

Shared Governance at the New York Independent System Operator

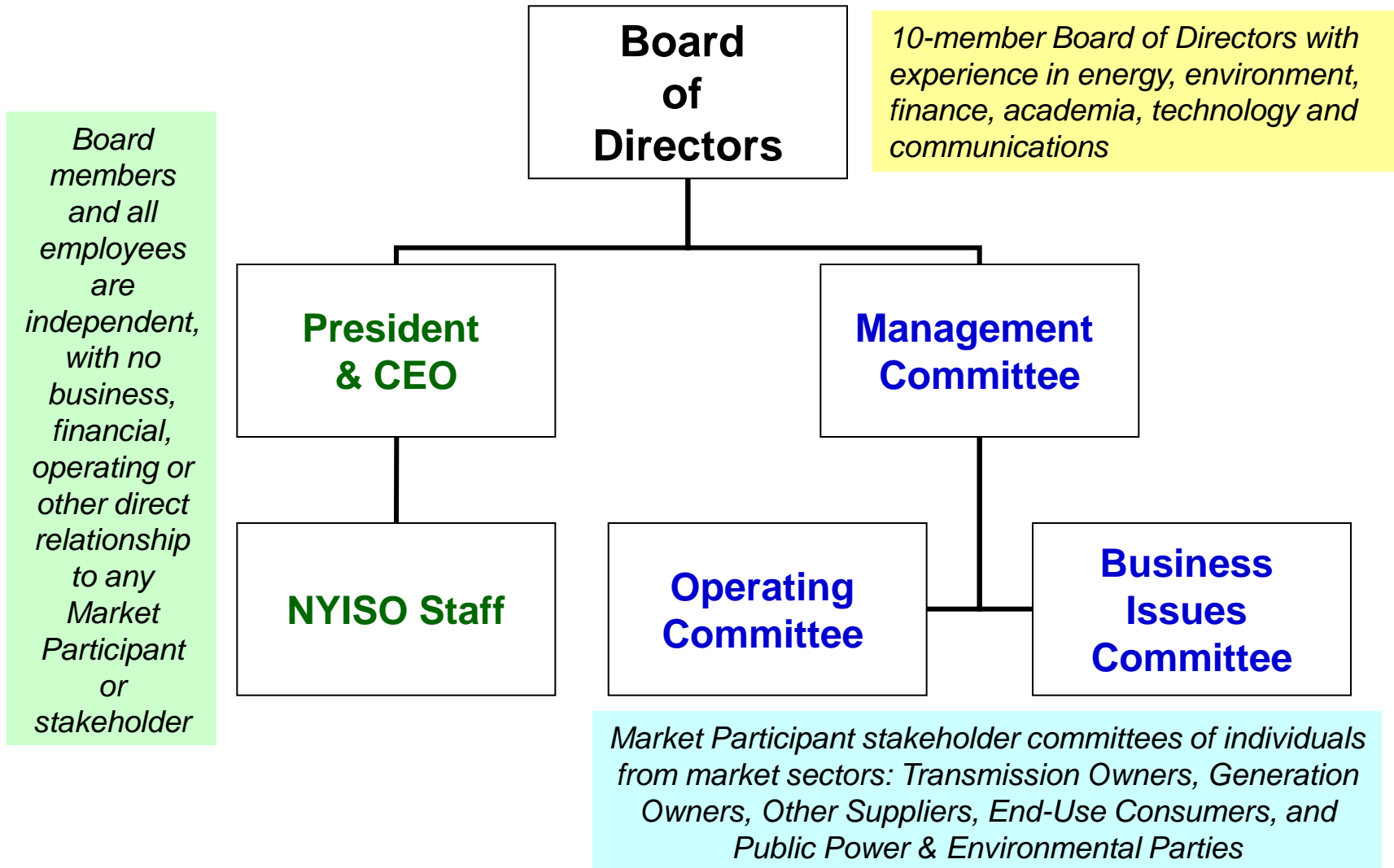
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*Presentation to Consumer Advisory Council
October 6, 2011*

Governing Documents

- ◆ **Transmission Owners (TO) Agreement**
- ◆ **Independent System Operator (ISO) Agreement**
- ◆ **Open Access Transmission Tariff (OATT)**
- ◆ **Market Services Tariff**

NYISO Governance



Board of Directors

- ◆ A 10-member Board of Directors governs the NYISO (Nine outside Directors and the President & CEO).
- ◆ To ensure independence, no Board member may be affiliated with any Market Participant.
- ◆ The Board is required to possess a cross-section of skills and experience (*e.g.*, electric utility management, corporate finance, business management, information systems, law, environmental affairs, consumer advocacy, public policy, and energy regulatory affairs).
- ◆ At least three Directors must have relevant electric industry experience.
- ◆ President must have extensive experience and knowledge in the field of electric power systems.

