public policy-driven transmission needs.<sup>6</sup>

When the transmission owners propose certain new or modified transmission cost allocation provisions, NESCOE may, pursuant to its rights in the Transmission Operating Agreement, propose alternative cost allocation provisions. NESCOE has not had cause to exercise those rights to date.

For proposals in response to public policy transmission-driven projects, NESCOE may identify how the balance of the costs, not allocated through a default regional allocation, would be allocated.<sup>7</sup>

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<sup>5</sup> Memorandum of Understanding, Exhibit A, p. 3.

<sup>6</sup> ISO-NE, Tariff, Section II, Attachment K, Section 4A.

<sup>7</sup> ISO-NE, Tariff, Section II, Schedule 12, Section B.6.



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### 3.2.2 Board Engagement

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Twice per year, it has been standard practice for NECPUC and NESCOE, together, to meet with the ISO-NE Board to discuss regional electricity issues.

Additionally, the Nominating and Governance Committee of the ISO-NE Board assigns two Board members to serve as liaisons between the Board and each state commission. The Board liaisons and the state commissions meet at least once per year, every six to eight months, depending on the interest of the state commission and the availability of the liaisons.<sup>8</sup> NESCOE, NECPUC, or state officials can request meetings with the Board as needed.

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### 3.2.3 Filing Rights

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NECPUC and NESCOE do not have Section 205 filing rights under the Federal Power Act. NESCOE, like NEPOOL members which include state consumer advocates who have elected to be members of NEPOOL, can sponsor changes to governing documents as part of the regional stakeholder process. Further description of filing rights below explains how proposals that NEPOOL adopts as part of its process would be filed by ISO-NE using its Section 205 filing rights.

In addition, as noted above, NESCOE can propose alternative cost allocation modifications if transmission owners seek to make changes to certain transmission cost allocation provisions. In that case, transmission owners must include the NESCOE alternative in their Section 205 filing with the FERC.

## 3.3 STAKEHOLDER STRUCTURE AND PROCESS

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### 3.3.1 NEPOOL

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NEPOOL employs a private (i.e., members only), advisory stakeholder process that provides input to ISO-NE. The NEPOOL process includes advisory review of transmission owners' proposed modifications to the tariff related to certain rate recovery and cost allocation provisions.<sup>9</sup>

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<sup>8</sup> ISO-NE, Charter of the Nominating and Governance Committee, p. 2.

<sup>9</sup> NEPOOL also has responsibility for the NEPOOL generation information system; however, this is not discussed within this report.

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## Committee Structure

The NEPOOL stakeholder process is organized based upon a hierarchal committee structure. The Participants Committee is the senior committee that provides input to ISO-NE. There are three technical standing committees: Markets Committee, Reliability Committee, and Transmission Committee. Various other technical committees reporting to the standing technical committees and the Participants Committee provide input on discrete issues.<sup>10</sup> The committees generally meet monthly, but can meet more frequently as required.

## Members, Sectors, and Groups

There are several membership options that determine the level of involvement in the NEPOOL stakeholder process.

- NEPOOL voting members are parties to the NEPOOL Agreement and the Participants Agreement between NEPOOL and ISO-NE. They are entitled to vote in the NEPOOL stakeholder process. Certain entities can be designated as a provisional member, rather than assigned to a sector, and may be able to vote as part of the Provisional Member group.
- Non-NEPOOL members are not parties to the NEPOOL Agreement; they are only parties to the Participants Agreement. They have no voting rights, with the exception of changes to the Participants Agreement.

This combination of NEPOOL voting members and non-NEPOOL members make up the NEPOOL participating stakeholders.

NEPOOL members are divided into six sectors: Generation, Transmission, Publicly Owned Entity, End User, Supplier, and Alternative Resources. The Alternative Resources sector is further divided into three sub-sectors; Renewable Generation, Distributed Generation, and Load Response.

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## Stakeholder Process

Only NEPOOL participating stakeholders, NESCOE and ISO-NE are entitled to attend NEPOOL meetings. NEPOOL allows and encourages NECPUC, state officials, and FERC participation as invited guests. Others may be allowed as invited guests. All attendees at NEPOOL meetings have an opportunity to raise issues, respond to proposals and present their own proposals on changes to the governing documents or topics being presented (e.g., installed capacity requirement).<sup>11</sup> Any issues/proposals are assigned to the appropriate technical committee for consideration and action as necessary. All voting at the Participants Committee and standing technical committees is done using the same weighted, sector voting approach.

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<sup>10</sup> NEPOOL, [New Member Orientation](#), December 11, 2020, p. 28.

<sup>11</sup> Applicable to proposals that result in changes to: "Market Rules, Operating Procedure, Manuals, Reliability Standards, Information Policy, Installed Capacity Requirements (ICR), General Tariff Provisions, and Non-Transmission Owner (TO) Open Access Transmission Tariff (OATT) Provisions."

The Participants Committee is comprised of six voting sectors, each with an equal voting share assuming a quorum is present in each sector,<sup>12</sup> with each subsector being weighted within the Alternative Resources sector. Table 3-1 provides a summary of the voting shares by sector used in the NEPOOL stakeholder process; however, the process for calculating the weighted vote is more complicated than what is represented.<sup>13</sup> Proposals are supported if they receive at least two-thirds (66.67%) of the weighted sector vote for non-market rule changes (not Section III of the Tariff) and three-fifths (60%) of the weighted sector vote for market rule changes (Section III of the Tariff) and the information policy.<sup>14</sup>

**Table 3-1. ISO-NE Participants Committee – Sector Representation and Voting Share**

<b>Sector</b>	<b>Weighted Voting (%)<sup>[1]</sup></b>
Generation	16.5
Transmission	16.5
Publicly Owned Entity	16.5
End User	16.5
Supplier	16.5
<u>Alternative Resources</u>	16.5
▪ <i>Renewable Generation</i>	8.25
▪ <i>Distributed Generation</i>	4.125
▪ <i>Load Response</i>	4.125
Provisional Member Group <sup>[2]</sup>	1.0

<sup>[1]</sup> Shaded cells reflect the total sector weighting, while non-shaded cells reflect the subsector weighting.

<sup>[2]</sup> While this group is not a sector, it does have a voting share, assuming there are at least five members of the group.

Proposals approved at the technical committees are submitted to the Participants Committee for consideration. ISO-NE may also elect to have proposals that have failed at the technical committees brought up for a vote at the Participants Committee. NEPOOL's votes on ISO-NE proposals are advisory only; however, under limited circumstances, ISO-NE is required to include a NEPOOL alternative proposal in ISO-NE's Section 205 filing (discussed further in the "Filing Rights" section below). Stakeholder proposals that do not pass the technical committees are not presented at the Participants Committee for

<sup>12</sup> The quorum requirement for sectors and subsectors is the lesser of 50% of voting members or five or more voting members from the Participants Committee and three or more voting members from the technical committees.

<sup>13</sup> The NEPOOL Agreement provides a complete set of rules for how the weighted voting process works within the NEPOOL stakeholder process.

<sup>14</sup> Changes to the NEPOOL Agreement do not require approval of the ISO-NE Board if no changes to the Participants Agreement are required.

consideration; however, NEPOOL participating stakeholders can bring forward amendments at the Participants Committee that may have failed or not been raised at technical committees. ISO-NE management reports to the ISO-NE Board the results of the Participants Committee vote.

The NEPOOL stakeholder process also includes the ability for any NEPOOL member to appeal any actions at a technical committee to the Participants Committee for additional consideration.<sup>15</sup> NEPOOL participating stakeholders may also submit comments directly to the ISO-NE Board on items under consideration by the Board. These comments are posted publicly by ISO-NE.<sup>16</sup>

### 3.3.2 Transmission Planning

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ISO-NE, through the Planning Advisory Committee, uses a stakeholder process that is open to the public; participation is only limited based upon critical energy infrastructure information policy. The Planning Advisory Committee provides input on many regional planning issues, including the regional system plan, the development and review of needs assessments, and the identification and prioritization of economic studies.<sup>17</sup>

This stakeholder process is organized based upon a hierarchical committee structure. The Planning Advisory Committee is the senior committee and is supported by a number of technical committees. The Planning Advisory Committee can also be used as a forum for the transmission owners to solicit feedback on their local system plans.<sup>18</sup>

The Planning Advisory Committee meets monthly. Generally, ISO-NE presents at the Planning Advisory Committee on various topics, solicits input, and then provides revised information based upon stakeholder feedback. No voting occurs in this committee. ISO-NE may also discuss transmission planning issues as part of the Consumer Liaison Group, another public forum in addition to the Planning Advisory Committee.

### 3.3.3 Transmission Owners

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Transmission owners engage in their own process for considering recommendations to ISO-NE regarding actions, policies, and rules affecting transmission owners' transmission facilities and considering and voting on proposed amendments to the Transmission Operating Agreement.<sup>19</sup>

This process is facilitated through a single committee, the Participating Transmission Owners Administrative Committee. Each participating transmission owner has a weighted vote based upon the book value of its assets. NEPOOL participating stakeholders are able to

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<sup>15</sup> ISO-NE, Participants Agreement, Section 8.1.3 (g).

<sup>16</sup> Ibid., Section 10.2.5.

<sup>17</sup> ISO-NE, Tariff, Section II, Attachment K, Section 2.2.

<sup>18</sup> Ibid., Section 2.5.

<sup>19</sup> ISO-NE, Transmission Operating Agreement, Section 11.04 (a) (i).

provide advisory input on proposed changes to the Transmission Operating Agreement through the NEPOOL stakeholder process.

There is also an annual process which is facilitated by the Participating Transmission Owners Administrative Committee to update regional transmission rates. It develops preliminary rates and provides draft informational FERC filings to stakeholders for review and input before being filed with the FERC.<sup>20</sup> Pursuant to a settlement agreement that the FERC accepted in 2020, transmission owners will implement a formula rate protocol process each year that provides for, among other things, a period of information exchange and the ability of defined interested parties to challenge inputs and other information in the formula rate.<sup>21</sup>

### 3.4 FILING RIGHTS

Section 205 filing rights over the tariff are primarily held by ISO-NE with some rights exclusively reserved to, or held jointly with, the transmission owners. NEPOOL has rights under the Participants Agreement with respect to market rule changes, obligating ISO-NE to include in its Section 205 filing with the FERC an alternative NEPOOL proposal that meets the requisite stakeholder vote. Similarly, NESCOE has the ability to request that transmission owners include an alternative proposal related to certain cost allocation provisions that are filed with the FERC. NESCOE has not to date had reason to exercise such rights.

A summary of how these responsibilities are divided is provided below; however, the breakdown between the transmission owners and ISO-NE is nuanced and complicated and merits a read of the tariff and governing documents.<sup>22</sup> The following is a high-level summary.

- Transmission owners have exclusive Section 205 filing rights over OATT provisions related to their local transmission cost allocation and rate design and collectively for the regional transmission cost allocation and rate design.<sup>23</sup> Transmission owners can generally only file under Section 205 after completing the NEPOOL stakeholder process, but an affirmative NEPOOL vote is not required to make the filing.<sup>24</sup>
  - NESCOE has the right to advance an alternative proposal in response to proposed changes to certain transmission cost allocation provisions. The transmission owners must include NESCOE's alternative proposal in their Section 205 filing with the FERC.<sup>25</sup>

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<sup>20</sup> ISO-NE, Tariff, Section II, Attachment F.

<sup>21</sup> *ISO New England Inc.*, 173 FERC ¶ 61,270 (2020).

<sup>22</sup> ISO-NE, Participants Agreement, Section 11.  
ISO-NE, Transmission Operating Agreement, Section 3.04.

<sup>23</sup> ISO-NE, Transmission Operating Agreement, Section 3.04.

<sup>24</sup> *Ibid.*, Section 3.04 (h)(vi).

<sup>25</sup> *Ibid.*, Section 3.04 (l) (iii).

- ISO-NE generally has filing rights over the tariff, including the transmission planning process, installed capacity requirement, non-transmission owner-specific aspects of the OATT (Section II of the Tariff), market rules (Section III of the Tariff), and information policy. On most proposed tariff changes, ISO-NE can only file under Section 205 after completing the stakeholder process, but its ability to make a filing is not dependent on an affirmative NEPOOL vote.<sup>26,27</sup>
  - When ISO-NE proposes market rule changes (Section III of the Tariff), if NEPOOL supports an alternative proposal at the Participants Committee, then ISO-NE must include in its Section 205 filing a description of the alternative proposal, ISO-NE's reasons for not adopting the proposal, and an explanation of why ISO-NE believes its own proposal is better than the alternative proposal.<sup>28</sup> This is referred to as a "jump ball" filing.
- Transmission owners and ISO-NE share filing rights over the Transmission Operating Agreement.<sup>29</sup>
- NEPOOL has filing rights over the NEPOOL Agreement.

The tariff also identifies specific cases where other entities are able to file under Section 205; these provisions are generally related to cost recovery in the markets,<sup>30</sup> cost recovery under the OATT,<sup>31</sup> and reliability must-run agreements.<sup>32</sup>

## 3.5 BOARD STRUCTURE AND PRACTICES

### 3.5.1 Board Composition

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The ISO-NE Board consists of ten members: nine elected, voting directors and the ISO-NE CEO who is appointed *ex officio* and is a non-voting member. The nine elected directors serve staggered, three-year terms. All directors, and any related persons, must comply with the ISO-NE code of conduct and avoid conflicts of interest, including owning prohibited securities, association with market participants, and participation in any transactions, directly or indirectly, in the New England Market.<sup>33</sup>

As provided in the Participants Agreement, "The members of the [ISO-NE] Board shall possess a cross-section of skills and experience (such as, for purposes of illustration but not by way of mandate or limitation, experience in [FERC] electric regulatory affairs, energy

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<sup>26</sup> Ibid., Section 11.4.

<sup>27</sup> One exception to this requirement is when ISO-NE receives a compliance directive from the FERC when time frames do not allow for the requirements of the stakeholder process to be met. ISO-NE works with NEPOOL in these cases to determine the appropriate stakeholder process.

<sup>28</sup> ISO-NE, Participants Agreement, Section 11.1.5.

<sup>29</sup> Ibid.

<sup>30</sup> ISO-NE, Tariff, Section III, Appendix A and Section 13.

<sup>31</sup> ISO-NE, Tariff, Section II, Schedules 2, 16, and 17.

<sup>32</sup> ISO-NE, Tariff, Section III, Appendix I.

<sup>33</sup> ISO-NE, Code of Conduct.

industry management, corporate finance, bulk power systems, human resource administration, power pool operations, public policy, distributed generation or demand response technologies, renewable energy, consumer advocacy, environmental affairs, business management and information technologies), to ensure that [ISO-NE] has sufficient knowledge and expertise to act as the RTO for New England. At least three of the directors shall have prior relevant experience in the electric industry.”<sup>34</sup> In 2009, the then chair of the ISO-NE Board also provided a commitment to NEPOOL that the Board would “work diligently as members of the Joint Nominating Committee to ensure that the [ISO-NE] Board always retains . . . expertise” in representing consumers or in retail rate regulation.<sup>35</sup>

The chair of the ISO-NE Board, who cannot be the CEO, is elected by an anonymous, majority vote of the Board members at every annual meeting of the ISO-NE Board and can serve a term of up to four years.

The Board has five standing committees: Nominating and Governance Committee, Compensation and Human Resources Committee, Audit and Finance Committee, Markets Committee, and System Planning and Reliability Committee. Each Board committee consists of at least three directors that are nominated by the Nominating and Governance Committee and approved by the Board.

