



Grid West Operational Bylaws

Regional Representatives Group

Meeting

Portland, Oregon

June 10, 2004



Where are we?

- Revised Developmental Bylaws posted June 8, 2004
- Operational Bylaws (draft) posted June 7, 2004
 - Revised June 9, 2004 (substantive editorial corrections)
- This presentation reviews:
 - The policy rational behind the Operational bylaws
 - The key substantive differences between Developmental Bylaws and Operational Bylaws



Implementing the Regional Proposal - A Balancing Act

- The Regional Proposal established a framework intended to ensure regional input and accountability by an independent transmission operator
- The Operational Bylaws therefore aim to create a Grid West governance structure that:
 - facilitates an efficient, cost-effective operation
 - makes independent decisions based on a full and fair consideration of regional interests



Dual Goals: Independence and Regional Accountability

Regional Accountability

- Corporate Purposes
 - Improve reliability of the regional transmission grid
 - Improve efficiency
 - Provide cost-effective planning and expansion
 - Support effective monitoring and mitigation of markets and transmission services
- Membership is accessible
 - no one stakeholder interest dominates
 - Subclasses have community of interest

Independence

- Trustee independence from transmission owners and market participants
 - Strict limits on financial interests
 - No personal or family business relationships
 - Limits on “revolving door”



Dual Goals: Independence and Regional Accountability (continued)

Regional Accountability

- Members participate in governance
 - elect and may remove their representatives to the MRC
 - Approve amendments to bylaws (including compensation changes for Trustees); amend articles
 - Participate in and call member meetings
 - Participate in advisory votes
 - Attend board meetings and address the board
 - Participate in advising the board on issues related to services and budget and formulating proposals for the board's consideration
 - Name an independent auditor and require a timely audit

Independence

- Trustees manage the enterprise



Dual Goals: Independence and Regional Accountability (continued)

Regional Accountability

- The Board of Trustees is nominated and elected by the MRC
 - Board candidates must include people with knowledge of regional power and transmission systems
- The MRC may remove Trustees for cause
- The MRC elects the Arbitration Committee

Independence

- Candidates for Trustees are identified by a national search firm
- Trustees must collectively possess an impressive range of relevant experience



Dual Goals: Independence and Regional Accountability (continued)

Regional Accountability

- Board is required to engage in ongoing consultation with regional stakeholders
- MRC considers proposals on key issues: the “Special Interests List”
 - Backstop measures with respect to “chronic, significant commercial congestion”
 - Company rate approach
 - Financial Transmission Rights
 - Enforcement power for the Market Monitor
 - Loss methodologies
- Guiding Principles for decisions assure regional concerns are considered

Independence

- Board has responsibility and authority to manage the corporation and offer transmission services and voluntary markets
 - Subject to limitations on operating power exchanges or owning generating plants
 - Subject to MRC review and remand rights



Transition – Developmental Bylaws to Operation bylaws

- Trigger for adoption of Operational Bylaws will be contained in the Developmental Bylaws and remains an open issue
- Membership and Member Class and Member Sub-Class assignments transfer [[§5.3.1](#)]
- Membership applications that were not completely processed transfer without the need to be refiled [[§5.3.1](#)]
- MRC continues until next annual meeting [[§6.4.1](#)]
- Developmental Board of Trustees continues until Operational Board of Trustees is elected [[§7.1.1\(iv\)](#)]
 - No more than 2 Developmental Board Trustees may be elected to Operational Board [[§7.2.3](#)]
- Board Authority [[§7.1.1](#)]
 - Developmental Board cannot offer transmission services
 - Operational Board cannot offer services until completion of regulatory approval process



