

## **12.7 Conflicts of Interest**

Certain contacts between the ISO Employees and Market Participants may constitute or appear to constitute a conflict of interest. Potential conflicts of interest and the ISO's ability to restrict actions and duties to avoid potential conflicts are discussed below.

### **12.7.1 Financial Interests:**

Financial interests refer to the ownership of the Securities<sup>1</sup> of Market Participants or their Affiliates whose primary business purpose is to buy, sell or schedule Energy, Capacity, Ancillary Services or Transmission Services, whether ownership is direct or through participation in mutual funds concentrating in investments in Market Participants or their Affiliates. The ISO shall compile a list of the current Market Participants and their Affiliates whose Securities trade publicly and will distribute this list to ISO Employees.

In order for the ISO to remain truly independent, free of any control, or appearance of control, of decision-making by any individual Market Participant, ISO Employees must strictly observe the following rules regarding financial interests in Securities of any Market Participant or any of their Affiliates:

- No ISO Employee or their spouse or minor children shall own, control, or hold with power to vote, Securities of a Market Participant or any of their Affiliates; provided, however, any matching contributions made in the Securities of a Market Participant in connection with any savings, pension, or 401(k) plans of a former employee of a Market Participant shall be permitted until the completion of the

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<sup>1</sup> The term "Securities" refers to stocks, stock options, bonds and any other instruments of debt or equity.

transfer, spin off and merger of assets and liabilities of such plans to new plans maintained by the ISO; provided, further that this provision shall not apply to any purchase of Securities of a Market Participant or any Affiliate of such Market Participant by a spouse of an Employee who was, as of the effective date of the ISO OATT, employed by a Market Participant or any Affiliate of such Market Participant and is required to purchase Securities of such Market Participant or Affiliate as a part of his or her employment. Any such purchases by a spouse must be disclosed to the ISO Board which shall have the authority to consider appropriate limitations on the duties of the ISO Employee, including changing his or her duties, to avoid an appearance of a conflict of interest.

- No ISO Employee shall be Associated with any Market Participant. For the purposes of this paragraph, an ISO Employee shall be deemed “Associated” with a Market Participant or its Affiliate if: (1) the ISO Employee is an officer, director, partner, or employee of a Market Participant or any of its Affiliates; (2) the ISO Employee is a former executive officer of a Market Participant, which Market Participant together with its Affiliates has three (3) percent or more of the voting shares on the Management Committee, or of any Affiliate of the Market Participant, and the ISO Employee is receiving continuing benefits under an existing employee benefit plan (other than a defined benefit pension plan or other plan pursuant to which the benefits are independent of the financial condition of the Market Participant and pension payments are distributed to the former employee by a trustee, not as compensation but in accordance with the rules of the pension plan), arrangement or policy of the Market Participant or any of its

Affiliates; or (3) the ISO Employee has a material ongoing business or professional relationship with a Market Participant or any of its Affiliates; *provided, however*, that no ISO Employee shall be deemed to have a material ongoing business relationship with a Market Participant or any of its Affiliates solely as a result of being served as a retail customer by a Market Participant or its Affiliates. The ISO Board will establish reasonable guidelines with respect to the financial interests of covered consultants or contracts, in accordance with Section 12.12.

#### **12.7.2 ISO Policy on Divestiture of Financial Interests:**

If an ISO Employee or his/her immediate family<sup>2</sup> owns, controls or has the power to vote such Securities of Market Participants or their Affiliates, the ISO shall require the divestiture of those Securities within a reasonable time in accordance with the ISO's divestiture procedure set forth below unless material hardship would result. The ISO shall develop a procedure establishing the conditions under which a divestiture would result in material hardship.