- Nominating and Governance Committee reviews and makes recommendations to the Board with respect to corporate governance guidelines and issues, selects nominees for election and re-election of directors, nominates the chairs and members of the Board committees and the chair and any vice chair of the Board; and oversees the evaluation of the ISO-NE Board.<sup>36</sup>
- Audit and Finance Committee assists the Board’s oversight function and monitoring in the following areas: business planning, financial measurement, oversight of Internal Audit Department activities, oversight of external auditors, determination of finance structure, oversight of the management and investment of ISO-NE’s benefit plan assets, and administration of the code of conduct. At least one member should be an audit committee financial expert within the meaning of Item 401(h) of Securities and Exchange Commission Regulation S-K.<sup>37</sup>
- System Planning and Reliability Committee is responsible for studying and making recommendations to the ISO-NE Board with respect to system planning and reliability issues, including compliance with mandatory reliability standards.<sup>38</sup>
- Board Markets Committee is responsible for overseeing issues related to the New England markets including, without limitation, oversight of ISO-NE’s market

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<sup>34</sup> ISO-NE, Participants Agreement, Section 9.2.2.

<sup>35</sup> ISO New England Inc. and New England Power Pool Participants Committee, Filing in Response to Order No. 719, ER09-1051-000 (Apr. 28, 2009), Attachment 19, at 1; *see also id.*, Transmittal Letter, at 111.

<sup>36</sup> ISO-NE, Nominating and Governance Committee Charter.

<sup>37</sup> ISO-NE, [Charter of the Audit and Finance Committee of the Board of Directors](#), September 12, 2019.

<sup>38</sup> ISO-NE, [Charter of the System Planning and Reliability Committee of the Board of Directors](#), September 13, 2018.

assessments and market monitoring, reporting and market-power mitigation functions, and oversight of substantive market analyses and development.<sup>39</sup>

- Compensation and Human Resources Committee is responsible for various aspects of the compensation of ISO-NE's personnel, policies and benefits promulgated by ISO-NE's Human Resources Department, and executive management succession planning.<sup>40</sup>

The ISO-NE Board may, with support of a majority of the voting members of the Board, designate one or more special committees, with each special committee consisting of one or more Board members. For example, the ISO-NE Board currently has the Special Committee on Information Technology and Cyber Security.

### 3.5.2 Director Selection

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Prior to the expiration of a director's term, the Board's Nominating and Governance Committee establishes a Joint Nominating Committee to select candidates for the ISO-NE Board. The Joint Nominating Committee consists of up to seven members from the ISO-NE Board, up to six NEPOOL members (one from each sector),<sup>41</sup> and one representative from NECPUC representing the six New England states.

The Joint Nominating Committee engages an executive search firm to identify candidates to fill Board vacancies. In addition to other qualifications discussed above, candidates must be 70 years of age or younger (at the time of election) and have a three consecutive-term limit; however, the Joint Nominating Committee can waive both the age requirement and term limit. In addition, to ensure sensitivity to regional concerns, strong preference is given to electing members from the New England region to the extent qualified candidates are available. Further, the Joint Nominating Committee solicits input from NEPOOL members and NECPUC on the type of expertise that is required.

Once the members of the Joint Nominating Committee have reached a consensus, they provide the slate of candidates to the Participants Committee, which votes in executive session on the slate of candidates (not individual candidates). A majority of 70% of the sector-weighted vote is required to accept the slate of candidates. The set of candidates then goes to the ISO-NE Board for a final vote. The ISO-NE Board requires a simple majority to approve the proposed candidates.

If the Participants Committee fails to endorse an initial slate of candidates, the Joint Nominating Committee considers feedback from NECPUC, the ISO-NE Board, individual NEPOOL participating stakeholders, and the Participants Committee. The Joint Nominating Committee then repeats the nomination process (replacing at least one of the proposed candidates). If the Participants Committee fails to endorse the second slate of candidates,

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<sup>39</sup> ISO-NE, [Charter of the Markets Committee of the Board of Directors](#), November 1, 2018.

<sup>40</sup> ISO-NE, [Charter of the Compensation and Human Resources Committee of the Board of Directors](#), November 4, 2020.

<sup>41</sup> If there are five voting members, or less, in the Alternative Resources sector, the number of representatives is reduced by one ISO-NE Board member and one NEPOOL member.



the Joint Nominating Committee presents both slates to the ISO-NE Board for a final vote. If the ISO-NE Board fails to accept a slate of candidates, the Joint Nominating Committee process is repeated, subject to certain time limitations and other conditions.<sup>42</sup>

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## Director Removal

Any director may be removed, with or without cause, by resolution passed by two-thirds of the ISO-NE Board. Directors that have been determined to be in violation of the code of conduct can be removed with a majority vote of the Board.

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### 3.5.3 Board Stakeholder Interaction

The primary mechanism for stakeholders to provide feedback to the ISO-NE Board is through the stakeholder process and, more specifically, through input from the Participants Committee. The ISO-NE CEO is expected, but not required, to attend each meeting of the Participants Committee. Board members are expected to attend the Participants Committee upon reasonable request from the Participants Committee. Any member of the ISO-NE Board that attends a meeting of the Participants Committee is required to present to the ISO-NE Board at the next Board meeting a report of the issues raised and other discussions held at the Participants Committee.<sup>43</sup>

The ISO-NE Board has meetings with officers of the Participants Committee and member sectors on an as-needed basis. At least twice per year, the ISO-NE Board meets with the NEPOOL members (in practice, the ISO-NE Board meets individually with each NEPOOL sector).<sup>44</sup> Further, NEPOOL members have the right to notify the ISO-NE Board in writing regarding issues with the tariff and/or the administration of ISO-NE that are adversely affecting them or have the potential to adversely affect them.

The primary vehicles for public engagement with ISO-NE are through the Planning Advisory Committee and the Consumer Liaison Group. The ISO-NE Board generally does not attend those meetings.

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### 3.5.4 Board Meetings and Communications<sup>45</sup>

Regular meetings of the ISO-NE Board are held at least quarterly. ISO-NE Board meetings are only open to the directors and ISO-NE management. The ISO-NE Board holds an annual meeting to review its operations and to elect directors, officers, and the chair. Additional meetings may be called by the chair of the ISO-NE Board, the CEO, or by two or more directors with not less than five days' notice to each director.<sup>46</sup>

The ISO-NE Board may choose to invite representatives of NEPOOL participating stakeholders to join a meeting of the ISO-NE Board or Board committees and may also

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<sup>42</sup> ISO-NE, Participants Agreement, Section 13.2

<sup>43</sup> Ibid., Section 10.2.1.

<sup>44</sup> Ibid., Section 10.2.6.

<sup>45</sup> ISO-NE, By-Laws, Article IV.

<sup>46</sup> Ibid., Section 4.5.

accept requests from the NEPOOL members to meet with Board committees.<sup>47</sup> If the ISO-NE Board accepts a request to meet with NEPOOL members, then all NEPOOL members are invited to that meeting or another meeting on the topic scheduled by the Board.<sup>48</sup>

The ISO-NE Board must also use its best efforts to provide notice and distribute high-level [agendas](#) for the next scheduled ISO-NE Board meeting or Board committee meetings ahead of each meeting.<sup>49</sup>

The minutes from meetings of the ISO-NE Board and Board committees are not publicly posted. However, after each meeting, the CEO reports on all actions related to the tariff by posting high-level notes that, as a matter of practice, describe the general subject matters discussed on ISO-NE's website and distributes them to the Participants Committee.<sup>50</sup>

### 3.5.5 Board Decision-Making

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The primary stakeholder mechanisms that inform the ISO-NE Board's decision-making are the stakeholder process, sector or state official meetings, and any material provided to the Board by NEPOOL participating stakeholders regarding agenda items.<sup>51</sup>

ISO-NE is required to "report to the ISO Board and in any relevant filing made by ISO with the Commission the results of any Participants Committee vote or the Participants Committee's failure to act within the prescribed time frames."<sup>52</sup> Further, any NEPOOL participating stakeholder proposal that received at least two-thirds support from the Participants Committee is provided by ISO-NE to its Board for consideration.

Only elected directors are able to vote on matters. A quorum is formed when the majority of the elected Board members (i.e., six) are in attendance. ISO-NE Board decisions require a majority of the vote, except when approving a fundamental action.<sup>53</sup> For a fundamental action, a resolution must be passed by two-thirds of all voting directors currently in office.

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<sup>47</sup> ISO-NE, Participants Agreement, Section 10.2.7.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid., Section 10.2.3.

<sup>50</sup> Ibid., Section 10.2.4.

<sup>51</sup> Ibid., Section 10.2.5.

<sup>52</sup> Ibid., Section 11.1.4.

<sup>53</sup> ISO-NE, By-Laws, Article IV, Section 4.6. A fundamental action includes: adoption of any plan of merger or consolidation; adoption of any plan of sale, lease, or exchange of assets; action relating to the property and assets of ISO-NE; adoption of any plan of division relating to the division of ISO-NE into two or more corporations; adoption of any plan relating to the conversion of ISO-NE into a non-profit stock corporation or into a for-profit legal entity; or adoption of any proposal of voluntary dissolution.

## 4 MIDCONTINENT ISO

### 4.1 INTRODUCTION

The Midcontinent Independent System Operator (MISO) operates the transmission system, more than 65,000 miles of transmission infrastructure, and oversees the wholesale power market for parts of 15 states in the midwestern and southern United States (Montana, North Dakota, South Dakota, Minnesota, Iowa, Wisconsin, Michigan, Indiana, Illinois, Missouri, Kentucky, Arkansas, Mississippi, Louisiana, and Texas), and the Canadian province of Manitoba. MISO covers the largest geographical range of all of the U.S. RTOs/ISOs. MISO's stakeholders include 52 transmission owners and 131 non-transmission owners.<sup>1</sup>

The MISO corporate strategy and mission statement is reflected in its strategic plan, but not in its filed tariff.

**Corporate Strategy:**

*Serve and grow membership, envision the grid of the future, and operate reliably and efficiently.*

**Mission Statement:**

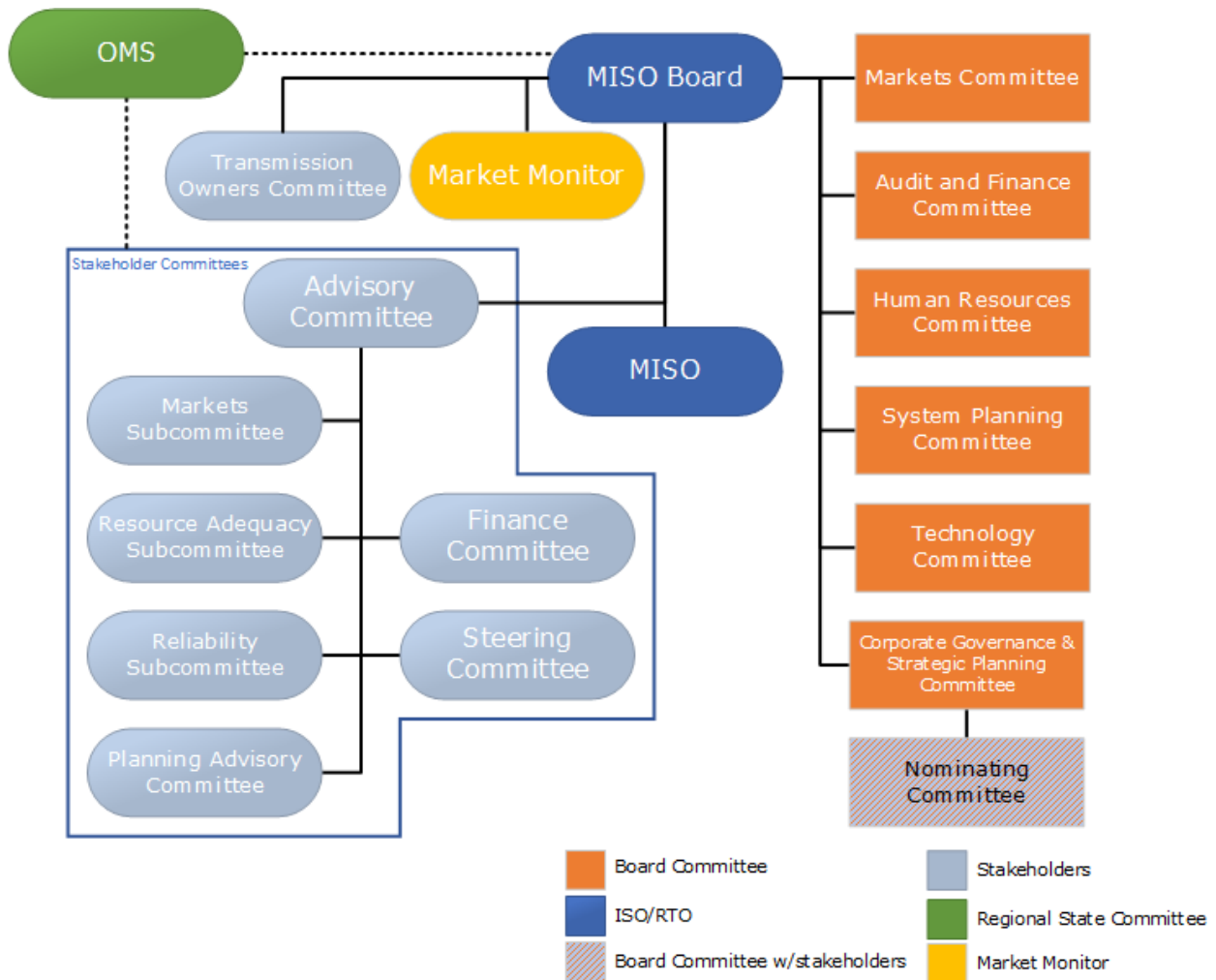
*Work collaboratively and transparently with our stakeholders to enable reliable delivery of low-cost energy through efficient, innovative operations and planning.<sup>2</sup>*

The MISO governance structure places most of the decision-making responsibility on MISO management, which is overseen by an independent Board of Directors (MISO Board). To help inform this decision-making, MISO uses a public stakeholder process to review issues, develop proposals, and support the transmission planning process. As is common with most ISOs/RTOs, MISO leverages a hierarchal committee structure composed of technical committees all reporting to a single senior committee (Advisory Committee) that provides input to the MISO Board. The states within MISO are included in the governance structure through both the regional state committee, Organization of MISO States (OMS), and the individual state commissions.

Figure 4-1 provides an overview of the ISO/RTO, MISO Board and its committees, regional state committee, and stakeholder structure and how they interact.

<sup>1</sup> MISO, [Stakeholder Group Participation](#), September 18, 2020.

<sup>2</sup> MISO, [Home → About MISO → MISO Strategy and Value Proposition → MISO Strategy](#).



**Figure 4-1. Overview of MISO Governance Structure**

## 4.2 ROLE OF STATES IN ISO/RTO GOVERNANCE AND PRACTICES

MISO's governance structure specifically defines the role of the OMS, state commissions, and consumer advocates.

OMS is an autonomous and self-governing organization that serves as a forum for state regulatory authorities to coordinate MISO-related activities, such as participation in MISO's stakeholder process, provision of recommendations to the MISO Board concerning policies that impact state interests, and intervention in Federal Energy Regulatory Commission (FERC) proceedings. The OMS Board of Directors (OMS Board) is comprised of one designated commissioner from each of the 17 regulatory authorities within MISO's footprint, including 15 states, the City of New Orleans, and the Province of Manitoba. OMS can request, under certain circumstances, that MISO file an alternative transmission cost

allocation approach under Section 205 of the Federal Power Act.<sup>3</sup> With the exception of the special provisions for how OMS engages in the transmission planning process (including as related to Section 205 filing rights), OMS has the same rights as MISO members that participate in the stakeholder process.

State commissions and consumer advocates are able to participate in the stakeholder process as part of the State Regulatory Authorities and Public Consumer Advocates sectors. OMS does not have a role in the selection or removal of MISO Board members; however, the representatives from the State Regulatory Authorities or Public Consumer Advocates sectors are eligible to be selected to the MISO Board Nominating Committee, which reports to the Advisory Committee.

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### 4.2.1 Stakeholder Process

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The OMS Board designates four commissioners to represent state interests at meetings of the Advisory Committee. State commissions and consumer advocates participate directly in the MISO stakeholder process through the State Regulatory Authorities and Public Consumer Advocates sectors. This allows state commissions and consumer advocates to participate in stakeholder meetings, raise issues, and vote on proposed changes in the same manner as MISO members.

