

An Assessment of PJM's Governance and Stakeholder Process

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Chapter 1

Introduction, Overview, and Methodology

IN JUNE OF 2009, PJM Interconnection (PJM), on behalf of its members, retained the services of Raab Associates, Ltd. and the Consensus Building Institute (CBI) to assess concerns regarding PJM governance and stakeholder processes, and to evaluate the likelihood of reaching consensus on possible measures to address some or all of these concerns. This introduction covers:

- The client and consultants;
- Background on the project;
- Scope of consultant’s work;
- Methodology and approach; and,
- Description of the current stakeholder process.

The Client and Consultants

PJM Interconnection is a limited liability company and regional transmission organization (“RTO”), regulated by the Federal Energy Regulatory Commission (“FERC”), that coordinates the movement of wholesale electricity in all or in parts of 13 states and the District of Columbia. PJM’s role as a federally regulated RTO means that it acts independently and impartially in managing the regional transmission system and the wholesale electricity markets. PJM ensures the reliability of the largest centrally dispatched grid in North America. It delivered 759 million megawatt-hours of electricity in 2008, with a peak load of 130,300 MW.

Raab Associates, Ltd., is an experienced consulting and dispute resolution firm focused on the design, facilitation and mediation of multi-party stakeholder processes on complex energy and environmental issues. Raab Associates has worked on electricity and energy market, policy, organizational, and implementation issues nationally

and in various regions throughout the United States and Canada. Raab Associates has been running the New England Electricity Restructuring Roundtable for over decade. Dr. Raab, who is on PJM’s mediation and arbitration panels, also teaches Energy Policy at MIT.

The Consensus Building Institute is a not-for-profit [501(c)(3)] organization based in Cambridge, Massachusetts. CBI has worked on natural resource and environmental policy issues in the United States, Canada, and internationally. CBI is affiliated with the MIT-Harvard Public Disputes Program, the Massachusetts Institute of Technology’s Department of Urban Studies and Planning, and the MIT-USGS Science Impact Collaborative (MUSIC). CBI’s Board is composed of some of the leading practitioners and scholars of dispute resolution. Pat Field is a Managing Director at CBI. Raab Associates and CBI have been working together on various projects since 1995.

Background

In March 2006, the PJM Members Committee (MC) created the Governance Working Group (GWG). The purpose of this working group was to enhance the stakeholder process by recommending improvements to that process and identifying issues for future discussion in the following categories:

- Working Group Protocols and Meeting Conduct
- Protocols for Sector Operations
- Sector Definitions and Qualification for Membership in Sectors
- Compliance Filings



In February 2007, PJM's Members Committee (MC) approved a number of changes to the Members' Manual recommended by the GWG. These changes included sector protocols such as the creation of a "sector representative" position and various working group protocols.

On October 17, 2008, the Federal Energy Regulatory Commission (FERC) issued an order requiring PJM (and other RTOs) to undertake an examination of several aspects of their operations, to report to the FERC and to make certain changes, as required by the FERC. This order is commonly referred to as FERC Order No. 719. To provide feedback for PJM's compliance filing in response to the FERC's order, PJM formed the PJM 719 Task Force.

During the PJM Task Force 719 process, there were "numerous discussions among members concerning the effectiveness of the overall PJM governance structure, the information provided to the PJM Board of Managers, and the way voting power is allocated under the PJM Operating Agreement and manuals."¹ Some member companies posited that these issues may call into question PJM's responsiveness, in the sense that this term is used in FERC Order No. 719. Other member companies submitted that the existing allocation of voting power is fair and equitable. Apart from the issue of voting, some member companies suggested that other improvements to the stakeholder process might be appropriate. These discussions revealed "additional in-depth conversation is required among stakeholders in a forum devoted to just these topics."²

As a result, in March 2009, PJM member companies negotiated and approved a motion in the form of a resolution ordering the formation of the Governance Assessment Special Team ("GAST"). The GAST was to conduct its work in two phases. In Phase I, the GAST was to undertake an assessment of the concerns of the broader PJM membership regarding PJM governance and stakeholder processes, to evaluate the likelihood

of reaching consensus on possible measures that might address some or all of these concerns; and to develop an Action Plan for how to proceed, if warranted by the assessment. Phase II was to be considered at the conclusion of Phase I. The GAST issued a Request for Proposals (RFP) in May of 2009 to for assistance in undertaking the Phase I assessment.

Scope of Consultant's Work

In its RFP issued in May of 2009, the GAST requested that the selected facilitator accomplish the following scope of work.

- Gather and inventory the concerns regarding PJM governance and stakeholder processes, including but not limited to the concerns discussed during the PJM Task Force 719 meetings.
- Provide an assessment to the membership of the issues that have been raised or identified and the possibility of reaching consensus on possible measures that might address some or all of the concerns raised.
- After completion of the Governance Assessment, deliver the results of the assessment to the Members Committee along with a recommended plan to move forward (or not). Such assessment will be complete in time for posting and presentation at the June 25 Members Committee meeting (since modified to September 24).
- Other tasks to be completed by the Governance Assessment Special Team include working with the chosen facilitator to develop an Action Plan on how to proceed, based on the information ascertained through the Assessment.
- Should the MC choose to move forward with the Action Plan, such plan will be completed in time for posting, presentation and action at the September Members Committee meeting.

1 Resolution adopted on March 26, 2009.

2 Id.

Assessment Methodology and Approach

We, the consultants, initiated work in June of 2009. The process of assessment included the following:

- Review of documents and materials (on-going);
- Coordination with the PJM Members Committee Secretary and the Members Committee chair (on-going)
- Meetings with the GAST (June 10, 18, August 6, September 11);
- Completion of confidential interviews with members, PJM, and other stakeholders (June 25 to August 27);
- Observation of various PJM stakeholder meetings (June through August);
- Conducting background research on and interviews with other Regional Transmission Operators (RTOs) (July-September);
- Identification and analysis of several comparable membership organizations in the U.S. (on-going);
- Implementation an on-line survey of all PJM members (August 11 to August 28); and,
- Preparation of findings and recommendations (August 31 to September 17).

We met with the GAST on four occasions. The GAST's role was to provide us, as facilitators, with its advice and input. However, in order to preserve independence and neutrality, we took the GAST's suggestions under advisement. All research design decisions, as well as process and substantive recommendations are our sole responsibility as facilitators. We met with the GAST as follows.

- On June 10, 2009 we were introduced to the GAST. We reviewed the scope of work and approach, received feedback on that approach, and brainstormed a list of stakeholder process and governance related issues and concerns submitted by GAST members (this list along with a prior list generated by the GAST in preparation for the facilitator RFP are attached as Appendix A).

- On June 18, 2009 we met with the GAST to obtain input and advice on who should be interviewed, and on the interview questions that should guide the confidential interviews.
- On August 6, 2009, we shared with the GAST our preliminary reflections based on the interviews undertaken to-date and received their input on the on-line survey questions.
- On September 11, 2009, we met with the GAST and reviewed the online survey results, as well as our draft findings and proposed recommendations for Phase II.

We conducted confidential interviews with over 75 select PJM members, PJM staff, management, and Board members, and with others, including OPSI, the PJM Market Monitors, and several RTOs. The intent of the interviews was to gather broad based and diverse input from stakeholders on the stakeholder process. With the advice of the GAST, the facilitators selected to interview six members from each sector, with the exception of the Other Suppliers sector, from which we interviewed a total of seven members. Due to its size, in terms of number of members, and diversity, we felt this sector merited an additional interview. The Sector Representatives assisted in ensuring that the interviewees selected reflected a diverse range in terms of geography, scale, and business type within each of the sectors.

Interviews covered such topics as the multi-level committee structure, decision-making, meeting mechanics, and interface with the PJM staff, management and Board (see the member interview protocol in Appendix B³). Interviews were confidential. We stated that we would share only substantive views and findings in written and verbal reports, without attribution to individual name, title, or organization. Interviews lasted between one and two hours. In some cases, a company or organization enlisted several of its staff or its members to participate.

³ The interview protocol were close, but not identical, for every member as new issues arose throughout the process, including issues relevant to specific sectors or even to specific members. Interview protocols for PJM staff, management, and Board as well as for OPSI, IMM, and other RTOs, required additional customization.



In addition, we conducted three focus groups, one with representatives from all 13 OPSI states and D.C., one with several past MC Chairs, and another with over a dozen PJM staff responsible for facilitating meetings. We also interviewed five PJM senior executives, the chair and vice-chair of the PJM Board, and senior executives at four other RTOs. The interviews by company or organization are listed in Table 1A. More detail on the interviewees and focus groups can be found in Appendix C.

We also observed some PJM stakeholder meetings, in person or via teleconference, including meetings of the Markets and Reliability Committee, the Markets and Implementation Committee, the Credit Risk Management Committee, the Black Start Working Group, the Scarcity Pricing Work Group, the Spread Bidding Task Force, and the Governance Assessment Special Team.

