

# RTO Board Governance

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# Fundamentals

- **Board (and the RTO) must be truly independent of political interests and business or financial interests of all market participants and their affiliates.**
- **An independent RTO Board must be established early on in the RTO development process to guide the implementation of unbiased market design, and set guideposts for transition from an ISO or other market structure.**
- **The RTO Board and management mission must be to rely upon competitive markets to ensure reliability and to keep prices reasonable, rather than focusing on minimizing prices short-term.**



# How to Constitute the Board

- The RTO Board candidates should be selected by an independent search firm.
- All candidates must meet minimal profession/technical standards, and be willing and able to serve in a virtual or near “full-time” capacity.
- The Board should be comprised of members with the following expertise: information technology, financial markets, energy industry background, transmission system and commodity markets.
- All candidates will be required to clear conflict of interest restrictions at the time of their nomination and through their elected term.
- The Board members should serve staggered terms of limited duration, however no Board member should be term limited.



# Board Elections

- The slate of Board members should be put forth by the independent search firm and should be elected by the Stakeholders.
- The election of a new Board member (or re-election of an existing member) shall require a majority vote from the sectors.
- A Board member can sit on more than one RTO board, absent conflicts over seams.

# RTO Board Authority

- The RTO Board must have final decision making authority, including the authority to make tariff filings under section 205 of the FPA.
- The RTO Board shall informed and oversight of the hiring of RTO senior management.
- The RTO Board is responsible for approval of the budget (with stakeholder input) and setting/measuring progress of RTO staff towards goals.
- The RTO Board (and the RTO) are responsible for operating the system in accordance with established reliability standards.
- FERC has oversight for market operations functions.



# Stakeholder Process

- Stakeholder advisory committee should consist of representatives of the market sectors.
- The number and breakup of market sectors need not be precise or identical between RTOs.
- Stakeholders participate in the process through working committees, with RTO staff available to support and to provide their input into potential impacts and costs various proposals will create.
- State regulatory bodies should be participants in the stakeholder process.

# Stakeholder Voting

- In the consideration of proposals, the RTO Board should be shown the votes of each sectors (how ever many there are) but should not aggregate across sectors on matters of market design (math exercise doesn't work well here).
- The RTO Board is not required to always accept the “majority” position, but to give weight to all positions on merit. A process for a minority position being heard by the Board should be established.
- At the RTO Board, the staff role is to support and facilitate the process. Staff issues and concerns should be vetted out via the stakeholder process.



# Market Monitoring and RTO Governance

- **Market monitoring is not a substitute for structuring RTO market rules properly or the establishment of truly independent governance.**
- **With that said, the Market Monitoring Unit (MMU) should be independent of the RTO with a separate budget that is incorporated into the RTO tariff for FERC approval.**
- **The MMU should be charged with monitoring all market participants (transmission owners, generators, suppliers and the RTO itself).**
- **The MMU should audit RTO functions on a regular basis to ensure compliance with RTO tariffs and procedures, including the procedures designed to ensure stakeholder participation.**



# Other Considerations in Governance

- As markets move towards more integration of suppliers, it is likely to reduce the “lining up on one-side or the other” that is currently taking place in certain markets.