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## Transmission Planning and Cost Allocation

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The MISO tariff assigns specific responsibilities to OMS related to transmission planning and transmission cost allocation issues. While the tariff provides specific responsibilities for OMS, other MISO members have some of these same abilities through the stakeholder process.

OMS works with MISO, transmission owners, and the Planning Advisory Committee in the development of the regional system plan, as outlined below:<sup>4</sup>

- At the start of a planning cycle:
  - OMS may suggest to the MISO Board modifications to MISO's planning principles and planning objectives for that planning cycle.
  - OMS may suggest additional scope elements in the regional system plan. (Other MISO participating stakeholders are able to do this as well, but the OMS process is more structured.)
- OMS may submit modeling inputs or assumptions used in the development of the regional system plan and related appropriate cost/benefit analyses with respect to certain projects that are not proposed strictly for reliability. (Other MISO

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<sup>3</sup> Unlike other regional state committees, OMS is treated as an independent stakeholder committee in the MISO tariff with specific requirements around the voting percentage required for action to be taken at the request of OMS. Since these requirements are included in the MISO tariff, the discussion of OMS includes more detail on its internal decision-making process.

<sup>4</sup> MISO, Tariff, Attachment FF, Section I.B.

participating stakeholders are able to do this as well, but the OMS process is more structured.)

- OMS may express concerns about general or specific issues with the regional system planning process as they arise during the planning year.
- Before the regional system plan is submitted to the MISO Board, OMS has the ability to submit a reconsideration request for non-generation interconnection projects meeting certain criteria (i.e., considered out-of-cycle or cost increase of 25% or more) if it is supported by a vote of at least 66% of the OMS Board.
- At the end of the regional system planning cycle, OMS may submit an assessment of the process to MISO, the Planning Advisory Committee, and the MISO Board which MISO is obligated to respond to in a timely manner.

When MISO is filing a new or modified transmission cost allocation methodology, OMS can develop an alternative cost allocation methodology; MISO would then support a stakeholder process to review with stakeholders and solicit input and feedback.<sup>5</sup>

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#### 4.2.2 Board Engagement

OMS, state commissions, and consumer advocates are able to participate at meetings of the MISO Board and Board committees in the same manner as MISO members. These entities can also participate in the same manner as MISO members in “hot-topic” discussions at the Advisory Committee, special MISO Board Advisory Committee meetings, and Annual Stakeholder meetings.

OMS also provides an update directly to the MISO Board during its quarterly board meetings. This responsibility is unique to the OMS and transmission owners and is not an opportunity afforded to other stakeholders.<sup>6</sup>

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#### 4.2.3 Filing Rights

With support of at least 66% of the OMS Board, OMS can request that MISO file under Section 205 of the Federal Power Act an alternative transmission cost allocation approach when MISO plans to propose and file a new, or amend an existing, transmission cost allocation methodology.<sup>7</sup> MISO is not obligated to file an alternative transmission cost allocation approach and can provide a written explanation to OMS as to why it elected not to file an OMS proposal for a new or changed cost allocation approach.

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<sup>5</sup> MISO, Business Practices Manual, Transmission Planning, Section 2.8, December 1, 2020.

<sup>6</sup> MISO, Transmission Owners Agreement, Appendix K, Section I.H.

<sup>7</sup> Ibid., Section II.E.

## 4.3 STAKEHOLDER STRUCTURE AND PROCESS

MISO employs a public, advisory-only stakeholder process that provides input to MISO on the regional system plan and a range of market- and tariff-related issues and policy initiatives. The stakeholder process is run by stakeholders with support from MISO and other experts.

### 4.3.1 Committee Structure

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While there are three committees that report directly to the MISO Board—Advisory Committee, Transmission Owners Committee, and Alternative Dispute Resolution Committee—the Advisory Committee is the primary mechanism for stakeholder feedback to the MISO Board and, therefore, is the focus of the discussion in this report on the stakeholder process. The Transmission Owners Committee is also discussed, as it is the mechanism for addressing regional transmission cost allocation issues.

The Advisory Committee serves as a forum for stakeholders to provide input and recommendations to the MISO Board. There are six technical committees that report directly to the Advisory Committee and address specific topics on behalf of the Advisory Committee: Finance Subcommittee, Resource Adequacy Subcommittee, Market Subcommittee, Reliability Subcommittee, Planning Advisory Committee, and Regional Expansion Criteria and Benefits Working Group, as well as a Steering Committee. Of specific interest to the MISO governance structure and practices are the Steering Committee and Planning Advisory Committee.

- The Steering Committee is responsible for reviewing issues and assigning them to the appropriate technical committees for resolution.<sup>8</sup>
- The Planning Advisory Committee is responsible for providing input “on policy matters related to the process, adequacy, integrity, and fairness” of the regional system plan.<sup>9</sup>

### Members, Sectors, and Groups

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MISO participating stakeholders are organized into ten sectors.<sup>10</sup> These are divided into member and non-member sectors.

- Member sectors are Transmission-Dependent Utilities,<sup>11</sup> Independent Power Producers and Exempt Wholesale Generation, Power Marketers and Brokers, Eligible

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<sup>8</sup> MISO, [Steering Committee Charter](#), February 19, 2020.

<sup>9</sup> MISO, [Planning Advisory Committee \(PAC\) Charter](#), February 19, 2020.

MISO, Transmission Owners Agreement, Appendix B, Section II.

<sup>10</sup> This does not include the newly approved Affiliate sector which was put into place for entities that are not easily assigned to an existing sector, effectively pulling the “Other Stakeholders” portion out of the Environmental/Other Stakeholders sector. There are still ongoing discussions on voting rights for the new sector.

<sup>11</sup> The Transmission-Dependent Utilities sector includes municipal and cooperative electric utilities.

End-Use Customers, Coordinating Members, Competitive Transmission Developers, and Transmission Owners.

- Non-member sectors are State Regulatory Authorities, Public Consumer Advocates, and Environmental/Other Stakeholders.

### 4.3.2 Stakeholder Process

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All issues raised by stakeholders are submitted to the Steering Committee which prioritizes and then assigns each issue to the appropriate technical committee under the Advisory Committee for resolution.<sup>12</sup> The voting members of the Steering Committee are the chairs of the other six technical committees reporting to the Advisory Committee and the chair and vice chair of the Advisory Committee. or

These technical committees review issues and develop proposals which are then voted on by the representatives from the ten stakeholder sectors. Voting is done by a straight vote of the representatives from the MISO member and non-member sectors with the exception of the Planning Advisory Committee and the Finance Subcommittee. These two committees both use a straight vote where there is only one vote per sector (so is also equally weighted).<sup>13</sup> Proposals from the technical committees can be taken up by the Advisory Committee at request of participating stakeholders for additional discussion and vote. MISO takes the information from the stakeholder process and uses it to finalize its proposal.

The Advisory Committee is comprised of 25 representatives from the ten sectors. This committee generally takes action on matters related to the governance or stakeholder committee structure that require changes to the tariff or Transmission Owners Agreement. The Advisory Committee also provides information and advice to the MISO Board on policy matters of concern.<sup>14</sup> Table 4-1. summarizes the breakdown of seats by sector and voting share (each seat has a 4% voting share, effectively); however, actual voting and quorum requirements are more complicated than what is reflected here.<sup>15</sup>

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<sup>12</sup> The Steering Committee consists of the leadership (chair and vice chair) of the Advisory Committee and the six entities reporting directly to the Advisory Committee. The chair and vice chair of the Advisory Committee will serve as the chair and vice chair of the Steering Committee, respectively.

<sup>13</sup> MISO, [Planning Advisory Committee \(PAC\) Charter](#), "Quorum Requirements & Voting Method," February 19, 2020.

MISO, [Finance Subcommittee \(FSC\) Charter](#), "Voting Methods," April 22, 2020.

<sup>14</sup> MISO, Transmission Owners Agreement, Section VI.A.

<sup>15</sup> MISO Governance Guide, Section 3.



**Table 4-1. MISO Advisory Committee – Sector Representation and Voting Share**

<b>Sector</b>	<b>Seats</b>	<b>Weighted Voting (%)</b>
State Regulatory Authorities	4	16
Eligible End-Use Customers	3	12
Independent Power Producers/ Exempt Wholesale Generation	3	12
Power Marketers and Brokers	3	12
Transmission Owners	3	12
Transmission-Dependent Utilities	3	12
Environmental/Other Stakeholders	2	8
Public Consumer Advocates	2	8
Competitive Transmission Developers	1	4
Coordinating Members	1	4

Sector representatives are selected to the Advisory Committee based on the following:

- Representatives of the Transmission-Dependent Utilities, Independent Power Producers and Exempt Wholesale Generation, Power Marketers and Brokers, Eligible End-Use Customers, Coordinating Members, and Competitive Transmission Developers sectors are selected by the members belonging to those sectors.
- Representatives of the Transmission Owners sector are selected by the Transmission Owners Committee (which is comprised of transmission owners and coordinating members).
- Representatives of the State Regulatory Authorities sector are selected by OMS and require that one seat be assigned to a state regulatory authority that was a member of the Midwest-Area Power Pool (MAPP) or which is actively involved in the MAPP region (as it existed on March 1, 2000), and that one seat be assigned to a member of the MISO South region.<sup>16</sup>
- Representatives of the Public Consumer Advocates and Environmental/Other Stakeholders sectors are selected by recognized consumer, environmental, and other stakeholder organizations that have an interest in the activities of MISO.<sup>17</sup>

<sup>16</sup> Either the Arkansas PSC, City of New Orleans, Louisiana PSC, Mississippi PSC, or Public Utility Commission of Texas.

<sup>17</sup> Stakeholders in the State Regulatory Authorities, Public Consumer Advocates and Environmental/Other Stakeholders sectors are not members of MISO, even though they are able to fully participate in the stakeholder process.

For the Advisory Committee to approve a proposal, the proposal must be properly noticed and requires a majority of the sector-weighted vote. Proposals that are not properly noticed to the Advisory Committee require an affirmative two-thirds (66%) of the sector-weighted vote. Proposals that the Advisory Committee approves, and any minority reports, are presented to the MISO Board. The MISO Board determines how and when to consider and respond to such proposals.

## Transmission Planning and Cost Allocation

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The Planning Advisory Committee provides input to MISO on a wide variety of system planning and interconnection related topics. The responsibilities of the Planning Advisory Committee include, but are not limited to, the following:<sup>18</sup>

- Participation in the Interregional Planning Stakeholder Advisory Committee.<sup>19</sup>
- Prior to each regional system planning cycle, work with MISO to develop and prioritize planning objectives.
- Review and provide guidance to both MISO and the Advisory Committee on the key milestone activities of the regional system planning processes.
- Provide MISO with the sector points of view on transmission expansion, generator interconnection, and transmission service policy issues regarding:
  - Reliability considerations;
  - Identification of economic, regulatory, and business impacts; and
  - Identification of and potential solutions to mitigate the challenges and/or risks associated with each regional system plan to be submitted to the MISO Board of Directors for approval.
- Provide the sector points of view on the implementation of cost-sharing principles for transmission expansion.

Each sector has one voting member on the Planning Advisory Committee with an equal 10% weighted vote, with recommendation/feedback submitted to the Advisory Committee for consideration.

The Transmission Owners Committee is responsible for regional cost allocation issues. This committee is comprised of one representative from each of the transmission owners. Stakeholders provide input to MISO on cost allocation issues through the Regional Expansion Criteria and Benefits Working Group. Support for a proposal requires a majority of transmission owners to vote in favor on a proposed change.

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<sup>18</sup> MISO, [Planning Advisory Committee \(PAC\) Charter](#), February 19, 2020.

<sup>19</sup> The [Inter-Regional Planning Stakeholder Advisory Committee](#) coordinates planning activities between different regions in the Eastern Interconnection.

## 4.4 FILING RIGHTS

In MISO, Section 205 filing rights under the Federal Power Act are jointly held by MISO and transmission owners. A summary of how these responsibilities are divided is provided below; however, the breakdown between the transmission owners and MISO is more nuanced and complicated than what is reflected here.<sup>20</sup>

- Transmission owners maintain exclusive filing rights for transmission rate design within their own footprint, and for capital investments that are recovered exclusively from their customers.
- Transmission owners and MISO share Section 205 filing rights for costs associated with new transmission projects and upgrades for which recovery of costs are sought from customers across multiple transmission-utility footprints. Proposals for regional cost allocation filed by the transmission owners (or by MISO on their behalf) must have the support of the Transmission Owners Committee.<sup>21,22</sup>
- MISO has Section 205 filing rights for all non-transmission-related rules and procedures (not covered by the prior items).

OMS is able to request that MISO file an alternative transmission cost allocation when MISO plans to submit its own Section 205 filing proposing a new or amended transmission cost allocation methodology, provided at least 66% of the OMS Board supports the OMS alternative.

## 4.5 BOARD STRUCTURE AND PRACTICES<sup>23,24</sup>

### 4.5.1 Board Composition

The MISO Board consists of ten members—nine elected directors and the MISO CEO, *ex officio*. The nine elected directors have staggered, three-year terms. All directors must comply with the MISO standards of conduct and not have business relations or be affiliated with a member of MISO or user of MISO engaged in the electric utility industry or participating in wholesale electricity markets. Of the nine elected directors, six must have expertise and experience in corporate leadership at the senior or board of directors level or experience in finance, accounting, engineering, or utility laws and regulations. Of the other three directors, one must have expertise and experience in the operation of electric transmission systems, one must have expertise and experience in the planning of electric

<sup>20</sup> MISO, Transmission Owners Agreement, Attachment K, Section II.

<sup>21</sup> A minority of transmission owners may submit a filing under Section 205, provided the minority consists of at least three transmission owners that either own or have been delegated authority to exercise Section 205 rights concerning combined gross transmission plant of at least \$2.5 billion as calculated based on the gross transmission plant reported by each transmission owner.

<sup>22</sup> MISO, Transmission Owners Agreement, Attachment K, Section III.

<sup>23</sup> *Ibid.*, Article Two, Section III.

<sup>24</sup> MISO, [Principles of Corporate Governance](#), March 23, 2017.

transmission systems, and one must have expertise and experience in commercial markets and trading and associated risk management.

The chair of the MISO Board, who cannot be the CEO, is elected by a majority vote of the directors at each annual meeting of the MISO Board for a one-year term. If more than one director is interested in being the chair, the MISO Board narrows down the candidates to two during an executive session. The Board then votes during a public session. A Board member can only be chair for five consecutive years; however, is eligible for re-election after another director serves as chair for at least a one-year term.

The MISO Board has six standing committees: Audit & Finance, Corporate Governance & Strategic Planning, Human Resources, Technology, Market, and System Planning. The chair of the MISO Board selects, with approval from the Board, the directors to chair and serve on each committee for a term of one year, or until their successors are appointed. Directors are expected to serve on at least two committees, and each committee must consist of three or more directors. The CEO is a non-voting *ex officio* member of the standing Board committees. The committees' areas of responsibility are provided below:

- Audit & Finance Committee oversees and monitors MISO's financial report, auditing, and accounting process.
- Corporate Governance & Strategic Planning Committee oversees and monitors corporate governance and strategic planning issues, including director education, the MISO Board's self-evaluation process, and MISO's standards of conduct and ethics policies.
- Human Resources Committee oversees and monitors all matters of personnel policies, including the benefits packages of MISO.
- Technology Committee monitors and evaluates MISO's procurement and management of technology systems.
- Market Committee oversees and monitors MISO's conduct of market operations and is directly responsible for the appointment and oversight of MISO's independent market monitor.
- System Planning Committee oversees system planning matters affecting transmission expansion, resource interconnection, resource adequacy, and technology enhancements for the MISO transmission system.

#### 4.5.2 Director Selection

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Prior to the expiration of a director's term, a Nominating Committee is created to recommend candidates to the MISO Board for the open position(s). The Nominating Committee consists of three directors appointed by the MISO Board and two representatives of the Advisory Committee selected by the Advisory Committee. The Nominating Committee uses an executive search firm to provide at least two candidates for each open position. MISO members can also submit the names of candidates directly to the Nominating Committee for consideration.