Based on the interview findings, literature review, and meeting observations, we developed an on-line survey for all PJM members to complete.

From August 11 to August 28, all PJM members, including affiliates, were given the opportunity to complete the survey on-line. We asked that each member complete only one survey per company and to coordinate, as needed, internally to ensure a company-wide response. The survey consisted of over 50 questions covering a range of topics, including demographics, overview, structure and meetings, decisionmaking, role of PJM staff, management, and Board, and state regulators. The questions were primarily scaled from one to six (1 to 6), and included a statement or proposition about which we asked respondents whether they agreed or disagreed, and to what degree. Additional questions were multiple choice or open-ended. The survey questions and response data are provided in Appendix D and some results drawn into the text of the report as appropriate.

Table 1A: Interviews by Sector and Organization

Sector	Company or Organization
Transmission Owners	AEP
	Dominion
	Exelon
	First Energy
	PPL and PSEG
	Rockland Electric
Generation Owners	Calpine Energy Services
	Edison MMW
	Mirant Potomac River
	NextEra Energy Power Marketing
	Premcor Refining Group
	RRI
Electric Distributor	Borough of Chambersburg
	DEMEC
	North Carolina Electric Membership Coop
	Old Dominion Electric Coop
	Pepco Holdings International
	PJM Public Power Coalition
End Use Customers	Lehigh Cement and Arcelor Mittal
	Linda Energy Services, Inc.
	Ohio Consumer Counsel
	Pennsylvania OCA
	PJM Industrial Customer Coalition
	Severstal Steel
Other Suppliers	DC Energy
	Energy Connect
	Epic
	Hess
	JP Morgan
	Shell North American
PJM	Staff- Committee Chairs and Secretaries (11)
	Management (5)
	Board Members (2)
Other	Independent Market Monitor (IMM)
	Organization of PJM States (OPSI) (14)
	PJM Members Committee past and present Chairs not covered in other sectors (2)
Regional Transmission Operators (RTOs)	ISO New England and NEEPOOL
	New York ISO
	Midwest Independent System Operator
	Southwestern Power Pool

114 organizations filled out the on-line survey. We tallied responses for all PJM members including affiliates (107), by Members Committee voting sector (not including affiliates), and listed OPSI responses (7) as separate line item.

As Figure 1A shows, 72% of online survey respondents were MC voting members, 22% of respondents were affiliates, and 6% were OPSI members. As Table 1B shows, participation by MC voting members ranged from 13% for Other Suppliers to 87% from Transmission Owners.

From August 31 until September 17, utilizing the multiple sources of data described above, we prepared our findings and our proposed recommendations. These results, were shared in slide format with the GAST on September 11 for final input and advice. The draft final report was provided to PJM on September 17, 2009, in preparation for the September 24 Members Committee meeting. In addition, the GAST met separately on September 15, 2009, to prepare its advice regarding our findings and Phase II recommendations for the Members Committee. ■

Figure 1A: Online Survey Respondents by Type of Member

5. Is your organization ...

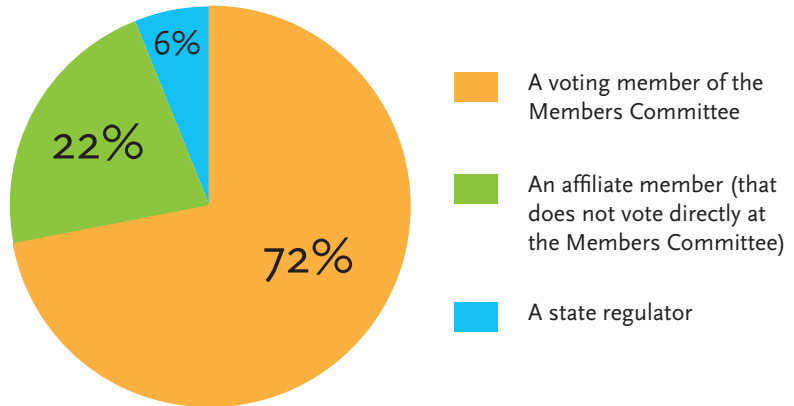


Table 1B: Online Survey Respondents by Sector

	Respondents	PJM Members	% Members
All PJM Members (with Affiliates)	107	538	20%
By MC Voting Sector (without Affiliates)			
Transmission Owners	13	15	87%
Generation Owners	12	62	19%
End Use Customers	12	24	50%
Electric Distributors	16	35	46%
Other Suppliers	29	228	13%
Total MC Voting Members	82	364	23%
Affiliates	25	174	14%
OPSI (State Regulators)	7	14	50%
Total Respondents PJM Members/OPSI	114		
<i>Note: PJM Members as of 9/1/09</i>			

Chapter 2

Overall Goals, Objectives, and Satisfaction with Stakeholder Process

THE PJM STAKEHOLDER PROCESS is an extensive, multi-layered process for making decisions and providing advice on two primary objectives of PJM—ensuring reliability and robust, non-discriminatory competitive markets.

Authority

In PJM, many of the Section 205 of the Federal Power Act rights which are sometimes retained by the independent regional transmission operator (RTO), have been granted to the members themselves via the PJM’s Operating Agreement (OA). Though the relationship between tariffs and the 205 rights granted through the Operating Agreement is complex, and can best be understood on a case-by-case basis, suffice it to say that, as members, the PJM stakeholders have retained 205 rights on numerous (though not all) issues and areas. Thus, the PJM stakeholder process is relatively unique among RTOs in that the members’ decisions are not merely advisory to the independent operator or Board, but in many cases, are de facto binding or incumbent upon the operator.¹

Membership

As Table 2A illustrates that PJM has 554 members as of September 1, 2009, including power generators, transmission owners, electricity distributors, power marketers and large consumers. The members include both individual members who are separate and distinct companies and member companies who are affiliates of another PJM

¹ Although the Board can always make its own Section 206 filing, these generally necessitate a higher burden of proof than Section 205 filings.

Table 2A: PJM Membership by Sector

	Voting Members	Affiliates	Subtotals
Generation	62	55	117
Transmission	15	42	57
Electric Distribution	35	7	42
End Users*	24	3	27
Other Suppliers	228	67	295
TOTALS	364	174	538**

* Note that the End Users voting number of 24 includes 15 standard voting members and nine voting “Ex-Officio Members”—the Consumer Advocates. The OA calls the Consumer Advocates a separate class of voting members because they are relieved of certain requirements (i.e., no default allocation or weighted interest charge, and their dues are lower).

** In addition to the 538 members listed above, there are 13 non-voting Emergency Load Response Program Members and three non-voting Associate Members. This brings the total to 554.

member company (e.g. a generation company or electric distribution company as a subsidiary of an integrated electric utility).

Participation of members is divided into two somewhat distinct roles. All members can participate in all working groups, task forces, subcommittees, and lower-level committees. At the two highest-level standing committees, the Members Committee (MC) and the Markets and Reliability Committee (MRC), only members (currently totaling 364 members) with voting rights can vote at these highest levels. Rights are generally defined such that only the corporate parent company can vote at the MC and MRC levels. Thus, an integrated electric utility with several generation, transmission, and electric distribution

companies may only vote as one entity in the highest-level committees, but its affiliates may participate actively in all lower down committees and working groups.

Table 2A also shows how PJM membership is further delineated by sector. Currently PJM has five sectors that include Generation Owners, Transmission Owners, End Users, Electric Distributors and Other Suppliers. The members have developed a definition of sectors and members, and when an applicant seeks membership, the applicant must note to which sector they are qualified to belong and, as noted above, indicate whether they intend to be an affiliate or MC/MRC voting member. The sector definitions seek to provide some consistency among members within a sector. The Other Supplier sector is perhaps the most diverse and complicated. It includes generators outside PJM, electric distributors outside of the PJM footprint, power marketers, demand side management suppliers, energy traders, consultants, and others.

State regulators do not participate as voting members in the process. Though consumer advocates of some states have joined as voting members in the End Users sector, state regulators, to date, have chosen to not participate as voting members. State regulators do participate via the Organizations of PJM States, known as OPSI. Some entities have chosen to retain agents to represent their interests in the PJM member process, primarily in the End Use and Electric Distributor sectors.