Role of the Board

- ◆ Oversee management of the NYISO, including the reliable and efficient operation of the electric transmission system and electricity markets.
- ◆ Communicate clear policies and goals to the Chief Executive Officer, and providing strategic guidance to the NYISO and its officers.
- ◆ Ensure that the NYISO's financial affairs are conducted in a manner consistent with sound financial and accounting practices, law, and effective risk management.

Role of the Board (con't.)

- ◆ Ensure that the corporation operates in the public interest, observes the highest ethical standards and complies with its Code of Conduct.
- ◆ Ensure that the Board and the corporation are independent of any market participant, sector of Market Participants or the economic interest of any such participant or sector.
- ◆ Select officers of the NYISO, including evaluating and approving the compensation and terms of employment of such officers.

Role of the Board (con't.)

- ◆ Oversee filings with FERC and other regulatory agencies.
- ◆ Hear appeals from actions of market participant committees.
- ◆ NYPSC or FERC may attend and participate, but may not vote, in Board meetings.

Selection of Board Members

- ◆ Board and Market Participants formally share responsibilities for filling Board vacancies
- ◆ Board Selection Subcommittee of the Management Committee
 - Two representatives from each sector
 - Work with an executive search firm
 - Screen initial list and conduct interviews
 - Provide no less than three candidates to the NYISO Board
- ◆ Board has the power to request additional candidates and may choose a candidate not nominated by the MC.
- ◆ All vacancies to date have been filled by MP candidates.

Board Committees

- ◆ The Board carries out its responsibilities through four committees:
 - Audit and Compliance Committee
 - Commerce and Compensation Committee
 - Governance Committee
 - Reliability and Markets Committee

NYISO Voting Sectors

By Market Sector

End-Use Consumers 20%:

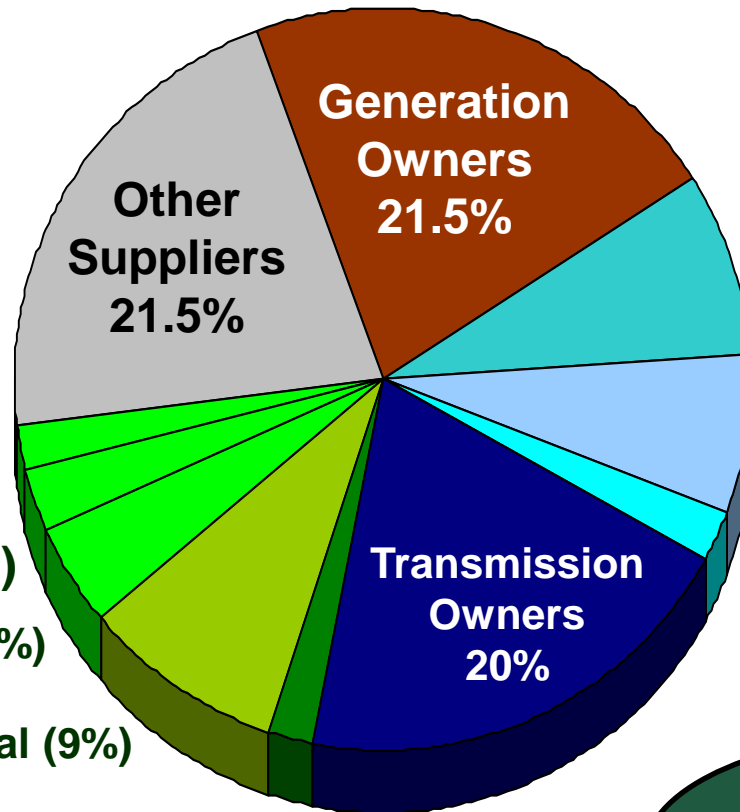
Government Advocate & Retail Aggregators (1.8%)