The candidates for a specific director position must have the same type of qualifications as the director being replaced and cannot have served three successive terms (unless a waiver is granted for a fourth term). A director who has served three (3) 3-year successive terms (or four (4) 3-year successive terms in the case of a waiver) may be eligible for a future term after one year of non-service on the MISO Board. There is no age requirement.

Based upon the recommendations from the Nominating Committee, the MISO Board nominates at least one candidate and distributes the names of the candidates to the MISO members for consideration.<sup>25</sup> Each candidate is voted on independently and a straight majority vote cast by MISO members is required to elect a director. If the MISO members fail to elect a candidate for any position, the MISO Board selects an alternate candidate using the same procedures.

Interim directors are appointed and elected using the same process, but only serve for the remainder of the term created by the vacancy.

## Director Removal

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MISO members may remove a director by majority vote using a straight voting process. Removal proceedings are initiated by a petition signed by at least 20% of all MISO members and must state specific grounds for removal. A copy of the petition shall be provided to the FERC and to each state regulatory authority.

### 4.5.3 Board Stakeholder Interaction

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*Note:* Recent Advisory Committee meetings have included discussion on how improvements could be made to interactions between stakeholders and the MISO Board.<sup>26</sup>

The primary mechanism for stakeholders to provide feedback to the MISO Board is through the stakeholder process through input from the Advisory Committee. All Board members are expected to use their best efforts to attend the monthly Advisory Committee meetings to listen in on the discussions between stakeholders.

There are other mechanisms available for stakeholders to interact with the MISO Board, including “hot-topic” discussions at the Advisory Committee, special MISO Board Advisory Committee meetings, and Annual Stakeholder meetings.

- The normal monthly Advisory Committee meeting may include discussion of a hot topic up to four times per year (but potentially more frequently). A hot topic is an item of interest chosen by Advisory Committee members. During meetings in which a hot topic is discussed, each of the sectors presents a paper on the topic to give its views. Sectors may also present a minority opinion. The MISO Board members and MISO staff are required to attend these meetings.

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<sup>25</sup> Representatives from the State Regulatory Authorities, Public Consumer Advocates, and Environmental/Other Stakeholders sectors are not allowed to vote for selection or removal of a director.

<sup>26</sup> MISO, Advisory Committee, [Meeting Agenda](#), Agenda Item #5, December 9, 2020.  
MISO, Advisory Committee, [Meeting Minutes](#) for December 9, 2020, Agenda Item #5, January 20, 2021.

- The CEO and at least two other MISO Board members are also required to facilitate meetings with the Advisory Committee at least quarterly that are separate from the normal monthly meetings.<sup>27</sup>
- Meetings of all the MISO participating stakeholders including the Annual Stakeholder meeting are scheduled as needed either by request of the MISO Board or a request of 25% of the MISO participating stakeholders.

MISO also encourages additional communication between its Board and stakeholders. MISO appoints a liaison and stakeholder relations officer to the Advisory Committee and its technical committees to facilitate these communications.

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#### 4.5.4 Board Meetings and Communication

Board meetings are held at least quarterly, with other meetings scheduled as necessary at the request of the CEO, chair, or a majority of the MISO Board. All meetings of the Board and its committees are open to the public. Notice of Board meetings, agendas, and copies of all meeting materials are posted on MISO's website and provided to the members of the Advisory Committee, OMS, and the FERC. Interested members of the public, including MISO participating stakeholders, can provide oral and written comments during the open portion of the Board meeting. The Board and its committees are authorized to hold executive sessions that are closed to the public as necessary to safeguard confidentiality of sensitive information.

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#### 4.5.5 Board Decision-Making

The primary stakeholder mechanisms that inform the MISO Board's decision-making are the stakeholder process, and through participation in the meetings of the Board and its committees, the Board has discretion as to how and when it considers and responds to recommendations provided by Board committees and the motions and minority positions brought forth by the Advisory Committee.

Decisions are made based upon a majority vote of the Board. A quorum is required to vote and is reflected by the attendance of a majority of directors. All Board members are able to vote; however, the MISO CEO is allowed to vote on any matter presented at a MISO Board meeting when their vote would not create a tie.<sup>28</sup>

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<sup>27</sup> MISO, Transmission Owners Agreement, Section VI.A.

<sup>28</sup> The CEO is also not allowed to vote on the selection of, or continued employment of, the CEO.

## 5 NEW YORK ISO

### 5.1 INTRODUCTION

The New York Independent System Operator (NYISO) operates the transmission system and oversees the wholesale power market for the State of New York. NYISO manages over 11,000 miles of high-voltage transmission lines and, as of the end of 2020, has 159 members that participate in the stakeholder process, including 52 non-voting members.

NYISO's mission statement is reflected in its 2019-2023 Strategic Plan, but not in the tariff.

**Mission Statement:**

*The mission of the NYISO, in collaboration with its stakeholders, is to serve the public interest and provide benefit to the consumer by:*

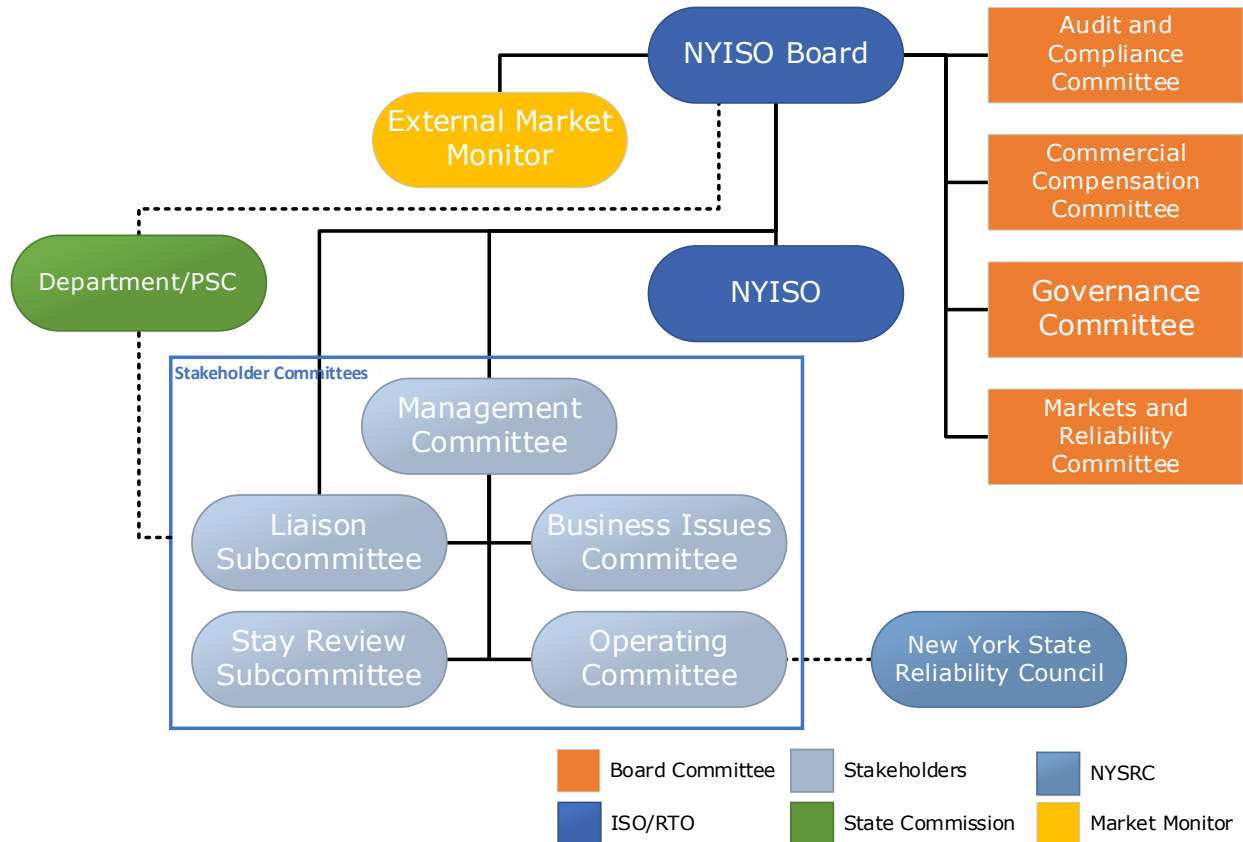
- *Maintaining and enhancing regional reliability;*
- *Operating open, fair, and competitive wholesale electricity markets;*
- *Planning the power system of the future; and*
- *Providing factual information to policymakers, stakeholders and investors in the power system.<sup>1</sup>*

NYISO has a "shared governance structure" in which stakeholders from various sectors have oversight responsibilities and provide input to NYISO, NYISO's Board of Directors (NYISO Board) and the senior stakeholder committee (Management Committee).<sup>2</sup> To help inform decision-making in the state, NYISO uses a stakeholder process to review issues, develop proposals, and support the transmission system planning process. The NYISO process leverages a hierarchical committee structure composed of various technical committees all reporting to a single, senior committee that provides input to the NYISO Board. Since NYISO is a single-state ISO/RTO, there is no regional state committee. The state's Department of Public Service (Department) and Public Service Commission (PSC) are engaged in the governance structure and practices of NYISO.

Figure 5-1 provides an overview of the ISO/RTO, NYISO Board and its committees, state commission, and stakeholder structure and how they interact.

<sup>1</sup> NYISO, [2019-2023 Strategic Plan](#), p. 8.

<sup>2</sup> The New York State Reliability Council (NYSRC) also has responsibilities that will be discussed in a later section.



**Figure 5-1. Overview of NYISO Governance Structure**

## 5.2 ROLE OF STATES IN ISO/RTO GOVERNANCE AND PRACTICES

Since NYISO is a single-state ISO/RTO, there is no state committee; rather, the Department and PSC participate directly.

### 5.2.1 Stakeholder Process

The Department and PSC are permitted to engage at all levels of the NYISO stakeholder process in the same manner as a non-voting NYISO member; however, they are not able to appeal items to the NYISO Board or Management Committee (since they are not a signatory to NYISO-related agreements). The Department and PSC can also participate in the New York State Reliability Council (NYSRC) stakeholder process.

### Transmission Planning and Cost Allocation

The Department generally has the same responsibilities (even though some of these responsibilities specifically reference the Department in the tariff) as other stakeholders in the transmission planning and cost allocation stakeholder processes; however, in regard to the public policy transmission process, the PSC has the authority to determine what



requirements/projects should be considered.<sup>3</sup> The PSC is responsible for reviewing all proposed public policy transmission need(s), including those it may identify on its own, and, with input from NYISO and interested parties, identify the transmission needs, if any, for which specific transmission solutions for public policy requirements should be requested and evaluated by NYISO. The Department and PSC are responsible for maintaining an open and transparent process to collect input from NYISO and other interested stakeholders.<sup>4</sup> The PSC can request that NYISO evaluate other options, and develop associated cost estimates to address potential reliability needs, congestion, and/or transmission needs driven by public policy requirements identified by the PSC.<sup>5</sup>

The PSC can also request that NYISO develop a limited number of illustrative transmission reinforcement options, and associated cost estimates, to increase transfer capability limits on interfaces identified by the PSC as having significant congestion.<sup>6</sup>

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### 5.2.2 Board Engagement

The Department can participate in the Liaison Subcommittee meetings with the Board similar to NYISO members. Unlike other NYISO members though, the Department can attend Board meetings and participate in those discussions. The Department has no voting authority with respect to matters before the Board.

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### 5.2.3 Filing Rights

The Department and PSC have no Section 205 filing rights under the Federal Power Act in the NYISO governance structure; however, under certain circumstances, NYISO or the transmission project developer is required to file a cost allocation methodology (or an alternative cost allocation methodology) associated with public policy transmission projects on behalf of the Department.<sup>7</sup>

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## 5.3 STAKEHOLDER STRUCTURE AND PROCESS

The key responsibilities of the NYISO stakeholder process include recommending tariff changes to the NYISO Board, developing changes to other governing documents, developing the regional system plan, and proposing candidates to fill vacancies on the Board. The key responsibility of the NYSRC stakeholder process is developing the installed reserve margin.

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<sup>3</sup> The Long Island Power Authority and New York Power Authority also have roles in public policy transmission planning processes; however, these are not explicitly discussed within this report.

<sup>4</sup> NYISO, OATT, Attachment Y, Section 31.4.2.1.

<sup>5</sup> NYISO, OATT, Section 3.8.1.

<sup>6</sup> Ibid., Section 4.5.7.1.

<sup>7</sup> NYISO, OATT, Attachment Y, Section 31.5.5.4.

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### 5.3.1 NYISO

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NYISO employs a public stakeholder process that provides input to the NYISO Board on transmission system planning and a range of market- and tariff-related issues.

#### Committee Structure

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The Management Committee is the senior committee tasked with supervising the actions of the other technical committees. There are two standing technical committees, Business Issues Committee and Operating Committee,<sup>8</sup> which report directly to the Management Committee. With assistance from additional technical committees, these two standing technical committees address specific topics on behalf of the Management Committee.

The Management Committee has other committees that report to it as well, but of specific interest to the governance structure are the Stay Review Subcommittee and the Liaison Subcommittee.

- Stay Review Subcommittee reviews requests to stay an action by the Management Committee on a motion.
- Liaison Subcommittee provides Management Committee members an opportunity to meet and participate in discussions directly with the NYISO Board after the monthly scheduled Board meetings.

The Business Issues and Operating Committees have three technical committees that support the regional system planning process:

- Electric System Planning Working Group is the planning stakeholder forum that provides Market Participant input on NYISO's comprehensive planning processes (study assumptions, scenario development, etc.).<sup>9</sup>
- Transmission Planning Advisory Subcommittee advises the Operating Committee and provides support to the NYISO in regard to transmission planning matters including transmission system reliability, expansion, and interconnection.<sup>10</sup>
- Inter-area Planning Stakeholder Advisory Committee is a regional planning forum for stakeholders and interested parties in areas served by ISO-NE, NYISO, and PJM. The group meets to review interregional transmission plans.<sup>11</sup>

#### Members, Sectors, and Groups

Participating stakeholders include five sectors (voting NYISO members)<sup>12</sup> and non-voting NYISO members.<sup>13</sup> The five member sectors are Generation Owners, Public

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<sup>8</sup> The Operating Committee coordinates with the NYSRC.

<sup>9</sup> NYISO, [Electric System Planning Working Group](#).

<sup>10</sup> NYISO, [Transmission Planning Advisory Subcommittee](#).

<sup>11</sup> NYISO, [Inter-Area Planning Stakeholder Advisory Committee](#).

<sup>12</sup> NYISO, NYISO Agreements, Section 7.04.

<sup>13</sup> NYISO, Management Committee By-Laws, Section 2.03.

Power/Environmental Parties, Transmission Owners, End-Use Consumers, and Other Suppliers. Two sectors are further divided:

- Public Power/Environmental Parties sector is divided into three subsectors: State Power Authorities, Municipalities and Cooperatives, and Environmental Parties.
- End-Use Consumers sector is divided into five subsectors: Large Consumers-Industrial, Large Consumers-Government Agency, Small Consumers, Statewide Consumer Advocate, and Government Small Consumers and Retail Aggregators.

Non-voting NYISO members are those stakeholders that are parties to the NYISO Agreement, but choose not to be aligned with a specific sector. This allows them to participate in the stakeholder process, but not vote on items. At least one NYISO Board member also participates as a non-voting member of the Management Committee, Business Issues Committee, and Operating Committee.<sup>14</sup> The Department also participates in the Management Committee, Business Issues Committee, and Operating Committee, but is not able to vote.

Non-members (public) are permitted to attend Management Committee and Business Issues Committee meetings that are not in executive sessions; however, they must attend in person and register beforehand and participation is not allowed (i.e., they can only observe).<sup>15</sup>

## Stakeholder Process

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All three standing committees, including the Management Committee, follow the same stakeholder procedures, rules, and member composition. Regular meetings are held monthly, but can be called as frequently as necessary by the relevant committee's chair.