Figure 2A: PJM Stakeholder Process Goals

7. An essential goal of the PJM Member stakeholder process is to (1-strongly disagree, 6-strongly agree):

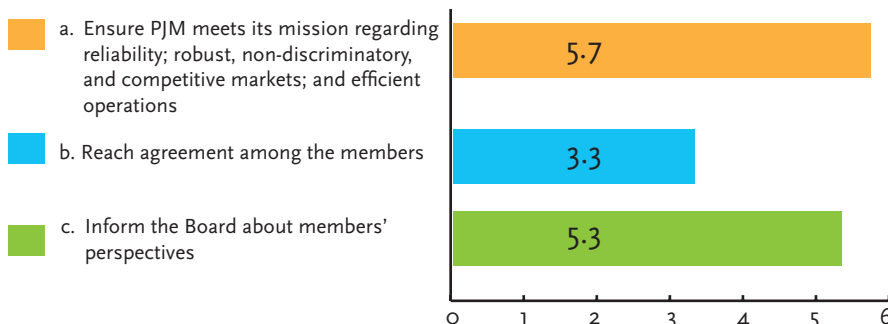
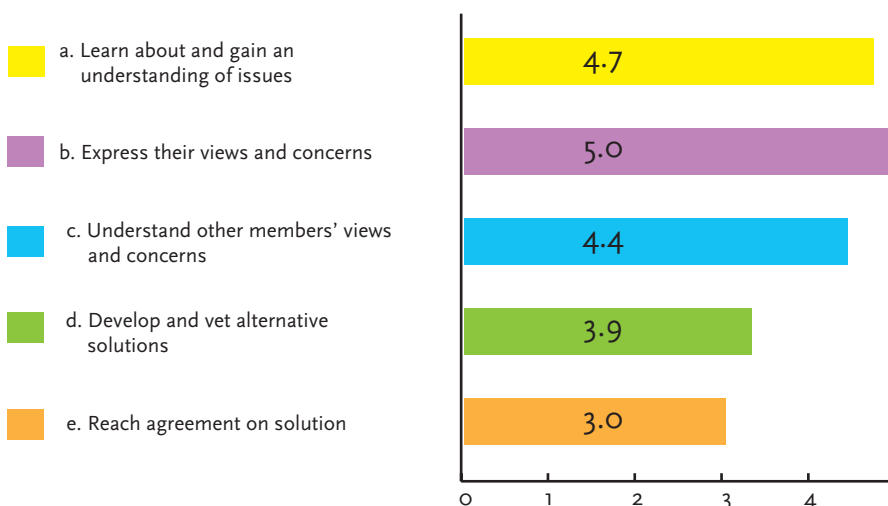


Figure 2B: PJM Stakeholder Process Objectives

8. The stakeholder process does a good job allowing members to (1-strongly agree, 6-strongly disagree)



Context

We believe it is important to keep in context the range of views on the PJM stakeholder process. Through our interviews, interaction with the GAST, and the survey, we learned that PJM has undergone substantial changes in the last five years. This dynamic environment has likely contributed to the complexities of and concern about the stakeholder process.

In the last several years, PJM has expanded the size of its service territory and members. This has brought in

numerous new entrants, a new and more diverse state regulatory context, more diverse organizational structures of individual members, and new geographic preferences and values. The impact of this change to the previous PJM relationships and structures should not be minimized. PJM is also maturing as an organization and has undergone a major management change in the past few years. PJM’s dynamic, visionary, and forceful leader left and was replaced with a different kind of management. Such leaders are powerful in setting organizational culture and changes in that kind of management often take time to shift and improve the problems the leaders left behind while also maintaining and building on the strengths and values they instilled.

In addition, the wholesale electricity markets are maturing. Many interviewees noted, in retrospect, that the early decisions about markets and reliability were broad, exciting, and in hindsight, relatively easy. The market design solutions to build upon and enhance this foundation are more complex, tend to have greater allocative effects (who bears cost and risk), and must be done within a market structure that is now already established. We also note that issues such as demand response and capacity markets also perplex and cause confusion at many other Regional Transmission Organizations (RTOs). Lastly, the broader political, economic and technology context is rapidly changing. PJM and its members just experienced perhaps the greatest world-wide financial panic since the Great Depression. A new administration with different views of energy markets and climate change has just assumed power in Washington, D.C. and new technologies for advancing electrical supply and demand are rapidly entering the market (from real-time metering to renewable energy). Given these changes, it should be of little surprise that the stakeholder process has faced its share of challenges.

Table 2B: Vetting Issues in Stakeholder Process

	# of Respondents	Mean	Standard Dev.
10. Even when members can’t reach agreement on a solution, it is still beneficial for issues to be fully vetted through the PJM stakeholder process (1=strongly disagree, 6=strongly agree)			
All Members (with affiliates)	107	5.2	1.0
By Sector (without affiliates)			
Transmission owners	13	5.2	1.4
Generation owners	12	5.5	0.5
End use customers	12	5.1	0.7
Electric distributors	16	5.4	0.8
Other suppliers	29	5.2	1.2
OPSI (state regulators)	7	5.4	0.8

Stakeholder Process Goals and Objectives

PJM members are strongly aligned regarding the goals and relative priorities of the Stakeholder process. As Figure 2A (Q7) shows, both ensuring that PJM meet its mission regarding reliability, competitive and efficient markets as well as informing the Board about members’ perspectives are more important with very high means (5.7 and 5.3 respectively) than reaching agreement among members (mean 3.3).²

The members also have a high degree of agreement as to what the stakeholder process does well, and what it struggles with. As Figure 2B (Q8) shows, the stakeholder process serves very well as a forum for stakeholders to express their views (5.0), learn about issues (4.7),

² We note that throughout the online survey we used 1-6 point scales, and calculated the means (average) of responses for all PJM member respondents (including affiliates), and for each sector (without affiliates) and for OPSI. The middle of a 1-6 point scale is 3.5. The standard deviation was also calculated around each mean. The standard deviation +/- around the mean captures 2/3 of the respondents. Small standard deviations indicate convergent opinions around the mean, while large standard deviations indicate divergent opinions around the mean.

and understand other members' perspectives (4.4). The process also serves reasonably well as a forum for developing and vetting alternatives (3.9); however, it is perceived as less effective at reaching agreement (3.0).

Nonetheless, as Table 2B illustrates (Q10) in one of the strongest positives in the entire survey (mean 5.2), all sectors felt strongly that it is still beneficial for issues to be vetted through the stakeholder process even when members can't reach agreement. It is worth noting that members' survey responses indicated that they feel the stakeholder process doesn't do a great job brokering agreement among members, they also don't feel that reaching agreement is necessarily the most important goal of the stakeholder process. Yet not reaching agreement on key issues in recent years, such as on the design of a capacity market or on demand response incentives, has been a great source of consternation to many members based on our interviews. We also note that because the member process itself is imbued with greater 205 rights than other RTOs, the need (or at least expectation) to reach agreement in the PJM stakeholder process may be relatively greater.

Overall Satisfaction

Based on the survey, members' overall satisfaction with the PJM stakeholder process is modest with a mean of 3.4 (Q13), and a range of 3.1 (End Use Customers) to 4.0 (Generators). Based on our interviews and other survey questions, the source of members' view of the process appears largely due to feelings that the process can be both more efficient and fairer. Efficiency relates to how effectively and expeditiously issues move through the stakeholder process from formation to final approval (or lack thereof). With regard to fairness, when asked whether the members agreed that the stakeholder process does a good job "reasonably balancing competing interests", the mean was only 2.8 (Q11), and a range of 2.7 (Transmission) to 3.6 (Electric Distributors). Throughout the rest of our report we focus in greater depth on a range of issues related to both the efficiency and fairness of the Stakeholder process. ■

Chapter 3

PJM Stakeholder Structure and Meetings

Findings: Structure and Meetings

» Structure

AS ILLUSTRATED IN FIGURE 3A (on the next page), the PJM Member stakeholder process is comprised of a myriad of Committees, Sub-Committees, Working Groups, Task Forces, and User Groups. At the top of the stakeholder process is the Members Committee (MC) which links the stakeholder process to the independent PJM Board of Managers. Just below it is the Markets and Reliability Committee which rolls up issues from most of the standing committees below it before they go to the MC. Below the MC and the MRC, are the Lower Level Standing Committees including Planning, Operating, and Market Implementation.¹ Below the Standing Committees are a multitude of more issue-specific Working Groups, Task Forces, and Sub-Committees that report to the Standing Committees (hereafter referred to collectively as “working groups”).² Both the MC and MRC use sector-weighted voting (described in the next chapter), while the rest of the Committees and working groups use a simple majority rule when they vote.

During our interviews, we heard concerns about:

1 We note that there are also numerous other Committees and even one working group (GAST) that reports directly to the MC, rather than through the MRC.

2 We recognize that there are some differences in theory among the three (e.g., “subcommittees” are standing committees, and “work groups” are life-limited), however, the distinctions are not very important for the purposes of this report. We would recommend collapsing at least work groups and task forces into one kind and name of group if not collapsing all three into the term “subcommittees” unless there are real, clear and important distinctions.