State-wide Advocate (2.7%)

Small Consumers (4.5%)

Large Consumers - Industrial (9%)

Large Consumers - Government (2%)



Public Power 17%:

Power Authorities (8%)

Municipals & Co-ops (7%)

Environmental Parties (2%)

58% required to pass

Sub-Committees, Working Groups & Task Forces

MANAGEMENT COMMITTEE

Board Liaison Committee
 Budgets and Priorities Working Group
 By- Laws Subcommittee
 Market Participant Audit Advisory Subcommittee
 Tariff Review Subcommittee
 Stay Review Subcommittee
 Board Selection Subcommittee

BUSINESS ISSUES COMMITTEE

Billing and Accounting Working Group
 Installed Capacity (ICAP) Working Group
 Market Issues Working Group
 Price-Responsive Load Working Group
 Electric System Planning Working Group
 Interconnection Issues Task Force
 Credit Policy Task Force

OPERATING COMMITTEE

Communication and Data Advisory Subcommittee
 Transmission Planning Advisory Subcommittee
 System Operations Advisory Subcommittee
 System Protection Advisory Subcommittee
 Electric System Planning Working Group
 Restoration Working Group
 Interconnection Project Cost Allocation Study WG
 Reactive Power Working Group
 Interconnection Issues Task Force

Shared Governance: Quasi-legislative Tariff Amendment Process

- ◆ **205 filing requirements:**
 - **General rule: both the NYISO Board and Management Committee (by a 58% vote) must agree to file proposed tariff amendment with the Commission pursuant to Section 205 of the FPA.**
 - **58% vote requires consensus of a broad cross-section of stakeholders.**

Shared Governance: Quasi-legislative

- ◆ **205 filing - exigent circumstances:**
 - Filed unilaterally without the concurrence of the Management Committee, if the NYISO Board certifies that (1) the proposed amendment is necessary to address exigent circumstances related to the reliability of the NYS Power System or to address exigent circumstances related to an ISO Administered Market.
 - Expires 120 days after it is filed with FERC unless the Management Committee concurs with the proposed amendment within the one hundred and twenty (120) day period or FERC approves the proposed amendment under Section 206 of the FPA.

Shared Governance: Quasi-legislative

- ◆ **Budget process:**
 - The MC has responsibility for “preparation of the NYISO capital and operating budgets for review and approval by the NYISO Board”
 - Extensive negotiations followed by MC vote
 - Board approves final budget

Shared Governance: Quasi-judicial

- ◆ **Appeals to Management Committee**
 - Appeal as of right
 - Stakeholders decide appeals from lower committees

- ◆ **Appeals to Board of Directors**
 - Parties to the NYISO Agreement may appeal an action of the MC to the Board (both affirmative and negative votes can be appealed). Responsive pleadings and oral argument are allowed.
 - Governance Committee recommends disposition to Board (e.g., grant, deny, remand to MC).
 - Board acts on appeal and issues a formal written decision.

Other Interactions between the Board and Stakeholders

- ◆ **Multiple opportunities for direct interaction between the MPs and Board members**
 - **Monthly meetings of the Liaison Committee following Board meetings**
 - **Annual Joint Board/MC meeting**
 - **Board agendas provided to MPs**
 - **Board minutes posted on NYISO website**
- ◆ **NYS Public Service Commission staff attends monthly Board meetings**

Proceedings & Appeals

Proceedings	2000-2005*	2006	2007	2008	2009	2010	2011**
Filings	817	180	193	170	151	171	125
Section 205 Tariff amendments	94	9	26	22	38	37	25
Section 206 Tariff amendments	5	2	0	0	0	0	0
Cases set for hearing or tech conference	3	1	1	0	0	0	0
Appeals to NYISO Board	21	4	1	1	1	5	3
Board agreed with Management Committee, rejecting appeal	16	3	1	1	0	5	3
Board disagreed with Management Committee, granting appeal	3	0	0	0	0	0	0
Pending	0	0	0	0	0	0	0

*Incomplete data available prior to 2004

**January - September 2011