While NYISO brings the majority of items to the stakeholders, NYISO members can request that items be added to an agenda by proposing an item for new business at a stakeholder meeting and receiving the majority of votes from any one sector.<sup>16</sup> The three standing committees vote on proposals passed in the standing committees via a sector-weighted vote which, in order to pass, must achieve the 58% majority threshold. A quorum in a standing committee is confirmed when at least three sectors are present, with the fewer of five or 50% of members of the sectors present entitled to cast the entirety of the sector's share of the vote. Votes can occur without a quorum present, but the votes are weighted to be a fraction of the proportion of the sector present at the vote.<sup>17</sup>

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<sup>14</sup> By a weighted sector vote of 58%, the NYISO, non-voting NYISO members, the Department, and the NYISO Board can be excluded from executive session.

<sup>15</sup> NYISO, Management Committee By-Laws, Section 4.16.

<sup>16</sup> Three or more sectors or the chair of the NYISO Board can also call a meeting which would result in a new item being discussed.

<sup>17</sup> Voting provisions (if any) can vary across the various technical committees.

Table 5-1 summarizes the breakdown of NYISO members by sector and voting share. The voting process can be more complicated than what is reflected here.<sup>18</sup>

<b>Table 5-1. NYISO Stakeholder Committees – Sector Representation and Voting Share</b>	
<b>Sector</b>	<b>Weighted Voting<sup>[1]</sup> (%)</b>
Generation Owners	21.5
Other Suppliers	21.5
Transmission Owners	20.0
End-Use Consumers	20.0
▪ <i>Large Consumers-Industrial</i>	9.0
▪ <i>Large Consumers-Government Agency</i>	2.0
▪ <i>Small Consumers</i>	4.5
▪ <i>Statewide Consumer Advocate</i>	2.7
▪ <i>Government Small Consumers and Retail Aggregators</i>	1.8
Public Power and Environmental	17.0
▪ <i>State Power Authorities</i>	8.0
▪ <i>Municipalities and Cooperatives</i>	7.0
▪ <i>Environmental Parties</i>	2.0

<sup>[1]</sup> Shaded cells reflect the total sector weighting, while non-shaded cells reflect the subsector weighting.

Any tariff amendments or budget revisions that achieve the 58% affirmative weighted vote threshold in the Management Committee then proceed to the NYISO Board for discussion, potential modification, and a Board vote.

The stakeholder process also includes an appeal process for challenging outcomes. Members can appeal decisions in the Business Issues Committee and Operating Committee to the Management Committee and can appeal decisions in the Management Committee to the NYISO Board.<sup>19</sup> The Board can suspend actions from any committee until the appeal is heard.

In addition to an appeal, members can also request a specific stay of action by submitting a request to the Stay Review Subcommittee if the requesting party would be irreparably harmed by the appealed action, and the grant of such request would not irreparably harm any other party. The Stay Review Subcommittee is comprised of one member from each of

<sup>18</sup> NYISO, Management Committee By-Laws, Article VII.

<sup>19</sup> NYISO, NYISO By-Laws, Article XIII.

NYISO, [Procedural Rules for Appeals to the ISO Board](#), November 17, 1999.

the five sectors. If the subcommittee approves a request, with three votes being required, the stay is granted and any action on a motion is delayed until the appeal is fully heard (or the NYISO Board or Management Committee waives the stay).<sup>20</sup>

### Transmission Planning and Cost Allocation

NYISO employs a public stakeholder process in the development of the regional system plan. A summary of the key aspects of the stakeholder process is included below; however, the actual process is much more complicated than what is reflected here.<sup>21</sup>

All discussions on the regional system plan occur first at the planning-related technical committees (and other technical committees as needed).<sup>22,23</sup> NYISO incorporates stakeholder feedback on inputs/assumptions, analysis results/needs assessment, and proposed solutions, and incorporates this as appropriate into its recommendation to the Business Issues Committee or Operating Committee.<sup>24</sup> The appropriate standing technical committees vote on the proposed changes and make a recommendation to the Management Committee where there is additional discussion and a vote.<sup>25</sup> Final recommendations are provided to the NYISO Board for action; however, if the Board modifies the proposal, the Management Committee then has the opportunity to comment before the Board takes final action.<sup>26</sup>

The cost allocation methodology is defined in the OATT for reliability-driven projects and follows the normal stakeholder process if modifications to the tariff are required; however, for regulated economic and public policy-driven transmission projects, the stakeholder process is different for establishing how costs are included in the transmission rates.

- The determination of whether regulated economic transmission projects move forward is managed through the stakeholder process. For these projects, costs are allocated based upon project benefit/cost analysis and beneficiary determination. The benefit/cost analysis and beneficiary determination is reviewed by the technical committees, the Management Committee, and the NYISO Board in a similar fashion to other aspects of the regional system plan; however, they are then voted upon by the impacted load-serving entities (LSEs). Projects that receive an 80% weighted vote in favor are approved, while projects that are not supported do not necessarily move forward.<sup>27</sup>

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<sup>20</sup> NYISO, Management Committee By-Laws, Section 14.02.

<sup>21</sup> Reference NYISO OATT, Attachment Y, for the complete governance process.

<sup>22</sup> Transmission owners have a separate process, not discussed here related to local planning processes. (*Source:* NYISO, OATT, Attachment Y, Section 31.2.1.)

<sup>23</sup> The NYISO may also present the aspects of the regional system plan at other NYISO technical committees, in focused discussions with various industry sectors, and/or through presentations in public venues. (*Source:* NYISO, OATT, Attachment Y, Sections 31.2.3.4 and 31.3.2.3.)

<sup>24</sup> NYISO makes information available to interested parties to replicate NYISO analysis.

<sup>25</sup> NYISO, OATT, Attachment Y, Sections 31.2.3.1, 31.2.7.1, 31.3.2.1, 31.4.11.1 and 31.5.4.5.1.

<sup>26</sup> *Ibid.*, Sections 31.2.3.2, 31.2.7.2, 31.3.2.2, 31.4.11.2 and 31.5.4.5.2

<sup>27</sup> *Ibid.*, Section 31.5.4.6.

- For public policy-driven transmission projects identified by the PSC that use a specific cost allocation approach, the PSC can propose a specific methodology, as can the project developer.<sup>28</sup> The PSC can also collaborate with the developers on the development of a cost allocation approach.

### 5.3.2 New York State Reliability Council

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NYSRC maintains the state's reliability rules and holds authority to audit NYISO's implementation and compliance with the rules. Among this group's responsibilities include establishing the system installed capacity requirement (and associated reserve margin) for the New York control area.<sup>29</sup>

NYSRC is governed by the Executive Committee which is comprised of 13 members including six transmission owners, four unaffiliated members (e.g., consultants),<sup>30</sup> and one each from the NYSRC wholesale sellers, large consumers, and municipalities and electric cooperatives sectors.<sup>31</sup> NYSRC meetings are generally open to the public.<sup>32</sup> There are a number of technical committees which support the Executive Committee.

For matters to be approved by the Executive Committee, nine affirmative votes are required.

## 5.4 FILING RIGHTS

Filing rights are jointly held by NYISO and the Management Committee, transmission owners, and NYSRC. A summary of how these responsibilities are divided is provided below; however, the breakdown between these entities is more nuanced and complicated than what is reflected here (especially related to transmission cost allocation).<sup>33</sup>

- Transmission owners maintain exclusive filing rights to the "ISO OATT or the ISO Agreement to the extent necessary: (a) to recover all reasonably incurred costs, plus a reasonable return on investment related to services under the ISO OATT and (b) to accommodate implementation of and changes to a Transmission Owner's retail access program."<sup>34</sup>
- NYISO holds Section 205 filing rights for the OATT, NYISO Services Tariff, and the NYISO Agreements, but must achieve agreement on the proposal from the NYISO Board and Management Committee before filing with the FERC. Once the Board and

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<sup>28</sup> Ibid., Section 31.5.5.4.1.

<sup>29</sup> NYSRC, [Policy No. 5-15 Procedure for Establishing New York Control Area Installed Capacity Requirements and the Installed Reserve Margin \(IRM\)](#), June 3, 2020.

<sup>30</sup> NYSRC, [Solicitation of Qualified Persons to Serve as an Unaffiliated Member of the NYSRC Executive Committee](#).

<sup>31</sup> These sectors are more generalized than the sectors defined by NYISO.

<sup>32</sup> NYSRC, [Policy No. 2-5 NYSRC Openness and Records Management Policy](#), August 11, 2017.

<sup>33</sup> NYISO, OATT, Attachment Y, Sections 31.5.5.4 and 31.5.7.3.

<sup>34</sup> NYISO, NYISO Agreements, Section 17A.1.

Management Committee reach a concurrence on the proposal, NYISO files under Section 205.<sup>35</sup>

- If there is no agreement between the Management Committee and the Board, NYISO is not permitted to file under Section 205.<sup>36</sup>
- For the transmission cost allocation methodology for public policy projects, the NYISO, on behalf of the PSC or the transmission developer in collaboration with the PSC, submits a Section 205 filing on the proposed cost allocation approach.<sup>37</sup>
- NYSRC has the right to file with the FERC under Section 205 the system installed capacity requirement, but not local installed capacity requirements, which is the responsibility of NYISO and the Management Committee.<sup>38</sup>

## 5.5 BOARD STRUCTURE AND PRACTICES

### 5.5.1 Board Composition<sup>39</sup>

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The NYISO Board consists of nine elected directors and the president of NYISO, *ex officio*. The directors serve staggered, four-year terms with a maximum service of three full terms. Directors may not be affiliated (with limited exception) with a market participant (or its affiliates) and must comply with NYISO's code of conduct.<sup>40</sup>

Of the nine directors, at least three must have prior relevant experience in the electric industry. As a whole, directors must possess a variety of skills and experience in areas including, but not limited to, FERC electric regulatory affairs, electric utility management, corporate finance, bulk power systems, human resources administration, power pool operations, public policy, consumer advocacy, environmental affairs, business management, law, and information systems. Region-specific experience is strongly preferred but not required for directors.

The chair and vice chair of the NYISO Board are elected by the Board's directors to serve a one-year term and are eligible for reelection.

The NYISO Board currently has four subcommittees; Governance Committee (required by NYISO bylaws), Audit and Compliance Committee, Commercial Compensation Committee,

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<sup>35</sup> NYISO, NYISO Agreements, Article 19.

NYISO, NYISO By-Laws, Article II, Section 6 (b).

<sup>36</sup> If the NYISO Board finds that exigent circumstances require an immediate Section 205 filing and there is not agreement with the Management Committee, NYISO may file the changes under Section 205; however, the changes only remain in effect for 120 days after they are filed unless it is confirmed by vote of the Management Committee.

<sup>37</sup> NYISO, OATT, Attachment Y, Section 31.5.5.4.

<sup>38</sup> NYSRC, [New York State Reliability Council Agreement](#), December 2, 1999, Section 3.03.

<sup>39</sup> NYISO, NYISO By-Laws, Articles II and III.

<sup>40</sup> NYISO, OATT, Attachment F.

and Markets and Reliability Committee. Additional committees can be added as required. Each committee's areas of responsibility are provided below.<sup>41</sup>

- Governance Committee is composed of at least three members and is tasked with reviewing and recommending NYISO Board action on governance-related items (e.g., committee charters, Board committee membership, etc.). A crucial role of the Governance Committee is hearing appeals of Management Committee actions.
- Audit and Compliance Committee reviews and recommends Board action on audit-related matters and cyber-security.
- Commercial Compensation Committee reviews and recommends Board action on matters pertaining to credit, budgets, and financial statements.
- Markets and Reliability Committee reviews and recommends Board action on matters pertaining to the market design, operations, and planning of the power system.

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### 5.5.2 Director Selection

Prior to the expiration of a director's term, the Management Committee conducts a search for new directors and provides a list of at least three candidates for each open position. The NYISO Board can also perform its own search for candidates. All candidates must be less than 75 years of age by the start of their new term and meet the other qualification criteria discussed in the "Board Composition" section above.

Candidates are voted on individually and are approved by a majority of the existing directors of the NYISO Board (i.e., those whose terms are not completing). If a candidate is not selected from the list recommended by the Management Committee, then the Management Committee shall have the opportunity to review and comment on the qualifications of the chosen candidate.

Interim directors are appointed using the same nomination process but only serve for the remainder of the term created by the vacancy.

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### Director Removal

Any director can be removed for cause at any time. The existing NYISO Board holds authority over the removal process, with an affirmative vote of seven directors required for removal. Both the NYISO Board and the Management Committee have the authority to petition for removal of a director. Petitions for removal that originate in the Management Committee are permitted to be appealed to the FERC if the petition fails at the NYISO Board.

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<sup>41</sup> While there is little public information around the specific responsibilities of these committees, their responsibilities were inferred by using the committee names and meeting minutes.



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### 5.5.3 Board Stakeholder Interaction

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The primary vehicle for stakeholders to provide feedback to the NYISO Board is through the stakeholder process and, more specifically, through input from the Management Committee. Further, the Board can assign a director to participate in each of the standing committees to act as a non-voting member at stakeholder meetings.

There are also other mechanisms available for stakeholders to interact with the NYISO Board, including through the Liaison Subcommittee or through the appeals process.

- The Liaison Subcommittee is comprised of 15 members: three from each of the five stakeholder sectors. Participation in the Liaison Subcommittee is also open to all members of the Management Committee. The Liaison Subcommittee provides Management Committee members an opportunity to meet and participate in discussions directly with the NYISO Board after the normal monthly scheduled NYISO Board meetings.
- Any NYISO member of the Management Committee, including the non-voting NYISO members and the NYISO Board representative to the Management Committee, may appeal a final decision of the Management Committee directly to the Board. When an appeal of a Management Committee action/decision is filed with the Board, other Management Committee members may file motions in support or opposition of the appeal. All appeals are reviewed by the NYISO Board's Governance Committee. The Governance Committee can hold hearings if it chooses to collect additional information on the topic and provides a recommendation to the full Board for consideration. The Board then issues a written or oral decision on the appeal.

Furthermore, whenever practicable, the NYISO Board makes arrangements to meet with stakeholders at times adjacent to Board meetings and the Board shall also make all reasonable efforts to arrange an annual, day-long meeting with stakeholders for more extensive discussions.

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### 5.5.4 Board Meetings and Communication

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The NYISO Board must meet at least once per calendar quarter and the chair of the Board (or the request of six directors) can direct the Board to schedule a special meeting. While Board meetings are held in executive session, representatives from the Department and the FERC may attend and participate in all discussions as non-voting participants.

Board agendas are provided to NYISO members and minutes of Board meetings are publicly available and posted on the [NYISO website](#).

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### 5.5.5 Board Decision-Making

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The NYISO Board approves measures through a majority vote with affirmative votes from six directors needed for approval of a motion. A quorum is considered participation of six directors. The NYISO Board makes the final decision on various reports it needs to review

and approve (e.g., transmission planning studies); however, the final decision on any proposed tariff changes requires agreement from the Management Committee.<sup>42</sup>

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<sup>42</sup> NYISO manuals are only approved in the stakeholder process and do not go to the Board unless an appeal is raised.

## 6 PJM INTERCONNECTION

### 6.1 INTRODUCTION

PJM Interconnection (PJM) is the largest ISO/RTO (in terms of energy consumption) in North America, with territory covering all or part of 13 states including Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia. The RTO serves over 65 million people throughout its service territory which encompasses over 84,000 miles of high-voltage transmission lines and 180,000 MW of generation capacity. As of the beginning of 2021, there are 1,034 PJM members.

The PJM vision and mission are provided on its website, but not in its filed tariff.