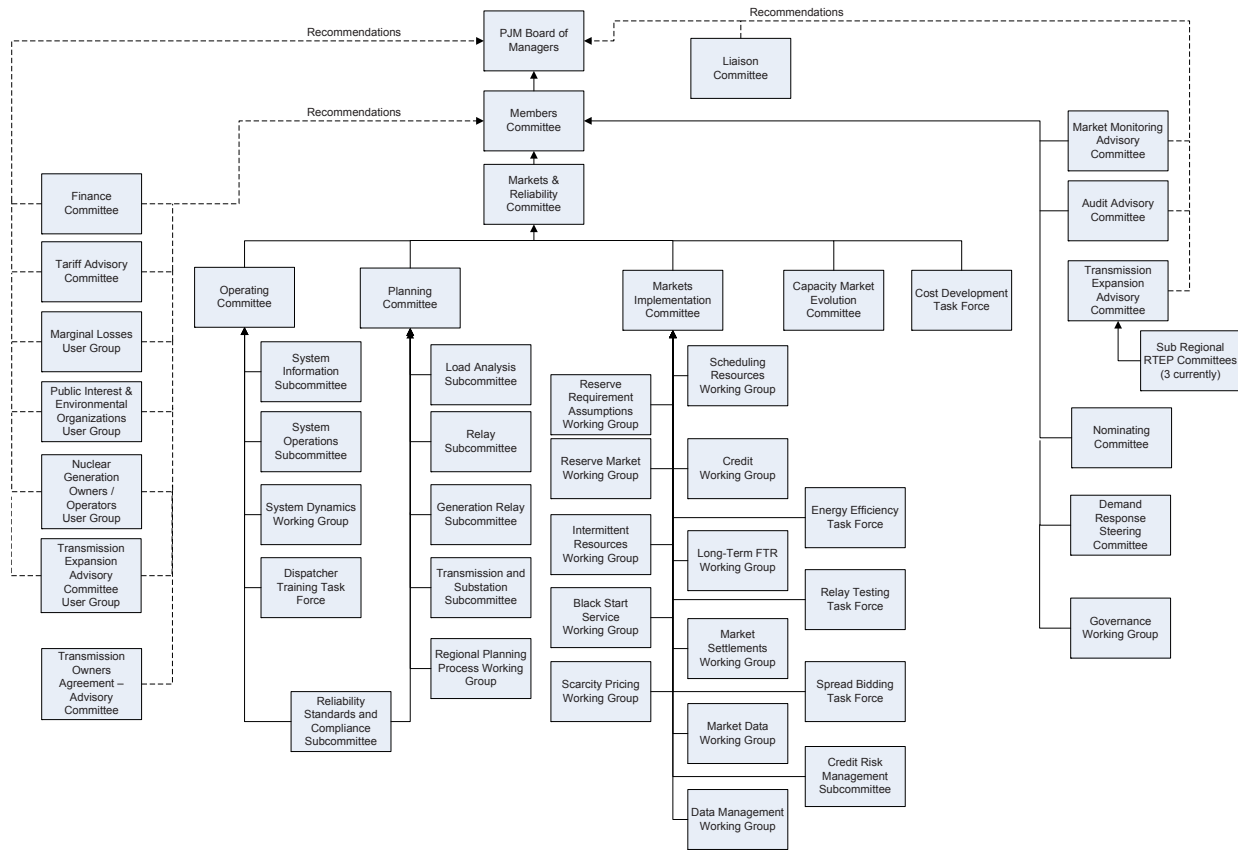
- Too many issues and too many meetings, especially for smaller members
- Inefficiencies in the chartering, structuring and conducting of Committees and work groups
- Issues taking too long and revisited too often as they move from working group to the MC
- Challenges for participating by phone

We note here that we also heard a lot about decisionmaking related issues, and PJM management of meetings—which we deal with in subsequent chapters. Here we deal with the overall structure of the stakeholder process, and then hone in on meeting mechanics and related issues.

Regarding the overall structure of PJM’s stakeholder process, we are interested in both its vertical structure (from the working groups up through the MC) and horizontal structure (number and type of Standing Committees, and of working groups). PJM’s stakeholder process is basically a four-tiered process: (1) MC, 2) MRC, 3) other Standing Committees, and 4) working groups. All the other RTO Stakeholder processes have just 3 levels (Senior Committee, Standing Committees, Working Groups). The main difference is the addition of the MRC level, which PJM members use as a forum for integrating markets and reliability issues that are treated separately at the Lower Level Standing Committees, ascertaining a direction of support for an issue via sector weighted voting at the MRC prior to the MC, and approving members’ manuals. In other RTOs this integration is usually done at the Senior Committee Level (comparable to the MC) or at the Lower Standing Committee level.

As one option to streamline the stakeholder process vertically, we explored with the members eliminating the MRC and distributing its current roles and responsibilities

Figure 3A: PJM Member Stakeholder Process Structure



among the MC and Lower Level Standing Committees. We heard from interviewees concerns that the 1) MC has become “pro forma” since little discussion takes place there and that they would like to see the MC reinvigorated with deliberation and not just voting, 2) MRC appears somewhat redundant to either the MC or other standing committees, and 3) MRC requires yet one more meeting with only partial participation from members. However, as can be seen in Table 3A PJM members were not overly enthusiastic about the idea on average with a mean of 2.9 (Q20), and a range of 1.8 (End Use Customers) to 3.5 (Transmission Owners). However, this question had a very large standard deviation (1.9 around all members mean), indicating that many

Table 3A: Potential Elimination of the MRC

20. Members should consider eliminating the Markets and Reliability Committee (MRC) and distributing its current roles and responsibilities among the Members Committee (MC) and Lower Level Standing Committees (1=strongly disagree, 6=strongly agree)

	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	2.9	1.9
By Sector (without affiliates)			
Transmission owners	13	3.5	2.1
Generation owners	12	2.6	1.2
End use customers	12	1.8	1.5
Electric distributors	15	3.1	2.2
Other suppliers	27	3.4	1.9
OPSI (state regulators)	6	2.2	1.3

members thought this was a valuable idea and many others disagreed. We also received many comments in the interviews and on the survey supporting the idea of absorbing the MRC, or otherwise seeking ways to move from 4-levels to 3.

Although we did not test for it in the online survey, we had substantial comment on the need to try and streamline and reduce the number of committees and working groups. Members are concerned about having too many groups they need to monitor and attend. But we also heard numerous concerns about whether certain groups had outlived their usefulness.

As of September 15, 2009, the PJM stakeholder process structure includes:

- 15 Committees
- 14 Working Groups
- 8 Subcommittees
- 5 Task Forces
- 4 User Groups
- 46 Total (Committees, Subcommittees, Working Groups, Task Forces, and User Groups)

Some argued that groups should be consolidated, and others argued that some should just be sunset. In our research regarding other RTOs, some appeared to have a more compact horizontal structure, for instance with fewer and more consolidated standing committees (e.g., New York ISO—Operating Committee and Business Issues Committee, both reporting directly to the senior Management Committee).

» Meetings: Number of Meetings

According to the September 2008 Government Accounting Report (GAO)³ as shown in Table 3B, PJM holds over

3 Electricity Restructuring: FERC Could Take Additional Steps to Analyze Regional Transmission Organizations' Benefits and Performance. Government Accounting Office, September 2008.

Table 3B: Number of RTO Stakeholder Meetings per Year

PJM	330
Midwest ISO	611
New York ISO	280
ISO New England	184
Southwest Power Pool	202

Source: GAO Report

Figure 3B: Annual PJM Member Meetings (Approximate)



300 meetings per year, which is more meetings than any other RTO reviewed in that report except for the Midwest ISO, which holds twice that number (over 600) each year.

As Figure 3B, which resembles a pyramid, shows, the bulk of PJM meetings are held at the working group, task force, and subcommittee levels (about 75% of the total number of meetings held). Another 20% of the meetings are held at the Standing Committees, not including the MRC and MC, which only account for about 5% of the total number of meetings.

As Table 3C shows, fewer than 5% of survey respondents believe that there are too few meetings (Q13), however, there is a range of views on this issue. Survey respondents were nearly split about whether there are “too many meetings” (45%) or “just about the right number” to accomplish PJM’s work load. While 100% of End Users believe there are too many meetings almost 73% of Generation Owners feel the number of meetings is just about right.

Though there is no agreement among sectors on this question, our interviewees did note that the stakeholder process is resource intensive, that scheduling so many meetings is difficult, and that for those stakeholders with more limited resources, extensive participation at all levels is extremely burdensome.

» Meetings: Improving the Efficiency of the Overall Process and Individual Meetings

Given the number of meetings and the concern of some members about their capacity to participate fully, we explored in our interviews and in the survey if and how members might improve the efficiency of the overall process. We asked if members were taking on too much each year, and whether they might be able to increase the efficiency of the process through greater prioritization of issues and setting firmer deadlines for the work.