Retaining Regional Control over Grid West Operations

- Operational Board will be seated by MRC
 - Members elect Members Representative Committee (MRC) [*Art. VI*]
 - MRC in turn elects Operational Board [*§7.2.5*]
 - Board candidates will possess knowledge of regional power and transmission operations [*§7.2.2*]
- Process requirements provide adequate opportunities for regional input
 - Open meetings promote transparency [*§7.5 and §5.6*]
 - Members may bring matters directly to the Board [*§5.1.3*]
 - General obligation to consult with region [*§5.12.3*]
 - Consultation required for “Special Issues List” votes [*§6.1.4*]
 - Member over ride vote for “Special Issues List” votes [*§7.16.2*]
 - Guiding principles for Board of Trustee decisions [*§7.12.2*]



Seating an Independent Operational Board

- Operational Board selection and qualification is same used in Developmental Bylaws
 - Candidates for Trustee position will be identified by an experienced search firm [[§7.1.7\(i\)](#)]
 - Slate of candidates should be diverse and include individuals possessing, collectively, [[§7.1.7 \(ii\)](#)]
 - *Knowledge of operational characteristics of the Pacific Northwest power system and Western Interconnection transmission system*
 - *Executive management or board experience with electric utilities*
 - *Personal abilities and qualities: integrity, leadership, problem-solving, facilitation and consensus-building*
 - *Experience in engineering, law, finance, economics, accounting, information technology, commodities*
 - *Experience in regulation and public policy*
 - MRC nominates and elects Board from identified candidates



Seating an Independent Operational Board (continued)

- Operational Board member disqualification is same as Developmental Bylaws
 - Candidates will be disqualified if they have a conflict of interest in the duties of a Trustee [[§7.1.7\(ii\)](#)]
 - *Financial interest in a market participant, Member or a major contractor of the corporation [[§7.10](#)], however*
 - Investments through diversified mutual funds are allowed [[§7.10.2](#)]
 - Retirees with retirement benefits that don't vary as a result of performance of their former employer are not disqualified [[§7.10.2](#)]
 - *Employment by the candidate or family member with a market participant or Member [[§7.10.1](#)]*
 - *Participation by the candidate or a family member as an owner, director, officer, employee, or similar role, of a market participant or Member within the past year [[§7.10.1](#)]*



Membership Rights

- Elect and remove members of the Members Representative Committee
- Approve amendments of the bylaws,
- Participate in advisory votes submitted to the Members by Board of Trustees,
- Amend the articles of incorporation;
- Require the Board of Trustees to designate a particular independent auditor if dissatisfied with the Trustees' selection;
- Require the Trustees to perform an independent audit within a specific time;
- Participate on the Board Advisory Committee; and
- Receive notices and attend and be heard at meetings of the Members and the Boards of Trustees



Membership classes

Class	Sub-Class	Threshold	Voting Power	MRC
MTU	Under Discussion	Under Discussion	6	6
TDU	Under Discussion	Under Discussion	6	6
Generators, Power Marketers, and Others	Generators, Power Marketers	5	5	5
	Others	5	1	1
End-Use Consumers	Large Unbundled End-use Consumers	2	2	2
	Large Bundled End-use Consumers	2	1	1
	Consumer Advocates	3	3	3
State and Provincial Energy Authorities/ Tribes/ Certain Public Interest Groups	State and Provincial Energy Authorities	4	4	4
	Tribes	1	1	1
	Certain Public Interest Groups	1	1	1



Non-jurisdictional status of Developmental Stage

- Membership in Grid West does not cause a non-jurisdictional entity to become subject to FERC jurisdiction over interstate transmission services and wholesale power sales
 - Membership does not result in any proprietary or operational interest in FERC-jurisdictional facilities [[§5.17](#)]
 - FERC's extensive jurisdiction over IOUs is based on jurisdiction over their facilities [*Federal Power Act §201(b)*]
- Membership will dissolve the Corporation if they will not accept any FERC ordered governance changes made within first 24 months of Operational Stage. [[§12.4.1](#)]



Dispute Resolution

- Membership and Membership Class disputes are resolved by decisions of the Dispute Resolution Committee [[§5.4](#)]
 - Decisions may not be appealed
- Dispute resolution is available to address non-compliance with the bylaws [[§13](#)]
 - Remedies are limited to no change in action, stopping an action (injunctions), or requiring action (mandamus)
 - Money damages are not available