**Vision:**

*To be the electric industry leader—today and tomorrow—in reliable operations, efficient wholesale markets, and infrastructure planning.*

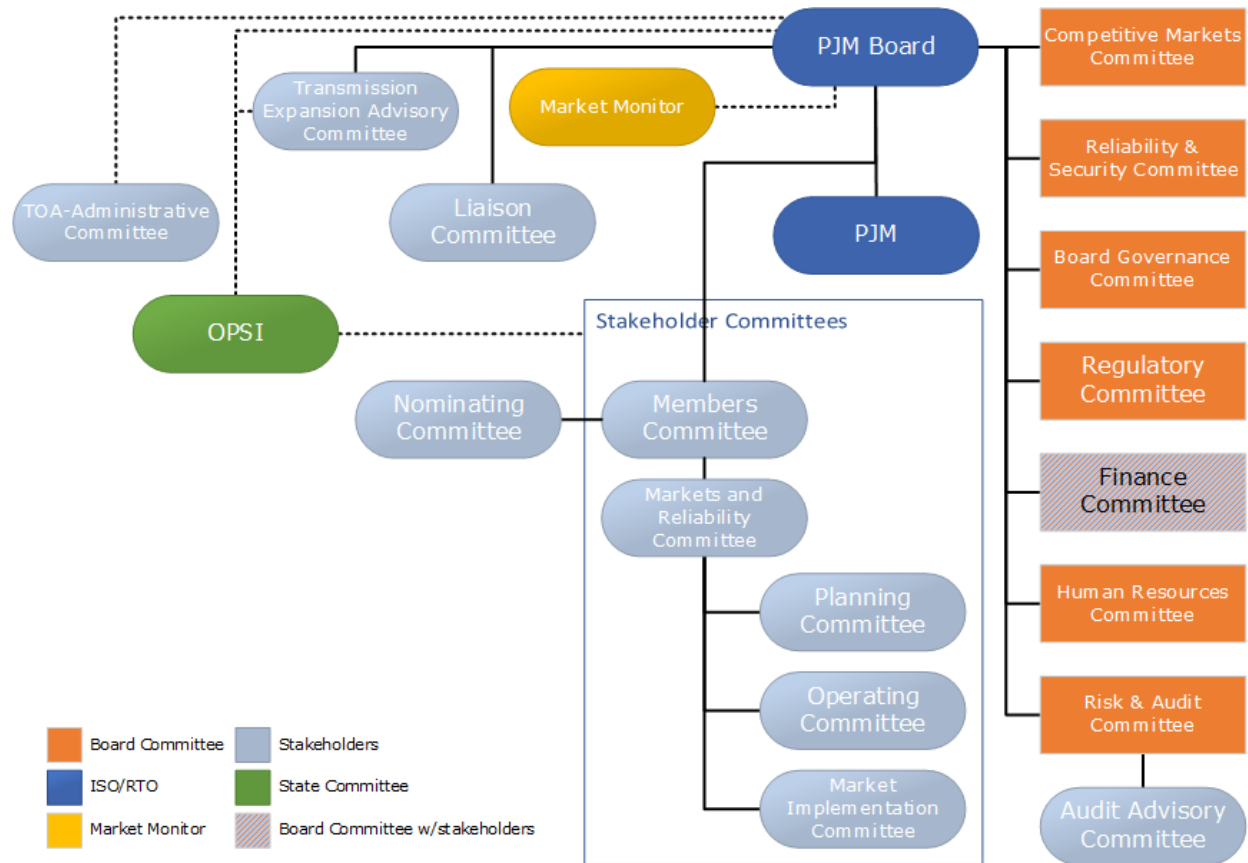
**Mission:**

- *As the primary task, to ensure the safety, reliability and security of the bulk electric power system.*
- *Create and operate robust, competitive and non-discriminatory electric power markets.*
- *Understand customer needs and deliver valued service to meet those needs in a cost-efficient manner.*
- *Achieve productivity through the efficient union of superior knowledge workers and technology advances.<sup>1</sup>*

PJM uses a “a shared governance structure” in which the PJM Board of Managers (PJM Board) and Members Committee share decision-making responsibilities. To help inform this decision-making, PJM uses a public stakeholder process to review issues, develop proposals, and support the transmission system planning process. PJM leverages a hierarchal committee structure composed of technical committees reporting to a senior committee which provides input to the Members Committee which is responsible for providing input to the PJM Board. There is a separate stakeholder process to provide feedback to the Board on the development of the regional system plan. The states are included in the governance structure through both the regional state committee, Organization of PJM States, Inc. (OPSI), and the individual state commissions.

<sup>1</sup> PJM, [About PJM → Who We Are → Mission & Vision](#).

Figure 6-1 provides an overview of the ISO/RTO, PJM Board and its committees, regional state committee, and stakeholder structure and how they interact.



**Figure 6-1. Overview of PJM Governance Structure**

## 6.2 ROLE OF STATES IN ISO/RTO GOVERNANCE AND PRACTICES

PJM's governance structure defines the roles of OPSI, state commissions, consumer advocates, and Consumer Advocates of PJM States (CAPS).

OPSI is comprised of representatives from the state commissions within PJM (including the District of Columbia). OPSI's primary purpose is to act as a liaison group to PJM, the PJM Board, the Independent Market Monitor, and the FERC and other agencies. PJM is required to provide all information requested by OPSI, but can refuse to supply information via submission of a written explanation in response to OPSI.<sup>2</sup>

<sup>2</sup> Memorandum of Understanding, p. 3.

Consumer advocates can participate in the End-User Customer sector and as part of the Public Interest and Environmental Organization user group, and are discussed generally in this context.

PJM recently announced formation of a new, dedicated internal group within PJM known as the State Policy Solutions group which works with public officials. The group is intended to provide a holistic, end-to-end approach to regional state policy initiatives capitalizing on the overlap between PJM's planning, operations, and markets expertise and state energy policy objectives. The group focuses on five areas including offshore wind, resource adequacy, grid modernization, clean energy targets, and grid security, and provides a conduit for unbiased, independent information and analysis from PJM to the states.<sup>3</sup>

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### 6.2.1 Stakeholder Process

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OPSI is able to engage in the PJM stakeholder process, as are each of the state commissions. While OPSI is able to participate at all levels of the stakeholder process and can raise issues and present proposals for consideration, it does not vote on proposals. Further, PJM participates in *ad hoc* meetings with OPSI as requested.

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### Transmission Planning and Cost Allocation

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OPSI and other state commissions are also able to participate in the transmission planning process in much the same way as other stakeholders providing input to the regional system plan assumptions and scenarios; however, there are a couple of noteworthy differences from other stakeholders:

- OPSI established the Independent State Agencies Committee (ISAC). ISAC membership is open to all OPSI-member regulatory agencies—state agencies that are directly involved with, and have statutory authority over, energy planning and/or environmental issues that relate to electric transmission facilities, including statutory consumer advocates that are state governmental agencies. ISAC's main function is to advise PJM on transmission planning studies outside of public policy-driven transmission planning.<sup>4</sup>
- One or more states can reach an agreement on proposed public policy transmission expansion or enhancements under an elective "State Agreement Approach" in the tariff, and those states can propose the cost allocation method for these projects.<sup>5,6</sup>

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<sup>3</sup> PJM, [PJM Introduces State Policy Solutions Group](#), June 29, 2020.

<sup>4</sup> OPSI, [Independent State Agencies Committee \(ISAC\) Charter](#), October 1, 2020.

<sup>5</sup> PJM, Operating Agreement, Schedule 6, Section 1.5.9.

<sup>6</sup> This process is being exercised for the first time by the State of New Jersey in 2020. (Source: PJM, [PJM, NJ Collaborate to Advance State's Offshore Wind Goals through Regional Planning Process](#), November 18, 2020.)

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## 6.2.2 Board Engagement

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Similar to other stakeholders, OPSI and its associated state commissions are able to participate in General Sessions with the PJM Board; however, OPSI is excluded from Liaison Committee meetings.<sup>7</sup> The PJM Board and OPSI are required to meet at least once per year to discuss relevant topics of interest and facilitate working relationships between them, but can meet more often when mutually agreed upon.<sup>8</sup>

Since OPSI is not a PJM member, it is not able to participate in the nomination or voting process for the selection of new Board members.

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## 6.2.3 Filing Rights

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OPSI and state commissions have no Section 205 filing rights; however, PJM files transmission cost allocation proposals on a state's behalf when there is a state agreement on a proposed public policy transmission.

OPSI (and state commissions) can raise issues and proposals through the stakeholder process which, if supported, could be filed by PJM and/or the Members Committee.

# 6.3 STAKEHOLDER STRUCTURE AND PROCESS

PJM uses a public (with limited exceptions) stakeholder process that reviews issues and develops proposals, recommends tariff changes to the PJM Board and Members Committee, develops the regional system plan, and nominates and votes on candidates to fill vacancies on the PJM Board.

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## 6.3.1 Committee Structure

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The PJM stakeholder process is organized based upon a hierarchal committee structure. The Members Committee is the primary senior committee and reports to the PJM Board. The Market and Reliability Committee and various other technical committees (and senior task forces), including the Nominating Committee and the Audit Advisory Committee, report to the Members Committee.

- Nominating Committee. "Identify and nominate qualified candidates for election to the [PJM Board] by the Members Committee."<sup>9</sup> This committee is discussed in more detail in the "Director Selection" section below.
- Audit Advisory Committee. "Advise the PJM Board [Risk and] Audit Committee on the scope of the annual audit, market settlement bills submitted by [PJM], and to

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<sup>7</sup> Members Committee, [Members Committee Action Regarding Liaison Committee Charter](#), October 1, 2018.

<sup>8</sup> Memorandum of Understanding, p. 3.

<sup>9</sup> PJM, [PJM Nominating Committee Charter](#).

communicate any specific or unique audit requirements of members in regards to market settlements.”<sup>10</sup>

The Markets and Reliability Committee is the secondary senior committee and oversees PJM’s various standing technical committees, senior task forces, and subcommittees. This committee holds the majority of the responsibility for tariff- and market rule-related changes. The three standing technical committees are Operating Committee, Markets Implementation Committee, and Planning Committee.

The Transmission Expansion Advisory Committee advises PJM on the preparation and development of the regional system plan for review and approval by the PJM Board.<sup>11</sup>

Finally, there is a separate committee of transmission owners. The Transmission Owners Agreement-Administrative Committee (TOA-Administrative Committee) oversees the Transmission Owners Agreement and advises on transmission facility matters.

## Members, Sectors, and Groups

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Stakeholders are divided into five sectors (voting members) and non-voting stakeholders.

PJM members are divided into five sectors, each containing at least five PJM members: Generation Owners, Other Suppliers, Transmission Owners, Electric Distributors, and End-Use Customers. Each state consumer advocate may nominate one representative to serve as an *ex officio* member in the End-Use Customer sector if they meet certain requirements.<sup>12</sup> There are also Affiliate members who can only vote in technical committees and Associate members who do not belong directly to a specific sector and are not able to vote.

Non-voting stakeholders, including the FERC, other federal agencies, state consumer advocates, and state commissions in the PJM territory, are able to participate in the stakeholder process as well.<sup>13</sup> The FERC, and any other federal agency with regulatory authority over a PJM member, and each state commission with regulatory jurisdiction within the PJM region may nominate one representative to serve as an *ex officio* non-voting member on each of the senior committees and standing technical committees.<sup>14</sup>

An arrangement exists between PJM and OPSI (established in the memorandum of understanding and reflected in Manual 34) that allows OPSI to participate in the stakeholder process (except for voting), even though it is not a voting member.<sup>15</sup>

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<sup>10</sup> PJM, [Audit Advisory Committee](#), July 13, 2011.

<sup>11</sup> PJM, [Transmission Expansion Advisory Committee \(TEAC\) Charter](#), March 25, 2011, p. 1.

<sup>12</sup> PJM, Operating Agreement, Section 8.2.3.

<sup>13</sup> While these would be the primary non-member stakeholders, these meetings are generally open to the public.

<sup>14</sup> PJM, Operating Agreement, Section 8.2.2.

<sup>15</sup> PJM, Manual 34, Section 4.4.

### 6.3.2 Stakeholder Process

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Any stakeholder is permitted to bring issues forward for consideration in PJM's stakeholder process;<sup>16</sup> however, only PJM members are able to vote in the senior and technical committees.<sup>17</sup> Issues are almost always brought to a technical committee which may then be assigned to other subcommittees or task forces for further discussion. Issues that result in proposals being developed are presented first to the group discussing the issue for consideration and then, if they are approved, are moved to the more senior committees. The proposal approval process for the technical committees and their various subcommittees and task forces is summarized below; however, this process is more complicated than what is reflected here:<sup>18</sup>

- Proposals that are presented at task forces and subcommittees can be moved to their parent technical committees if there is no opposition or at least three voting members across two sectors support the proposal. Multiple proposals can be approved for discussion at the parent committee.
- Proposals that are presented at the standing technical committee (or senior task forces) only require a simple majority (no sector weighting) to be approved to go to the Markets and Reliability Committee. Multiple proposals can be approved for consideration at the Markets and Reliability Committee.
  - The proposal that receives the highest percentage of votes over 50% is considered the primary proposal (main motion) and all other alternatives that receive greater than 50% of votes are treated as alternative proposals (alternative motions).
- Proposals (including any proposed amendments) at the senior committees, Markets and Reliability Committee and the Members Committee, require a two-thirds, sector-weighted vote to be approved to go to the Members Committee and PJM Board, respectively.
  - Only one proposal (be it the main motion or an amended main motion) is able to be approved to go to the Members Committee or PJM Board.

Table 6-1 summarizes the breakdown of PJM members by sector and voting share.

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<sup>16</sup> Issues brought forward by non-PJM members must be approved for addition to the agenda by the secretary of the Members Committee and the appropriate standing committee chair and secretary.

<sup>17</sup> Affiliate members are allowed to vote in the technical committees, but not at the senior committee meetings. Associate members are not allowed to vote.

<sup>18</sup> PJM, Manual 34, Sections 8 and 9.



**Table 6-1. PJM Senior Committees – Sector Representation and Voting Share**

<b>Sector</b>	<b>Weighted Voting (%)</b>
Generation Owners	20
Other Suppliers	20
Transmission Owners	20
Electric Distributors	20
End-Use Customers	20

### Enhanced Liaison Committee<sup>19</sup>

For especially contentious issues that may be difficult to resolve in the regular stakeholder process, there is also an Enhanced Liaison Committee. This committee provides a forum for direct communication between stakeholders and the PJM Board before the Board takes action on the discussed issue. This process can be triggered in three situations:

- When a vote fails at the Members Committee, but PJM deems that the failed issue warrants action by the PJM Board;
- When the Members Committee conducts a vote on initiating the process and the vote passes with a two-thirds, sector-weighted majority; or
- When the PJM Board itself directly calls for activation of the process.

### User Groups<sup>20</sup>

Members who are not able to gain resolution on an issue through the stakeholder process have the ability to form a user group. A user group can be formed when at least five voting members agree that a topic requires additional discussion and provides a forum to have a proposal presented to the Members Committee or the PJM Board.

- Proposals from a user group that achieve three-quarters support from the user group are referred to the technical committees for the development of a recommendation for consideration at the Members Committee.
- If a user group proposal is not supported by the Members Committee, then a vote of nine-tenths of the user group would result in the proposal being submitted to the PJM Board for consideration.

<sup>19</sup> Ibid., Section 8.6.3.

<sup>20</sup> Ibid., Section 8.6.5.

There is one standing user group required in PJM: Public Interest and Environmental Organizations.<sup>21</sup> The group discusses public interest and environmental issues of common interest with the PJM Board and is split between two member categories, consumer advocates and environmental and public interest organizations. This user group, unlike other user groups, cannot include PJM members (or any person or entity representing/advocating on behalf of a PJM member) other than consumer advocates and those eligible for membership in the End-Use Customer sector.<sup>22</sup> The same rules apply to this user group as all user groups, thus it is able to make recommendations to technical committees and the PJM Board with appropriate support.

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## FERC Compliance

In circumstances where PJM receives an order from the FERC including a compliance directive, PJM can propose a modified stakeholder process in order to achieve the FERC-directed time frame.<sup>23</sup> The process could follow the stakeholder process, employ an abbreviated stakeholder process, or potentially have no formal stakeholder process. PJM would provide notification to the stakeholders on the approach being used associated with any compliance directives.