PJM members on average believe somewhat that the process is taking on too many issues each year (mean of 3.8, Q15) though the sectors are split on this issue (End Use customers do believe the process takes on too much, mean of 5.1 and Other Suppliers less so mean of 3.4). Respondents believe somewhat more strongly, however, that PJM and its members can do a better job

Table 3C: PJM Meetings to Accomplish Workload

14. Do you think the current number of PJM stakeholder-related meetings needed to accomplish PJM’s workload is ...				
	# of Respondents	Too Few	Too Many	Just about the Right #
All Members (with affiliates)	104	2.9%	45.2%	51.9%
By Sector (without affiliates)				
Transmission owners	13	7.7%	46.2%	46.2%
Generation owners	11	0.0%	27.3%	72.7%
End use customers	12	0.0%	100.0%	0.0%
Electric distributors	16	0.0%	62.5%	37.5%
Other suppliers	28	7.1%	28.6%	64.3%
OPSI (state regulators)	6	0.0%	16.7%	83.3%

prioritizing the issues (mean of 4.1, Q16) though again, sectors are somewhat split, 3.4 mean for Generators and 5.0 mean for Electric Distributors. Respondents were also supportive of setting firm time tables for resolving the issues members undertake (mean of 4.1, Q17).

We also wanted to explore how members might improve the efficiency and effectiveness of individual meetings. As Table 3D shows, members were very supportive of improving the effectiveness of participation by phone (mean of 4.5, Q26). Survey respondents’ suggestions for how to improve phone participation included ideas like:

- “Improve phone voting procedures. An improvement, for example would be to not use the same phone number to ask questions and also register a vote.”
- “Develop norms for telephone participation. For example, who is speaking in the room and on the phone, queuing telephone remarks, leverage technology to queue questions and take votes.”

Members were also supportive of the idea of spending more time at the beginning of group work to identify and clarify the problem members are attempting to solve, defining criteria for evaluating various options

against one another, and generating multiple, rather than singular, options (mean 4.2, Q22). Respondents were also supportive of ensuring that the Standing Committees that charter working groups and task forces better manage their scope and timing (mean of 3.9, Q21). One survey respondent noted: “Consistently follow handbook protocols as proposed by GWG and approved by the Members Committee in all working groups and committees. This would include developing a detailed workgroup objective to allow the membership to understand the level of effort and time that could be involved to fully address that initiative.”

Respondents were also supportive of establishing clearer groundrules about members’ roles and responsibilities, and norms of behavior (mean of 3.9, Q19). Suggestions included establishing norms for meeting behavior, establishing clearer procedures for handling amendments at the higher level Standing Committees, and for limiting the duration and number of times any one member can speak in order to keep everyone on track. Members were more neutral on whether each item on meeting agendas should include start times and durations (mean of 3.5, Q18).

Both interviewees and survey respondents also commented on other meeting mechanics issues. Some recommended posting materials for each meeting several days in advance and updating or adding any new materials the night before the meeting. Some offered suggestions about where to hold the meetings. Ideas included continuing to meet primarily at Wilmington, holding more meetings near the Baltimore-Washington airport, and/or holding meetings throughout the PJM territory.

» Meetings: Meeting Participation

In our interviews, we did hear some concern about the participation in PJM proceedings of the higher-level management of members’ organizations. Some noted that fewer high-level managers participate even in the Members Committee meetings, let alone lower level

Table 3D: Suggested Meeting Improvements

Suggested Meeting Improvements	Mean
Improve the effectiveness of participating in meetings by phone (Q26)	4.5
Spend more time at the outset of work on issues identifying and clarifying the problem, defining criteria, and generating multiple options (Q22)	4.2
Lower Level Standing Committees better manage the scope and timing of the work groups that serve them (Q21)	3.9
Have clearer groundrules about members’ roles and responsibilities, and norms of behavior (Q19)	3.9
Agendas should include start times and durations (Q18)	3.5

proceedings. Some raised concern that without high-level management present to make practical trade-offs, the on-going participants in the PJM process have become more entrenched in their positions, less willing to make trade-offs, and current representatives may not be reflecting the more nuanced views and flexibility of their management. However, when we posed the question in the survey, members were very clear that they did not think the process would benefit from greater direct participation by senior managers and executives (mean of 2.3, Q23). Some interviewees also expressed concern about some PJM members barely participating, if at all, in the stakeholder process. However, when we asked if there should be a requirement for members to participate in at least one stakeholder meeting per year, again, respondents were not supportive (mean of 2.9, Q24) although there was some variability among sectors, with End Use Customers strongly against the idea (mean of 2.0) and Transmission and Generator Owner sectors more neutral (mean of 3.5).

Recommendations: Structure and Meetings

Our interview and survey results indicate that PJM and its members should examine ways to further streamline the stakeholder process structure both vertically and horizontally. Although the online survey results did not show substantial support for absorbing the MRC into the

MC and Lower Level Standing Committees, given the very large standard deviation (1.9 around all members mean of 2.9), and based on comments we received both on the survey and in interviews, we believe that it is worth exploring further all the ramifications of absorbing the MRC (as well as other options to move from a 4 to 3-level process). However, this exploration should be in the context of an overall structure and decisionmaking package proposed for Phase II. We also recommend exploring whether the process can be consolidated horizontally, such that there are fewer Committees and working groups, and establishing clearer and fewer terms for groups. For example, in Phase II members could explore whether all the groups working underneath a Standing Committee should be known as Subcommittees to reflect the tighter management of their work that members support (discussed elsewhere in this report). We note that the horizontal and renaming issues, can probably be done relatively early in the Phase II process (and on some regular cycle thereafter) and need not be part of the latter part of Phase II focusing on decisionmaking and the vertical structuring issues related to the MRC. Taken together the vertical and horizontal restructuring could help address a range of members' concerns about the process from having fewer forums for them to have to monitor and participate in to having issues potentially being processed more expeditiously from bottom to top in the stakeholder process.

Our interviews and the survey results indicate the need for PJM and its members to optimize stakeholder meeting mechanics and process. Members have numerous ideas about how to improve the meeting process. We recommend that participants in the Phase II process take up these ideas, refine and prioritize them, and make recommendations about how to implement the best ideas across the stakeholder process uniformly and consistently. We have identified and listed below two key areas with several specific topics for the Phase II process to develop further.

Fine-tune process of selecting and prioritizing issues:

- Consider how and when to prioritize issues in the annual work plan and at Standing Committees

- Charter working groups in more detail and establish deadlines and more frequent report backs
- Detail how work groups should spend time at the beginning of work to identify and clarify the problem members are attempting to solve, define criteria for evaluating various options against one another, and generate multiple options

Improve meeting procedures and mechanics (voting procedures, phone participation, etc.).

- Develop “rules of the road” for meeting participation
- Improve experience of phone participation;
- Develop norms for phone participation and interaction with in-person participants
- Evaluate use of video-conferencing
- Craft clearer directions for amendments and voting at the MRC and MC
- Improve agenda formats and agenda development
- Review meeting materials’ posting and updating requirements ■

Chapter 4

Decisionmaking

Decisionmaking Process Description

DECISIONMAKING WITHIN THE PJM stakeholder process involves far more than voting. It includes discussing ideas, issues, rationales, and disagreements, generating proposals, and ultimately, making a decision at the Members Committee (MC) using sector-weighted voting. For overall planning purposes, PJM and its members develop an annual work plan to identify the key issues that need to be addressed over the course of the year. If, at any time, an additional issue or concern arises, a member, or members, may raise the topic and request that it be taken up in some form. The standing committees then create or charter a new subcommittee, task force, or work group, if one is not already in existence, to “work” a particular issue or topic.

Ideas and proposals are usually generated at the subcommittee, work group, and task force level. In some cases, a member will bring forward a specific proposal. In other cases, PJM staff themselves will generate a proposal or options to solve a particular problem. In some cases, the group itself works through the issues and collectively identifies one or more proposals. After discussion, consideration, and refinement, one or more proposals is typically forwarded to the lower level standing committees. At all levels, except for the MRC and MC, the voting mechanism is typically and currently by a simple majority vote of those companies in attendance, represented either in person or by phone (by a company employee or agent). A majority of members (including affiliates) votes a proposal forward or down. This vote does not preclude individual members from raising the same issue or proposal at higher levels or from forming a Users Group. Votes only report a tally, and do not indicate

which organizations supported a particular proposal and which organizations opposed it.

At the Markets and Reliability Committee (MRC) and the MC, a different voting rule applies. This voting rule, spelled out in the Operating Agreement (OA) is called “sector-weighted voting” (the voting rules other than for the high level standing committees are not described in the OA). Each of the five sectors is granted 20% of the total vote. Individual member votes (note that affiliates do not vote at this level) are tallied within a sector by noting the fraction of “yeas” and “nays” within each sector (totaling one for each sector). The sector-weighted vote must tally, in total, more than a super-majority (over two-thirds) or, as calculated by sector-weighted voting, more than 3.335 out of five. In this way, no one sector can dominate by sheer number of members (i.e., the Other Supplier sector, with more than 200 members, has the same 20% weighted vote as the Transmission Owner sector, with only 15 members).

