

OMS RESPONSE TO MIDWEST ISO HOT TOPIC QUESTIONS:

January 8, 2009

1. Do the current practices (such as the annual stakeholder meeting, open board meetings and hot topics discussion at the Advisory Committee meetings) allow stakeholders to communicate their views to the Midwest ISO Board of Directors in a manner which meets the requirements of Order 719? Can you point to better practices in other organizations that you would suggest? If not, what specific improvements do you suggest and what is your estimate of what it will cost to implement/accomplish?

The challenge for an RTO or ISO in meeting the governance requirements of Order 719 is balancing the need *to consider* input from a diverse group of stakeholders, with the need *to take actions* in which those stakeholders have confidence. ¹ The Advisory Committee structure and process provides a sound foundation for maintaining stakeholder confidence that the governance of the Midwest ISO is truly independent. Additional initiatives, like the annual stakeholder meeting, open Board meetings and hot topics discussions, have added value by providing greater opportunity for broad expression of opinion and greater transparency of decision-making. In other words, the OMS believes the Midwest ISO's existing stakeholder communications procedures generally provide adequate opportunities for stakeholder input and that these procedures are productively used by stakeholders and the Midwest ISO Board. However, recurring expressions that formal mechanisms are being used infrequently or, worse, ignored, should be a red flag that could signal diminished stakeholder confidence.

The OMS appreciates the Board's interest in seeking out means for effective stakeholder involvement. Stakeholder confidence is critical for the success of the Midwest ISO. However, it is also important to

¹ As the Commission stated in its Order: RTO and ISO independence remains fundamental, and we will preserve it; however, we find that RTOs and ISOs must provide an avenue for customers and other stakeholders to present their views on RTO and ISO decision-making, and to have those views considered. Establishing practices and procedures that would allow RTO and ISO boards to be responsive to the concerns of customers and other stakeholders is important to providing these entities with confidence in RTOs' and ISOs' independent governance processes [Order, paragraph 503]

remember the Midwest ISO's governance practices must result in actions that promote the *public interest*. It is this specific charge of acting in the public interest that is shared by the Midwest ISO and the OMS member states.

2. Does each stakeholder group have the same opportunity to communicate their views to the Midwest ISO Board of Directors? If not, what specific improvements do you suggest?

The OMS believes that the existing mechanisms for stakeholder input, as a group or individually, are effective. However, governance is a continuous process and the Board needs to continue to work with its Stakeholder Governance Working Group to ensure the committee structure and its processes is effective and is in touch with stakeholder needs and expectations.

3. Are minority positions communicated to the Midwest ISO Board of Directors?

The extent to which minority positions are developed and accounted for in decision-making is a function of governance processes, attentiveness by Board members, and the initiative of minority position advocates. The OMS believes the Midwest ISO governance processes provide reasonable avenues for development and communication of minority positions. Midwest ISO Board attentiveness to the practices and operations of committee activities will help foster robust debate and, thus, ensure decision-makers are fully aware of the positions of customers and other stakeholders and that issues are fully and fairly vetted. Such engagement will also provide an awareness of intra-sector dynamics that can also have an impact on minority positions that come forward.

However, the OMS also agrees with the Commission that the goal of representation of minority interests "does not mandate that minority interests override majority decisions, rather it requires that the board be made aware of the minority position where necessary." [Order, Paragraph 510]

4. A future Stakeholder Workshop is being planned to discuss FERC Order 719 Compliance; Responsiveness of RTOs to Customers and Stakeholders. What specific issues should be addressed?

Generally, the OMS recommends that the Board continually seek to improve governance through refinement of formal and informal mechanisms; in each case looking at whether stakeholders have the opportunity to present ideas through the working groups and if the Board is ultimately made aware of their positions. The following are some suggestions the Board may want to consider.

- Continue efforts to incorporate stakeholders in the decision-making process as early as possible and keep effective dissemination of information as a top governance priority.
- Continue to have open Board meetings and provide telephone access for *all* public Board meetings; i.e., not just those where a Board member has to call in.
- Continue to strongly encourage direct board member participation in substantive committee meetings.
- Work with other RTOs to formally establish a best practices process.
- The following are suggestions for the board to consider, but are not meant to supplant existing formal processes, and need to be tailored in such a way that they do not become overly burdensome:
 - Establish a formal “feedback loop” that would provide greater transparency in how stakeholder views are received, reviewed, and considered in the Board decision making process. This would include a requirement that all written stakeholder comments to the Board for all issues be posted. Management summaries of comments are not sufficient
 - Establish a system whereby the Midwest ISO Board and Management would separately and independently report to the Advisory Committee on why they chose actions on major initiatives that differed from positions taken by the Advisory Committee. This report could be once-a-year or at the next Advisory Committee meeting.
 - Continue to allow Board members to gather information directly from stakeholders (i.e., unfiltered by RTO management) and to directly interact with stakeholders. Such procedures could include Board member participation in major stakeholder meetings, making all stakeholder comments available to the Board and by regular Board solicitation of stakeholder input (e.g., position papers) on relevant issues. Stakeholders should also be allowed to submit written correspondence to individual Board members and the Board as a whole.

In addition, the Board should continue to safeguard its independence; particularly, to ensure that the process of filling Board positions is free of undue influences.