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## Transmission Planning and Cost Allocation

The Transmission Expansion Advisory Committee makes recommendations to the PJM Board on the regional system plan. Transmission owners must participate in discussions relevant to their service territories and projects, and other stakeholders can engage in discussions on inputs, assumptions, scenarios, and the final recommendations on a voluntary basis. These discussions are managed through a set of subregional committees that report to the Transmission Expansion Advisory Committee.

The TOA-Administrative Committee oversees the Transmission Owners Agreement and advises on transmission facility matters. All meetings of the TOA-Administrative Committee are open to PJM members and PJM, and may be further limited as necessary.<sup>24</sup> Only transmission owners are able to vote at this committee and changes require two-thirds support with a straight vote (with some additional rules around the application of a weighted vote).<sup>25</sup>

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<sup>21</sup> PJM, Operating Agreement, Section 8.7 (b).

<sup>22</sup> PJM, Public Interest and Environmental Organizations User Group, [PJM Public Interest Environmental Organization Users Group Charter](#), January 5, 2021.

<sup>23</sup> PJM, Manual 34, Appendix I.

<sup>24</sup> PJM, Transmission Owners Agreement, Section 8.4.4.

<sup>25</sup> Ibid., Section 8.5.1.

## 6.4 FILING RIGHTS

Section 205 filing rights under the Federal Power Act are jointly held by PJM, the Members Committee, and the transmission owners. A summary of how these responsibilities are divided is provided below; however, the breakdown between the Members Committee and PJM is more nuanced and complicated than what is reflected here.<sup>26,27</sup>

- Transmission owners maintain exclusive filing rights for transmission rate design within their own footprint, and for capital investments that are to be recovered exclusively from their customers.
- Transmission owners collectively can file joint or regional transmission rate designs and modifications to the Transmission Operating Agreement, only if the TOA-Administrative Committee has voted in support of the proposal.<sup>28</sup>
- The Members Committee can file changes to the Operating Agreement with a Members Committee vote to support a proposal (if there are multiple accepted proposals, the proposal with the greatest support would be filed).
- PJM can file changes to the OATT (with the exception of certain tariff provisions that are under the exclusive control of the Transmission Owners) and the Reliability Assurance Agreement.<sup>29</sup>

## 6.5 BOARD STRUCTURE AND PRACTICES

### 6.5.1 Board Composition

The PJM Board is comprised of ten directors (called *managers*). Nine of these directors are elected, with the PJM CEO an *ex officio* member. The elected directors serve staggered, three-year terms. All directors must comply with the Board code of conduct and avoid conflicts of interest.<sup>30</sup>

At least four Board members must possess experience and expertise in corporate leadership at the senior management or board level, or in a professional discipline such as finance, accounting, engineering, or utility law and regulation. At least one Board member should have expertise and experience in the following: operation or concerns of transmission-dependent utilities, operation or planning of transmission systems, and commercial markets and trading and risk management.<sup>31</sup>

<sup>26</sup> Ibid., Section 7.3.

<sup>27</sup> Ibid., Section 3.

<sup>28</sup> PJM, Transmission Owners Agreement, Section 7.2.1.

<sup>29</sup> Ibid., Section 7.5.1.

<sup>30</sup> PJM, [Board Code of Conduct](#), July 2020.

<sup>31</sup> PJM, Operating Agreement, Section 7.2.

The PJM Board has seven committees: Competitive Markets; Reliability and Security; Board Governance; Regulatory, Risk and Audit; Human Resources, and Finance. The Board assigns Board members to these committees.

The Finance Committee is unique as it is comprised of a member of the PJM staff (who is selected by the CEO and is the chair), two PJM Board members, and two representatives from each of the PJM member sectors (as elected by those sectors). The Board members and PJM staff are non-voting members of this committee which makes recommendations to the Board related to the PJM budget.<sup>32</sup>

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## 6.5.2 Director Selection

Prior to the expiration of a manager's term, the Members Committee engages the Nominating Committee to begin a process to identify potential candidates.

The Nominating Committee is comprised of eight total members—three elected members of the PJM Board and one representative from each of the five PJM member sectors. The Board members on the Nominating Committee must not be seeking reelection, and one Board member on the Nominating Committee is designated as non-voting and acts as the chair of the Nominating Committee. A quorum consists of five members, one being an elected Board member.

The Nominating Committee is required to retain an executive search firm to identify potential candidates.<sup>33</sup> The executive search firm compiles a list of qualified candidates for each PJM Board vacancy that is provided to the Nominating Committee for consideration and vote. In addition to the qualification above, candidates can only serve five terms on the Board and must be younger than the age of 75.

The members of the Nominating Committee review candidates and take a straight vote on candidates for each open position on the PJM Board. The recommendations from the Nominating Committee are then submitted to the Members Committee for approval. Each candidate is voted on individually. To approve a nominated candidate, a majority of the sector-weighted vote is required at the Members Committee.<sup>34</sup> If a nominee is not approved, the Nominating Committee is responsible for recommending another candidate for consideration by the Members Committee.

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## Director Removal

Any action to remove a Board member must be supported by the Members Committee with a two-thirds, sector-weighted vote.<sup>35</sup>

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<sup>32</sup> Ibid., Section 7.5.1.

<sup>33</sup> In situations where the Board member whose term is expiring desires to serve an additional term, the Nominating Committee has the authority to exercise its discretion with regards to utilization of an independent consultant.

<sup>34</sup> PJM, Operating Agreement, Section 8.4.

<sup>35</sup> There is no affirmative language that states that removal requires two-thirds support; however, all motions at the Members Committee require two-thirds support unless otherwise noted, which in this case is not.

### 6.5.3 Board Stakeholder Interaction

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The primary mechanism for stakeholders to provide feedback to the PJM Board is through the stakeholder process and, more specifically, through input from the Members Committee. Board members are expected to attend the annual Members Committee meeting (when the Board member elections occur) and at least one additional Members Committee meeting each year. Rules for Board interaction require that any *ex parte* communication between a stakeholder and the Board be transparent to all stakeholders.

Communications with the PJM Board (except with the President in the normal course of business) by any stakeholder with respect to any matter that is before the Board or is reasonably likely to come before the Board, shall only be conducted through the procedures set forth below:

1. Any written *ex parte* communication shall promptly be disclosed in writing to the full Board and to all PJM members.
2. Verbal communication that takes place during and around the course of a meeting, open to all PJM members, on topics reflected in the agenda of such meeting, shall not be considered *ex parte* communication. Verbal communication of potentially *ex parte* matters in a non-public setting (e.g., a private meeting hosted by a PJM member) shall be avoided. Should such communication occur, the Board member(s) involved shall disclose the circumstances to PJM's General Counsel who determines, in consultation with such Board member(s) and the chair of the Board, if a description of such non-public, verbal discussions requires disclosure to the full Board and to all PJM members as *ex parte* communication.
3. Any *ex parte* communication to the Board that raises issues that require referral, or have already been referred, to a governmental investigation or enforcement agency, including the FERC Office of Enforcement or PJM's Market Monitoring Unit, shall not be disclosed publicly. Such determinations are made by PJM's General Counsel, in consultation with the chair of the Board.
4. The Board does not accept or post anonymous *ex parte* communications to the Board. The Board has provided two paths to receive anonymous communications: (a) PJM's Compliance Hotline; and (b) a liaison to receive comments regarding PJM's independent market monitor. Any Board member receiving an anonymous communication relating to PJM shall promptly inform the chair of the Board.<sup>36</sup>

There are also other mechanisms available for stakeholders to interact with the PJM Board, including *ex parte* sector meetings with the Board, the Liaison Committee, General Sessions, and direct written communications.<sup>37</sup>

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<sup>36</sup> PJM, [Board Code of Conduct](#), July 2020.

<sup>37</sup> PJM, Manual 34, Section 15.

- Ex parte sector meetings are scheduled with the PJM Board once per year at the discretion of the sector to share the sector's perspective on various issues and concerns. Summaries of these meetings are made available to the public.
- Liaison Committee is comprised of three elected members from each of the five member sectors as well as the chair and vice chair of the two senior standing committees; however, any PJM member can listen in, though not participate. This committee facilitates information sharing between PJM members and the PJM Board. The Liaison Committee has no voting authority in the standard decision-making stakeholder process. Each meeting is held with the Board prior to each regularly scheduled Board meeting. At least two of the Liaison Committee meetings with the Board each year are attended by all currently serving Board members.
- General Sessions are special meetings held between PJM members, the PJM Board, and PJM, and are normally held twice per year (once during the annual meeting and once during the fourth calendar quarter) in an open forum. General Sessions can often take the form of symposiums with internal and external speakers presenting and participating in panel discussions. General Sessions provide an opportunity to engage in open dialogue and exchange information on broader industry issues with all PJM members and the Board.<sup>38</sup>
- Written communications can be submitted by any stakeholder to the PJM Board. These are posted publicly for all stakeholders to review.<sup>39</sup>

Moreover, PJM member sectors (as well as OPSI) have the ability to meet with the PJM Board directly in private sessions to discuss specific issues and concerns. The agenda and summary of the discussion are made available to the public.

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#### 6.5.4 Board Meetings and Communication

The PJM Board meets as required throughout the year to facilitate timely decision-making. Board meetings are private, and discussions during Board meetings are not disclosed to stakeholders. There are no formal meeting minutes or agenda published. The Board is required to notify PJM members of each Board meeting date, when possible, at least three weeks in advance to provide an opportunity for stakeholders to provide input to the Board on various matters it will be considering.

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#### 6.5.5 Board Decision-Making

A primary mechanism that informs the PJM Board's decision-making is the stakeholder process. Proposals approved by the Members Committee are presented to the PJM Board for approval and filing to the FERC, as necessary. As discussed in the "Filing Rights" section above, the PJM Board only has filing rights over the non-transmission owner portions of the OATT and the Reliability Assurance Agreements and not the Operating Agreement, which the Members Committee has sole ability to file under Section 205. The PJM Board maintains

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<sup>38</sup> Ibid., Section 15.3.

<sup>39</sup> Ibid., Section 15.4.

the ability to file under Section 206 as it believes necessary. The PJM Board is also responsible for decisions related to the regional system plan with input from the Transmission Expansion Advisory Committee.

Proposals from user groups that achieve the necessary support to override a failed Members Committee vote are reviewed with the potential for recommendation back to the Members Committee for additional consideration.

Only elected directors are able to vote on matters. A quorum is formed when the majority of the elected PJM Board members are in attendance. Matters are approved by majority support of the Board.

## 7 SOUTHWEST POWER POOL

### 7.1 INTRODUCTION

The Southwest Power Pool (SPP) operates the transmission system and oversees the wholesale power market across parts of 14 states in the central part of the U.S. including in Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming.<sup>1</sup> As of the end of 2020, the SPP footprint contains over 68,000 miles of transmission infrastructure and has 95 members.

SPP defines a set of values and principles within its tariff:

*The values and principles upon which SPP is incorporated and formed include: a relationship-based organization; member-driven processes; independence through diversity of Organizational Group membership; recognition that reliability and economic/equity issues are inseparable; and, deliberate evolutionary, as opposed to revolutionary, implementation of new concepts. These values and principles should guide those serving this organization. The [SPP Board] will endeavor to ensure equity to all [SPP members] while also assuring the continuous adaptation to controlling conditions within these stated values and principles.<sup>2</sup>*

The SPP mission statement is reflected in the SPP business model, but not in its filed tariff.

**Mission Statement:**

*Helping our members work together to keep the lights on, today and in the future.<sup>3</sup>*

SPP has a “shared governance structure” in which the SPP Board of Directors (SPP Board) and SPP Regional State Committee (RSC) share decision-making responsibilities. To help inform this decision-making, SPP uses a public stakeholder process to review issues and develop proposals and support the transmission system planning process. SPP leverages a hierarchal committee structure composed of technical committees all reporting to a single senior committee (Markets and Operations Policy Committee) that provides input to the SPP Board. The states are included in the governance structure through both the RSC and the individual state commissions.

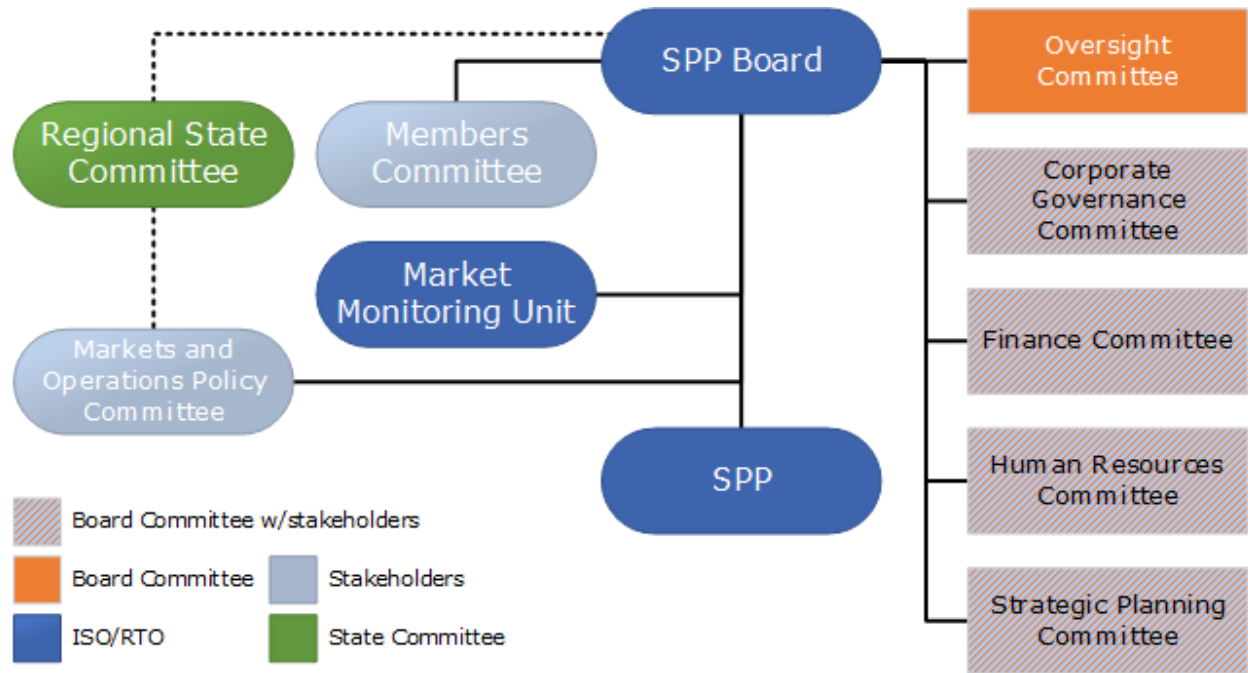
<sup>1</sup> SPP also provides contract reliability coordination services in Colorado, Arizona, and Utah.

<sup>2</sup> SPP, Tariff, Preamble.

<sup>3</sup> SPP, [Home → About Us](#).



Figure 7-1 provides an overview of the ISO/RTO, SPP Board and its committees, regional state committee, and stakeholder structure and how they interact.



**Figure 7-1. Overview of SPP Governance Structure**

## 7.2 ROLE OF STATES IN ISO/RTO GOVERNANCE AND PRACTICES

SPP's governance structure specifically defines the role of the RSC and its associated state commissions and consumer advocates.<sup>4</sup>

The RSC provides collective state commission input on matters of regional importance related to the development and operation of bulk electric transmission. The committee is comprised of commissioners from state commissions in Arkansas, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, and Texas.<sup>5</sup> The RSC has specific responsibilities to develop regional proposals for transmission planning and cost allocation and resource adequacy including Section 205 filing rights (through SPP) under the Federal Power Act for these areas.<sup>6</sup>

The RSC includes two subcommittees:

<sup>4</sup> Consumer advocates can participate as part of the Alternative Power/Public Interest sector as an SPP member and are discussed generally in this context.

<sup>5</sup> SPP, [SPP Regional State Committee](#).

<sup>6</sup> SPP, Bylaws, Section 7.2.