When a decision meets the sector-weighted threshold, it is forwarded to the PJM Board, and ultimately, submitted to FERC as a filing. As noted above, when the members reach a decision on issues where the members have 205 authority, per the Operating Agreement, it is essentially incumbent upon the Board to file accordingly. Theoretically, the Board could contest the members in a 206 filing by the Board,¹ but this would be legally

¹ Generally Section 206 filings, which need to make the case that an existing tariff or rule is not “just and reasonable,” have a higher burden of proof than Section 205 filings, which only have to show that a proposal is likely just and reasonable (this standard usually provides for a range of alternatives that might meet this criteria), and will take effect in 60 days if no protests are filed (or if FERC chooses not to suspend and investigate on its own).

complex, organizationally highly contentious, and to our knowledge, has never been done. When the members cannot reach an agreement, the Board may act in at least two ways. It may be silent on the issue until the members reach an accommodation, if there is no FERC imposed deadline or some other perceived deadline for action. Or, if it feels the resolution of the issue is imperative to ensuring the reliable and efficient operation of PJM, the Board may file in the absence of a member agreement. The Board has filed as such on a few limited, complex, high stakes, and highly contested issues such as the Reliability Pricing Model (RPM).

Lastly, it is noted that any changes to the Tariff or Operating Agreement (again, as noted above, tightly intertwined in PJM's case) must be approved by FERC. Individual PJM members do retain the right to intervene at FERC outside of the "PJM position" if they so choose to.

In the rest of this chapter we look at three distinct areas related to decisionmaking within the PJM Stakeholder process: 1) clarity and transparency; 2) effectiveness and efficiency; and 3) fairness.

Decisionmaking Findings

» Clarity and Transparency

Several issues relating to the clarity and transparency of the PJM decisionmaking process surfaced in our interviews with members:

- Voting rules are not clear and consistently applied, especially at the working group and standing committees
- Senior committees don't always know who supported proposals elevated from below, and how that might translate into a sector-weighted vote
- Concerns that the Board still doesn't really know where members stand on contested issues (covered in a subsequent chapter of this report on the Board)

There was broad agreement in the online survey responses that voting procedures at work groups, task forces, and lower level standing committees were:

- Often unclear and confusing – mean of 4.2 (Q37), with a range of 3.3 for Generators to 4.9 for Transmission/Electric Distributors
- Not uniform – mean of 4.1 (Q38), with a range of 3.7 for Generators to 5.1 for Electric Distributors

PJM Chairs/Facilitators acknowledged the confusion and inconsistency during our focus group with them,² and many members mentioned this during our interviews. The lack of uniformity and clarity about voting procedures results in unnecessary and unproductive confusion among members, and makes it more challenging than necessary for PJM staff to run effective meetings.

Currently, votes at lower level standing committees and below only capture the vote count, but not who supports what. We heard during our interviews that this can lead to confusion when issues are promoted to the next level, as it is not always clear who supported what and how the vote lower down might translate into a sector-weighted vote later on. Numerous interviewees pointed to instances in which overall support for various alternatives on a particular issue shift dramatically as these alternatives move up the decisionmaking chain, given the changing decision rules and participants.

In their responses to the online survey, the members in each and every sector indicated that voting at the lower level standing committees needs to be more transparent to the senior committees, so that the senior committees are cognizant of how PJM members and sectors voted (Q39) – means ranged from 4.0 for the Generation sector to 5.3 for the End Use Customer Sector. However, members were more divided on whether lower level standing committees should use sector-weighted voting to increase transparency (Q40)—means ranged from 2.8 for the Transmission to 5.2 for the End Use Customers.

² One poignant example of this was confusion among the PJM Chair/facilitators as to whether Exelon's recent proposal regarding voting at the working group level was in effect or not.

Members apparently see less need for lower level standing committees to know how members and sectors voted at the working group level—mean was 3.3, with a range of 2.7 in the Generation sector to 3.7 among Transmission/End Use Customers.

» **Efficiency and Effectiveness: Working Group Level**

Interviewees often expressed frustration with how proposals are developed and agreed to at the working group level of the stakeholder process. As Table 4A (Q42) shows, the survey results indicated very strong agreement across all sectors that working groups should strive for consensus on a single proposal, elevating multiple proposals if no consensus is found—a mean of 5.2.

There was also some support for developing only those proposals at the working group levels that have a reasonable chance of acceptance at the committees above them, with a range of opinion—mean of 3.9 (Q41), and a range of 3.2 for Transmission to 5.2 for End Use Customers. Yet, when asked whether proposals should be required to have a minimum number of supporters at the working group level to go forward, the mean was still positive, but the sectors in support of this were reversed—mean of 3.7 (Q44), with a range of 2.7 for End Use Customers to 4.3 for Transmission.

Efficiency and Effectiveness: MC and MRC Levels

Analysis of voting records from 2007 to 2009 in Table 4B shows that when acclamation and sector-weighted votes are taken together, MRC and MC passed 86% and 88%, respectively, of recorded votes. Overall, this suggests that most decisions are being made by the members. However, MRC and MC passed 38% and 30%, respectively, of the specific sector-weighted votes taken (most of failures were alternative proposals on the same topic).³ As elucidated

3 It is important to note that major issues on which the PJM

Table 4A: Working Group Decisionmaking

	# of Respondents	Mean	Standard Dev.
42. Working Groups and Task Forces should strive for consensus wherever possible; where consensus on a single proposal is not possible, WGs and TFs should elevate multiple proposals to the lower level standing committees to which they report			
All members (with affiliates)	106	5.2	0.9
By Sector (without affiliates)			
Transmission owners	13	5.3	0.8
Generation owners	11	5.1	0.8
End use customers	12	5.4	0.9
Electric distributors	16	5.6	0.8
Other suppliers	29	5.0	1.0
OPSI (state regulators)	7	5.0	1.2

in numerous interviews, members were unable to reach agreement on key, significant issues before them (e.g., RPM, and demand response) resulting in frustration among many with the overall sector-weighted voting scheme, sector definitions, voting thresholds, and other related voting issues at the MC and MRC.

The GAST did suggest an additional analysis that could be done early in Phase II which would consider the number of issues, rather than the number of separate votes, that ultimately were resolved by sector-weighted voting, examining how this has changed over time.

Also significant, as shown in Table 4C, is that, on average, only 32% of eligible MC Voting Members actually voted on any particular issue in 2008 and 2009. Although we suspect that this 32% generally includes the larger members on both the asset owners and customer sides, it is still clear that most of the members that can vote are

stakeholder process has been unable to reach agreement (to pass a sector-weighted vote), most notably those related to demand response incentives and to capacity market design, have also been extremely controversial and difficult to resolve at the other RTOs.

choosing not to do so. This may also be worth exploring further in Phase II.

As Table 4D shows, participation in sector-weighted votes from 2008 to the present (September 2009) ranged from 21% for Other Suppliers to 94% for Transmission.

» Fairness

Over the course of our interviews many issues were raised related to the perceived fairness of the overall stakeholder process, and particularly to voting. We highlight these below.

- Asset owners feel they have more invested and more at risk relative to their voting strength, especially at the sector-weighted voting levels.
- Customers feel that although they ultimately pay the bills, they don't have the resources to fully participate in the stakeholder process at lower levels, which puts them at a disadvantage early in the process.
- Large members feel it is unfair both that they have the same vote as the smallest member within their sector and that they have the same vote as those in other sectors, regardless how small these other members' assets or risks may be.
- Other Suppliers feel their sector is too large and diverse to enable them to have a clear and coherent voice.