If an ISO Employee or member of the ISO Employee's immediate family owns, controls or holds with the power to vote any prohibited Securities, divestiture must occur as follows:

(1) as of the effective date of ISO OATT, divestiture of prohibited Securities must occur within six months; (2) new ISO Employees must divest prohibited Securities within six months of commencement of employment; (3) if ownership, control or the power to vote such Securities results from an entity becoming a Market Participant, divestiture must occur within six months of receipt of the ISO's list of prohibited Securities referencing such Securities; and (4) if ownership, control or the power to vote such Securities is as a result of a gift, inheritance,

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<sup>2</sup> Immediate family refers to spouse and minor children.

distribution of marital property or other involuntary acquisition, divestiture must occur within six months of the acquisition.

Ownership of mutual funds by ISO Employees which contain investments in Market Participants or their Affiliates is permitted so long as: (1) the fund is publicly traded; (2) the fund's prospectus does not indicate the objective or practice of concentrating its investment in Market Participants or their Affiliates; and (3) the ISO Employee does not exercise or have the ability to exercise control over the financial interests held by the fund.

### **12.7.3 Political Activities:**

Restrictions on the political activities of ISO Employees are limited only to the extent that ISO Employees may not engage in lobbying activities on behalf of a Market Participant. Beyond this political activity, ISO Employees are not restricted from participating in any legal political activity so long as they do not purport, directly or indirectly, to represent the ISO without authorization.

ISO Employees are not precluded from holding public office so long as upon accepting public office the ISO compliance officer or designee is notified in writing. The ISO Employee's work in the public office must not detract from the ISO Employee's performance in connection with the ISO, and the ISO Employee shall not represent the ISO in his/her capacity as a public official and shall not use ISO resources for work related to the public office.

Any ISO Employee holding a public office shall abstain from voting or participating in any debate or matters relating to the ISO as part of his/her duties in public office.

#### **12.7.4 Secondary Employment:<sup>3</sup>**

ISO Employees shall not take Secondary Employment with a Market Participant or its Affiliate nor transact business with a Market Participant or its Affiliate other than as a retail customer. ISO Employees may take Secondary Employment with a non-Market Participant if the employment: (1) will not embarrass or discredit the ISO; (2) will not interfere with the duties or involve the use of ISO resources, materials or assets; (3) will not create a conflict of interest for the ISO or the ISO Employee; (4) will not result in any Market Participant receiving an advantage, real or apparent, over other Market Participants with respect to the ISO; and (5) is fully disclosed to the ISO prior to commencement of employment with a Secondary Employer and the ISO compliance officer or designee determines whether the criteria of (1) through (4) are met and then authorizes the Secondary Employment in writing.

Where an ISO Employee takes Secondary Employment with a non-Market Participant, that ISO Employee may not transact business with the ISO on behalf of the Secondary Employer.

An ISO Director or an individual representative of a member of an ISO committee shall not serve as a representative of a member of the Executive Committee of the NYSRC.

#### **12.7.5 Other Conflicts of Interest:**

ISO Employees must not directly or indirectly request or accept any service (other than as a retail customer of a Market Participant receiving electric, gas or steam service for heating,

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<sup>3</sup> Secondary Employment refers to participation in (1) a second job (part-time, full-time or project related), or (2) an organization including, without limitation, a corporation, association, partnership or sole proprietorship.

etc.), money, gift, loan or discount from any Market Participant or any of its Affiliates. Gifts should be returned or offers declined with an appropriate explanation. If a gift is not returnable (*e.g.*, perishable), the gift should be given to the compliance officer for donation to a charity or destroyed. ISO Employees shall not accept meals or entertainment from actual or potential Market Participants, except when it would be socially humiliating to decline the meal or entertainment; if an ISO Employee accepts such a meal or entertainment, the ISO Employee shall promptly report such acceptance to the compliance officer.

Acceptance of an offer of anything of more than nominal value, including but not limited to vacations, property, loans, contributions or unpaid services by ISO Employees from a representative of a Market Participant or any of its Affiliates shall be considered a conflict of interest.

Engaging in outside non-business activity that materially decreases the impartiality, judgment, or effectiveness of ISO Employees shall also be considered a conflict of interest.