- Cost Allocation Working Group assists the RSC in addressing matters for which the committee has primary responsibility related to transmission planning, cost allocation and resource adequacy.<sup>7</sup>
- RSC/OMS Liaison Committee allows for the Organization of MISO States (OMS) and the RSC to facilitate identification of issues and potential solutions to enhance the benefits to customers from better-coordinated seams policies.<sup>8</sup>

SPP helps the RSC (and its associated state commissions) in its collective responsibilities and requests by providing information and analysis.

### 7.2.1 Stakeholder Process

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Any state commission (including the RSC) having utility rates or services jurisdiction over an SPP member may participate fully in all SPP activities, including raising issues and participating in discussions, presenting proposals, and providing input and comments on transmission planning-related topics. These representatives shall have all the same rights as SPP members except the ability to vote.<sup>9</sup> This includes the ability to appeal an outcome in the stakeholder process directly to the SPP Board.<sup>10</sup>

### Transmission Planning and Cost Allocation

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The RSC has a defined role in the transmission planning process, working closely with the transmission owners in the development of the regional system plan. This includes determining whether, and to what extent, participant funding will be used for transmission enhancements, whether license plate or postage stamp rates will be used for the regional access charge, and the financial transmission rights allocation where a locational price methodology is used. The RSC will also determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and determine the role of transmission owners in proposing transmission upgrades in the regional planning process,<sup>11</sup> reviewing draft project lists for inclusion in the regional system plan, providing input on sensitivity analyses, and reviewing the regional system plan itself before it is presented to the SPP Board.<sup>12</sup> The RSC also has ultimate responsibility for transmission cost allocation and works closely with the transmission owners.<sup>13</sup> The RSC can initiate a review of the regional allocation methodology and factors and the zonal allocation methodology at any time.<sup>14</sup>

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<sup>7</sup> SPP, [Cost Allocation Working Group](#).

<sup>8</sup> SPP, [SPP - RSC/OMS Liaison Committee](#).

<sup>9</sup> SPP, Bylaws, Section 7.0.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid., Section 7.2.

<sup>12</sup> SPP, OATT, Attachment O, Section V.

<sup>13</sup> SPP, OATT, Attachment J, Section III.D.5.

<sup>14</sup> Ibid., Section III.D.1.

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### 7.2.2 Board Engagement

The representatives of the RSC are able to participate fully in meetings of the SPP Board and its committees; however, they cannot vote on any matters before the SPP Board.

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### 7.2.3 Filing Rights

On matters over which the RSC has responsibility (discussed in the introduction to this section) such as transmission cost allocation and resource adequacy, SPP files the RSC's recommendations pursuant to Section 205 of the Federal Power Act; however, nothing prohibits SPP from filing its own related proposal(s) pursuant to Section 205.<sup>15</sup>

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## 7.3 STAKEHOLDER STRUCTURE AND PROCESS

SPP uses a public (with limited exceptions), advisory-only stakeholder process that provides input to the SPP Board on tariff changes, the regional system plan, and votes on candidates to fill vacancies on the SPP Board.

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### 7.3.1 Committee Structure

The SPP stakeholder process is organized based upon a hierarchal committee structure. The Markets and Operations Policy Committee is the senior committee and reports to the SPP Board. There are numerous technical committees that report directly to the Markets and Operations Policy Committee and assist in developing and recommending policies to the SPP Board.<sup>16</sup> Many of these technical committees work collaboratively to support the transmission planning process.

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### Members, Sectors, and Groups

SPP stakeholders include market participants and members; transmission customers or other entities that are parties to transactions under the OATT; staff members of a governmental authority having jurisdiction over the SPP or any SPP member; and SPP staff including the market monitor and any rostered individual of an official SPP technical committee.

SPP members can belong to one of following sectors: Cooperatives, Alternative Power/Public Interest Groups, Federal Power Marketing Agencies, Independent Power Producers/Marketers, Independent Transmission Companies,<sup>17</sup> Investor-owned Utilities,

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<sup>15</sup> SPP, Bylaws, Section 7.2.

<sup>16</sup> On December 1, 2020, the FERC accepted revisions to the SPP tariff (in Docket Nos. ER21-229-000 and ER21-230-000) that would convert several existing technical committees to advisory groups or user groups which would be made up of a broader representation of stakeholders, including members, customers, participants, and other interested parties. These new stakeholder groups would be more informal than existing technical committee structure and would facilitate the sharing of information among stakeholders sharing common interests.

<sup>17</sup> Independent Transmission Companies are defined as having assets under the OATT and no affiliate relationships in other categories of membership.

Large Retail Customers,<sup>18</sup> Small Retail Customers,<sup>19</sup> Municipalities, State Power Agencies, and SPP Contract Participants.

Each SPP member appoints a representative to the Markets and Operations Policy Committee. For the technical committees, SPP members are appointed by the SPP Board which considers the various types and expertise of SPP members and their geographic locations in order to achieve a widespread and effective representation of the SPP membership.

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### 7.3.2 Stakeholder Process

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Any stakeholder is allowed to raise issues and proposals within the stakeholder process. Once an issue or proposal is developed, it is recommended for a vote in the appropriate technical committee. Each technical committee member has one vote (not all SPP members are official members of these technical committees, even though attendance is open). A simple majority of committee members is required for approval of an action. Proposals approved by technical committees are presented to the Markets and Operations Policy Committee for further discussion and approval.

For purposes of the Markets and Operations Policy Committee, SPP members are divided into two voting sectors: Transmission Owning, or Transmission Using, as indicated in Table 7-1.<sup>20</sup> The two sectors vote separately, with the result for the respective sector being a percent of affirmative votes from the total number of members voting.<sup>21</sup> Proposals are approved if the weighted average of the two voting sectors is at least 66%.<sup>22</sup> Items approved by the Markets and Operations Policy Committee that require changes to the SPP planning criteria or SPP tariff must go to the SPP Board for review and action.

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<sup>18</sup> Large Retail Customers are defined as non-residential, end-use customers with individual or aggregated loads of 1 MW or more.

<sup>19</sup> Small Retail Customers are defined as residential customers and other customers with individual or aggregated loads of less than 1 MW.

<sup>20</sup> A Transmission Owning member is defined as a member that has placed more than 500 miles of non-radial facilities operated at or above 60 kV. A Transmission Using member is a member that does not meet the definition of a Transmission Owning member. These do not follow the broader sector breakdown of members, meaning that the member sectors can have entities that are in both of the voting sectors.

<sup>21</sup> Each member has a vote regardless of any affiliate relationships.

<sup>22</sup> If no members are participating within a sector, the single participating sector-voting ratio determines approval.

**Table 7-1. SPP Markets and Operations  
Policy Committee – Sector  
Representation and Voting Share**

<b>Sector</b>	<b>Weighted Voting (%)</b>
Transmission Owning	50%
Transmission Using	50%

If an SPP member disagrees with an action or inaction taken by a technical committee or the Markets and Operations Policy Committee, the SPP member can appeal the decision by submitting a written request to SPP and an alternate recommendation to the SPP Board.

## Transmission Planning and Cost Allocation

The transmission planning process is coordinated through the technical committees which provide recommendations to the Markets and Operations Policy Committee for action. Most aspects included in the regional system plan require approval of the SPP Board.<sup>23</sup>

## 7.4 FILING RIGHTS

Section 205 filing rights under the Federal Power Act are jointly held by SPP and transmission owners. A summary of how these responsibilities are divided is provided below; however, the breakdown between these entities is more nuanced and complicated than what is reflected here.

- Transmission owners maintain exclusive filing rights regarding transmission service for facilities within their jurisdictions.<sup>24</sup>
- SPP maintains filing rights for proposals regarding the tariff and the OATT.
  - SPP is required to make Section 205 filings to the FERC on behalf of the RSC for proposals regarding transmission planning and cost allocation and resource adequacy. While SPP files proposals on behalf of the RSC, nothing prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act.<sup>25</sup>

<sup>23</sup> SPP, OATT, Attachment O, Section V.3.

<sup>24</sup> SPP, Tariff, Section 3.10.

<sup>25</sup> SPP, Bylaws, Section 7.2.

## 7.5 BOARD STRUCTURE AND PRACTICES

### 7.5.1 Board Composition

The SPP Board can be comprised of no more than ten members and no less than seven directors. Up to nine of these members are elected, with the SPP CEO being an *ex officio* member. All members can vote on matters. The SPP CEO cannot vote on matters affecting the office of the president/CEO. Elected directors serve staggered, three-year terms.

All directors must be independent of any SPP member and must not have any conflicts of interest (with limited exceptions). Directors must have recent and relevant senior management expertise and experience in one or more of the following disciplines: finance, accounting, electric transmission or generation planning or operation, law and regulation, commercial markets, and trading and associated risk management.

The chair and vice chair are elected by the SPP Board members and serve two-year terms. The SPP CEO is not eligible to be the chair or vice chair.

There are five SPP Board committees that report directly to the SPP Board: Oversight Committee, Corporate Governance Committee, Finance Committee, Human Resources Committee, and Strategic Planning Committee.<sup>26</sup> The Corporate Governance Committee nominates SPP members for Board Committees.

- Oversight Committee is responsible for monitoring the regulatory policies of SPP. The committee is comprised of up to five, but no less than three, elected members from the SPP Board. Members are appointed by the Board.
- Corporate Governance Committee is responsible for the overall governance structure of SPP, including nominations for SPP Board committees, technical committees, and the Markets and Operations Policy Committee. The committee is comprised of 11 representatives, with two from the SPP Board: the SPP CEO, serving as committee chair, and the chair of the Board. The other nine representatives are selected by their member sector and represent the following sectors: Cooperatives, Alternative Power/Public Interest Groups, Federal Power Marketing Agencies, Independent Power Producers/Marketers, Independent Transmission Companies, Investor-Owned Utilities, (small/large) Retail Customers,<sup>27</sup> Municipalities, and State Power Agencies.
- Finance Committee is responsible for all aspects of financial operations and risk management for SPP. The committee is comprised of at least six representatives and up to nine representatives with equal representation between the SPP Board, the Transmission Owning sector, and the Transmission Using sector.<sup>28</sup>

<sup>26</sup> Ibid., Section 6.0.

<sup>27</sup> This combines retail customers into large and small as compared to the Members Committee, which treats retail customers as two sectors (large and small).

<sup>28</sup> On December 1, 2020, in Docket No. ER21-229-000, the FERC accepted revisions to the SPP tariff effective for January 1, 2021 that would allow three additional seats to the Finance Committee and Human Resources Committee.

- Human Resources Committee is responsible for the development of personnel policies, including benefits structures, for SPP. The committee is comprised of at least six representatives and up to nine representatives with equal representation between the SPP Board, the Transmission Owning sector, and the Transmission Using sector.<sup>29</sup>
- Strategic Planning Committee is responsible for the development and recommendation of strategic direction for SPP. The committee shall be comprised of 11 representatives: three representatives from the SPP Board; four representatives from the Transmission Owning sector, and four representatives from the Transmission Using sector.

## Members Committee

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The SPP governance structure includes a Members Committee that works directly with the SPP Board to manage and direct the general business of SPP. The Members Committee shall meet only with the SPP Board and it is not part of the stakeholder process. This committee provides “individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Director.”<sup>30</sup>

The Members Committee is comprised of up to 24 representatives spread across ten sectors. Representatives must be either an officer or employee of an SPP member, are nominated by the Corporate Governance Committee and are elected by SPP members<sup>31</sup> at the annual meeting based upon those nominees that receive the most votes for each open position.<sup>32</sup> Members Committee representatives serve staggered, three-year terms.

Table 7-2 provides a breakdown of the composition of the Members Committee by sector and number of seats allocated.<sup>33</sup>

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<sup>29</sup> Ibid.

<sup>30</sup> SPP, Tariff, Section 5.1 (a).

<sup>31</sup> Each group of SPP members with affiliate relationships shall be considered a single vote.

<sup>32</sup> Membership meetings must occur at least once per calendar year or as necessary. The chair of the Board presides over membership meetings.

<sup>33</sup> SPP, Tariff, Section 5.1.1.

**Table 7-2. SPP Members Committee Composition**

<b>Sector</b>	<b>Seats</b>
Investor-Owned Utilities	6
Cooperatives	5
Municipals	2
Independent Power Producers/Marketers	3
State Power Agencies	2
Federal Power Marketing Agencies	1
Alternative Power/Public Interest Groups	2
Independent Transmission Companies	1
Large Retail Customers	1
Small Retail Customers	1

The Members Committee provides input to the SPP Board through two primary avenues:

- Board-appointed representatives of the Members Committee serve on Board committees; and
- The Board is provided the results of Members Committee straw votes on the level of consensus from SPP members on all actions pending before the Board.

### 7.5.2 Director Selection

Prior to the expiration of an SPP Board director's term, the Corporate Governance Committee, using an executive search firm, nominates at least one qualified candidate for each open position. Additional nominees from SPP members can be added with 20% support of SPP members. Candidates must meet the qualification criteria discussed in the "Board Composition" section, but are not limited in the number of terms they may serve or by age.

Candidates for the Board are voted on individually. Votes are tallied using the same two sector-weighted voting approach used for the Markets and Operations Policy Committee.<sup>34</sup>

- If there is more than one candidate for an open position, the candidate only needs to receive over 50% of the weighted sector vote; and
- If only one candidate is nominated for an open position, the candidate needs to receive 66% or more of the weighted sector vote.

In the event a director position is not filled, the Corporate Governance Committee submits a new candidate for consideration by the SPP members.

<sup>34</sup> Each group of SPP members with affiliate relationships shall be considered a single vote.



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## Director Removal<sup>35</sup>

An SPP Board director may be removed with a petition for removal signed by at least 20% of members. Votes are tallied using the same two-sector weighted voting approach used by the Markets and Operations Policy Committee and requires a 66% support for removal.

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### 7.5.3 Board Stakeholder Interaction

The primary mechanisms for stakeholders to provide feedback to the SPP on proposals are through the stakeholder process, through direct participation in SPP Board meetings, and through participation on the Members Committee. Beyond an Annual Membership meeting used primarily to elect Board members, there are minimal other formal opportunities for stakeholders to engage with the Board.

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### 7.5.4 Board Meetings & Communication

The SPP Board must meet at least three times per calendar year and additionally upon the request of the chair or upon concurrence of a majority of directors. A notice is provided by the SPP CEO ahead of each meeting to each director, the Members Committee, and the RSC.<sup>36</sup>

All SPP Board meetings that are not in executive session are open to the public and include the Members Committee and a representative from the RSC; however, failure of these groups to attend does not prevent the Board from having a meeting.<sup>37,38</sup> The chair must grant any SPP member's request to address the SPP Board. All meeting materials, agendas, and minutes are also publicly posted on the [SPP website](#).

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### 7.5.5 Board Decision-Making<sup>39</sup>

Stakeholders in SPP provide input to the SPP Board through the stakeholder process or through participation in the meetings of the Board and the Board committees.

The SPP Board shall solicit and consider a straw vote from the Members Committee as an indication of the level of consensus among SPP members in advance of taking any actions other than those occurring in executive session. Matters requiring a regulatory filing that are approved at the Markets and Operations Policy Committee and are not appealed by a stakeholder or requested specifically by a Board member, are deemed approved by the Board and can be filed by SPP without a specific Board vote.<sup>40</sup>

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<sup>35</sup> SPP, Tariff, Section 4.4.

<sup>36</sup> Ibid., Section 4.6.1.

<sup>37</sup> Executive sessions are open only to Board members, the Members Committee, SPP management, and other entities invited by the chair, but can be further limited as needed.

<sup>38</sup> SPP, Tariff, Section 4.6.1.

<sup>39</sup> Ibid., Section 4.6.3.

<sup>40</sup> SPP, [SPP Board of Directors Policy Statement Authorization of Regulatory Filings](#), December 4, 2018.

The SPP Board requires a simple majority vote to approve a matter. A majority of directors plus one additional director shall constitute a quorum of the SPP Board. Voting is by secret ballot. Only voting results are announced and recorded in the minutes; individual votes are not announced or recorded.

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