Table 4B: PJM MC and MRC Voting Patterns, 2007—August 2009

	Acclamation	Sector Weighted	SW Pass	% SW Pass	SW Fail	% SW Fail	Total Votes	% Total Pass
MC 2007	32	4	2	50%	2	50%	36	94%
MC 2008	49	12	5	42%	7	58%	61	89%
MC 2009	31	7	0	0%	7	100%	38	82%
Total MC 2007-2009	112	23	7	30%	16	70%	135	88%
MRC 2007	43	15	7	47%	8	53%	58	86%
MRC 2008	64	17	5	29%	12	71%	81	85%
MRC 2009	30	8	3	38%	5	63%	38	87%
Total MRC 2007-2009	137	40	15	38%	25	63%	177	86%

Note: Raw data provided by PJM. MC thru 6/4/09 meeting, MRC thru 7/30/09 mtg., missing 2 SW votes on 6/4/09 MC due to technical difficulties

Table 4C: Overall Sector-Weighted Voting Participation (MC 2008-2009)

	# Members	Members present for a Vote	Members present but did not vote	Members voted for	Members voted against	Members abstained
#	326	104	19	39	35	10
%		32%				

Table 4D: Sector-Weighted Vote Participation by Sector (MC 2008-2009)

Sector	# Members per Sector (rounded)	# Members Present for a Vote per Sector (rounded)	% of Sector Members Present for a Vote
Transmission	15	14	94%
End User	23	15	66%
Electric Distributor	31	17	54%
Generation	54	16	30%
Other Suppliers	204	42	21%

Table 4E: Effectiveness and Desirability of Sector-Weighted Voting

30. The current method of sector-weighted voting is...					
	# of Respondents	Effective	Imperfect, but Workable	Not Desirable, but Unlikely to Change	Very Undesirable & Must Be Seriously Reconsidered
All members (with affiliates)	105	27.60%	21.00%	22.90%	28.60%
By Sector (without affiliates)					
Transmission owners	13	7.70%	53.80%	7.70%	30.80%
Generation owners	12	25.00%	25.00%	33.30%	16.70%
End use customers	12	58.30%	25.00%	16.70%	0.00%
Electric distributors	15	80.00%	13.30%	0.00%	6.70%
Other suppliers	28	17.90%	25.00%	46.40%	10.70%
OPSI (state regulators)	6	0.00%	66.70%	33.30%	0.00%

- Some members feel that other members are in the wrong sectors, further diluting their relative power, increasing confusion and mistrust, and making it difficult to caucus effectively.
- Some asset owners expressed concern that a single agent can represent so many members, effectively granting significant power to a few individuals.
- Customers don't like the fact that asset owners can have numerous affiliates voting below the senior committee level. Some asset owners don't like that other asset owners can have more affiliate votes (below the Senior Committee level) simply because of their particular corporate structure.
- Rolling up the data one way, 75% of the respondents indicate that sector-weighted voting is 'imperfect' to 'very undesirable'
- Rolling it up another way, almost 75% indicated that sector-weighted voting was "effective" to "not desirable but unlikely to change"
- Meanwhile, almost half of the respondents find sector-weighted voting either "effective" or "imperfect, but workable"
- From the survey results that do not include affiliate responses there was a range of views among the sectors:

Much of members' concerns and frustration is focused on sector-weighted voting. Table 4E (Q30), pulled from the online survey data demonstrates members' wide range of views regarding the effectiveness and desirability of the current sector-weighted voting, both across and within sectors. The results in this table are enlightening, and we've highlighted several points below.

- From the survey results including affiliate responses we found that:

- A majority of both the Electric Distributors (80%) and the End Use Customers (58%) find it "effective"
- The Other Suppliers (47%) and Generators (33%) give their highest scores to "not desirable, but unlikely to change"
- The majority of Transmission sector members find it "imperfect but workable", while almost 31% say it is "very undesirable & must be seriously reconsidered"

- Two-thirds of OPSI respondents find it “imperfect but workable, and one third find it “not desirable but unlikely to change”

There was a wide range of opinion as to whether sector-weighted voting “reasonably balances competing interests”, with a mean of 3.3 (Q29), ranging from 2.5 (Transmission) to 5.3 (Electric Distributors) and 5.0 (End Use Customers). When asked whether lower level standing committees that currently vote by majority rule should also adopt sector-weighted voting, the mean was also a tepid 3.3 (Q40), with support coming from the End Use Customers (5.2) and Electric Distributors (4.3), who believe sector-weighted voting is reasonable, and opposition from the Transmission (2.8) sector, which has greater concerns about sector-weighted voting, in general.

In our interviews we heard many suggestions for improving sector-weighted voting, including:

- Add more sectors or sub-sectors to reflect growing heterogeneity of some sectors
- Consolidate sectors with similar interests (e.g., end use customers and electric distributors, generators and other suppliers)
- Weight votes (e.g., by asset ownership and load size) within sectors, across sectors, or both
- Change the sector-weighted voting threshold, or allow different thresholds for different types of issues
- Make sure members are in the right sectors (most closely aligned with their line of business)
- Take MC Section 205 filing authority off the table for members and allow it to rest with PJM

We tested some of these suggestions in our online survey, considered how other organizations generally handle such challenges, and researched specifically how other RTOs were handling some of these issues.

We reviewed other organizations outside of the electric sector (see a summary of findings in Appendix E) for possible insights and comparisons. In summary, we identified three interesting comparisons. First, there

Table 4F: Voting Thresholds of Other RTOs

MISO	Simple majority
ISO New England	60% market rules, 66% reliability rules, and 70% Board selection
NY ISO	58%
SPP	Two-thirds

are very few organizations we were able to identify that use any form of sector weighted voting (European Committee for Standardization does use sector weighted voting). Almost all organizations use some form of simple majority, supermajority, or consensus-based (unanimity or close to unanimity) voting rule. Secondly, most other organizations handle voting rights (involving questions of fairness, power, and balance) by managing representation and membership rather than the voting rule. Lastly, we learned that PJM is an interesting case regarding the size of its membership. It is probably too large in its membership (over 100) to use consensus-based decisionmaking at the MC and MRC level, but perhaps too small in its membership (under 1000) to necessarily move to a representative model with fewer but elected representatives (although we note that MISO uses a representative governance structure).

We also found it helpful to compare PJM’s approach to other RTOs. Regarding voting thresholds, PJM currently requires a sector-weighted vote that exceeds 2/3 at the MC and MRC for all issues. As 4F shows, other RTOs have a range of thresholds—some comparable, some lower, and ISO New England has different thresholds for different issues.

When we polled members about PJM’s voting threshold (Q31), an overwhelming 80% of respondents felt it should remain at two-thirds, and the majority in each sector agreed (See Table 4G). However, 25% of both the Generation and Electric Distributor sectors thought the threshold should be lower, and 23% of the Transmission sector and 40% of OPSI thought it should be different for different types of issues. Some interviewees expressed concern that the high threshold prevented key decisions from



being made. However, other interviewees noted, especially those with a concern about sector-weighted voting, that at least the high hurdle prevents any two sectors from dominating.

Sector definitions are integrally tied up with sector-weighted voting, and with decisionmaking more generally, hence we include them here as part of our analysis. There is a range of views on whether to leave sector definitions alone.

Table 4H shows a mean 3.8 (Q33), but with a very high standard deviation 1.9, indicating that many members feel strongly that sector definitions should be changed, and that many others accept them the way they are. Our interviews did suggest that the sector designations of some organizations are at least confusing, if not erroneous. Further work on this issue might provide greater clarity and consistency.

PJM currently has five sectors. As Table 4I shows, other RTOs have a range from five to nine sectors, although when the Southwest Power Pool members vote they roll votes up into two sectors: “Transmission Providers” and “Transmission Users”. The variation probably relates to the original structure of the market players in each RTO, interrelationships with other decisionmaking factors (voting, weighting, etc.), the regulatory context within each RTO, and changing circumstances in the marketplace. PJM members were generally supportive of

Table 4G: Sector-Weighted Voting Thresholds

31. The sector-weighted voting threshold, currently requiring more than 2/3 majority, should					
	# of Respondents	Remain at 2/3	Be Higher	Be Lower	Be Different for Different Types of Issues (e.g. market design vs. reliability issues)
All members (with affiliates)	105	80.00%	1.90%	10.50%	7.60%
By Sector (without affiliates)					
Transmission owners	13	61.50%	0.00%	15.40%	23.10%
Generation owners	12	58.30%	0.00%	25.00%	16.70%
End use customers	12	100%	0.00%	0.00%	0.00%
Electric distributors	16	68.80%	0.00%	25.00%	6.30%
Other suppliers	27	77.80%	7.40%	7.40%	7.40%
OPSI (state regulators)	5	60.00%	0.00%	0.00%	40.00%

Table 4H: PJM Sector Definitions

33. The definitions of each of the current five sectors should not be changed (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All members (with affiliates)	105	3.8	1.9
By Sector (without affiliates)			
Transmission owners	13	2.8	2.0
Generation owners	11	3.5	1.9
End use customers	12	4.8	1.5
Electric distributors	15	5.5	0.7
Other suppliers	29	3.1	1.8
OPSI (state regulators)	6	3.8	1.5

keeping the number of sectors at five, as Table 4J shows, mean of 4.2 (Q32) range of 3.5 (Transmission and Other Suppliers) to 5.6 (Electric Distributors).

Regarding the specific proposal to use a sub-weighting scheme within the very large “Other Supplier” sector to address the heterogeneity of business types within that

sector, there was only mild support, with a mean of 3.8 (Q36), ranging from 3.2 (Transmission) to 4.8 (End Use Customers), with Other Suppliers weighing in with a mean of 3.8.

As, Table 4K shows, respondents strongly support more careful monitoring and enforcement of members' placement in the appropriate sectors mean of 4.8 (Q34). Many interviewees complained that some members are not in the sectors most closely aligned with their lines of business, resulting in a dilution of focus and voting power, as well as an inability to caucus effectively.⁴

Decisionmaking Recommendations

Voting rules and procedures should be clarified and applied uniformly.

Currently, inconsistent and unclear voting rules within and at different levels lead to confusion, to shifting levels of support for proposals as they move up the stakeholder process, and cause general frustration all around. Whatever the voting rules and procedures are (including any potential modifications arising from Phase II and beyond) they should be clear to members and to PJM staff beforehand, and uniform within each level of the stakeholder process (e.g., working group, lower level standing committee) unless there is a clearly articulated and widely understood reason for them to deviate.

⁴ We note that the OA was amended two years ago to include a sector challenge process whereby any member may challenge the sector placement of any other member. However, no member has ever used this formal process.

Table 4I: RTO Sector Number and Names

RTO	Number of Sectors	Sector Names
PJM	5	Transmission, Generation, End User, Electric Distribution, Other Supplier
Midwest ISO	9	Transmission, Independent Power Producer, End User, Public Power, Environmental, State Regulatory, Public Consumer Advocate, Power Marketers/Brokers, Coordinating Members
New York ISO	5	Transmission, Generation, End User, Public Power/Environmental, Other Supplier
New England ISO	6	Transmission, Generation, End User, Public Power, Other Supplier, Alternative Resource
Southwest Power Pool	8	Investor Owner Utility, Independent Power Producer, Large End User, Small End User, Cooperatives, Municipals, Alternative Resource, State/Federal Power Agency

Table 4J: Number of PJM Sectors

	# of Respondents	Mean	Standard Dev.
32. The number of sectors should remain at the current five sectors (1=strongly disagree, 6=strongly agree)			
All members (with affiliates)	105	4.2	1.5
By Sector (without affiliates)			
Transmission owners	13	3.5	1.5
Generation owners	11	4.0	1.5
End use customers	12	4.9	1.4
Electric distributors	16	5.6	0.7
Other suppliers	28	3.5	1.7
OPSI (state regulators)	7	3.6	1.5

Voting results should be more transparent both within the PJM members process and between the members and the Board. At a minimum, PJM and its members should explore ways to inform upper level standing committees (MRC and MC) what organizations supported which of various alternatives (at least on controversial issues) at the lower level committees (and potentially at the working group levels). Some of

our interviewees, especially PJM staff, noted that this could be administratively burdensome. Ways to minimize such burdens, while accomplishing the objective should obviously be fully explored. If transparency is increased, standing committees would better be able to discern the likely outcome at the MRC and MC via sector-weighted voting, even if it does not become the decisionmaking rule at the lower level standing committees. Increasing the transparency of member votes to the Board is discussed further in Chapter 6.

Proposal development, consensus building, and decisionmaking efficiency should be improved throughout the stakeholder process, but especially at the working group level. Given the amount of time that PJM members spend in working group level meetings every year (approximately 300 of the nearly 400 meetings per year), and the critical importance of the working group level meetings in proposing competent technical solutions to issues, more time needs to be spent honing the decisionmaking process at this level. PJM and its members, with the assistance of process experts, should seek ways to foster better consensus building at the working group level, and develop clear protocols for decisionmaking and issue promotion when consensus is not readily achievable.⁵

Explore whether a refined or changed decisionmaking process more fairly balances stakeholder interests than the status quo. Given that almost three quarters of the members surveyed find the current sector-weighted voting approach imperfect at best, and that a minority

⁵ We note that PJM and its members have been considering adopting a proposal from Exelon on these topics. We view that proposal, possibly with some fine-tuning, as a potential solution that should be explored in the context of the Phase II recommendations proposed at the end of this report.

Table 4K: Monitoring and Enforcing Sector Placement

34. Members' placement in the appropriate sectors should be more carefully monitored and enforced (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All members (with affiliates)	105	4.8	1.2
By Sector (without affiliates)			
Transmission owners	13	5.0	1.4
Generation owners	11	5.4	0.9
End use customers	12	4.5	0.8
Electric distributors	15	4.7	1.4
Other suppliers	29	4.8	1.2
OPSI (state regulators)	6	4.3	1.2

find it highly undesirable, it is worth exploring options for whether, with fine tuning or significant redesign, something better can be developed. Such an effort, however, should recognize from the outset that: 1) some stakeholders are highly reluctant to explore options because of concern that the effort will substantially alter the current power balance; and 2) any ultimate changes would likely require revising the OA and would require a sector-weighted vote exceeding two-thirds when nearly half of those surveyed believe the current process is either effective or workable. Nonetheless, we conclude that this is an important and challenging issue that cannot be left unexplored without causing dissatisfaction on the part of many PJM members. In addition, there is the possibility that a number of changes, if taken as a carefully balanced, comprehensive package, could be viewed by most members as an improvement to the status quo. Such an undertaking should look at the entire sector-weighted design, including the number and definitions of the sectors, the weighting between sectors, the possibility of sub-weighting within a sector, and the voting threshold. It should also consider other issues that, in combination with sector-weighted voting, affect fairness and power distribution, including whether sector-weighted voting should be used at the other standing committees, whether there is a need for an MRC, and the role of affiliate voting and agent representation.

Members' placement in the appropriate sectors should be more carefully monitored and enforced. Survey results show that every sector is very supportive of implementing better monitoring and enforcement protocols to ensure that members are assigned to the right sector. This will likely entail clarifying the existing definitions, deciding how to monitor and enforce the protocols, and determining who will do so (PJM management, members, or both). Although sector definitions might change, based on exploration of the sector-weighted voting changes we advocate above, given the strength of the members' interest in this issue, better protocols should probably be put in place using the existing sector definitions for now.

Continue to analyze voting patterns to gain additional insight into both efficiency and fairness. Our initial analysis covered the votes taken at the MRC and MC from January 2007 to September 2009. We looked at both acclamation votes and sector-weighted vote counts. Additional analysis might be helpful in tracing votes on specific topics as they proceed from the working groups, through the lower level standing committees, to the senior committees, and in some cases, through the Board and on to FERC. It would also be useful to understand better our finding that, on average, only 32% of members' vote. We would be interested to know whether this percentage varies significantly by issue, and whether those who vote actually represent an overwhelming majority of both asset ownership and load. What we learn will likely inform the members' deliberations on other recommendations. ■

Chapter 5

The Role of PJM Staff and Management

PJM STAFF AND MANAGEMENT have active and sometimes conflicting roles in the PJM stakeholder process. PJM provides administrative and coordinating support from the Members Committee down to the working groups and task forces. PJM also often provides technical advice and assistance to the stakeholder groups as well as facilitation of meetings. In addition, PJM may, at times, advocate strongly for a particular solution or option. Finally, PJM is also responsible for helping the members collectively implement FERC mandates. PJM upper management typically supports the standing committees, provides oversight and guidance to staff, and serves as a conduit of information and advice to the PJM Board.

Findings: The Role of PJM Staff in the Stakeholder Process

Interviewees and many survey respondents expressed strong confidence in the technical capabilities of PJM. Most interviewees noted that PJM staff are considered very technically competent, and some of the best in the business. Member survey respondents generally concurred in their satisfaction with PJM staff's technical expertise and analysis (mean of 5.0, Q47a).

However, opinions regarding PJM's facilitative expertise were more varied. Survey respondents expressed some satisfaction overall with PJM staff chairing and/or facilitating PJM's meetings (mean of 4.0, Q47b). End Users were least satisfied (mean of 3.3) and Generators were most satisfied with PJM's facilitation (mean of 4.8). Survey respondents expressed concern about the quality and consistency of facilitation across staff and various task forces, work groups, and committees. Member

respondents generally agreed that the effectiveness of PJM staff in facilitating groups varies significantly by staff member (mean of 4.7, Q49). Generators noted this inconsistency least (mean of 3.8) and End Use Customers and Electric Distributors noted it most (mean of 5.3 for both).

PJM's Facilitation Role

Interviewees and survey commenters repeatedly cited the need for overall improvement in PJM's meeting facilitation capabilities. Many interviewees stressed that PJM needs to emphasize facilitation as a core competency for staff who interact with members. In general, most interviewees and survey commenters encouraged PJM to raise the level of facilitation expertise across all PJM staff. Suggestions regarding facilitation included:

- Start and end meetings on time;
- Keep better control of members who talk too much or dominate conversation;
- Keep participants on point;
- Move groups past the repetition of the same comments and concerns;
- Ensure all facilitators know well the handbook protocols so meetings are run consistently in terms of interest identification, option generation, and voting protocols; and
- Provide facilitation training.

However, perhaps the strongest concern expressed about facilitation in both the interviews and surveys went to the tension of PJM staff facilitating meetings when PJM organizationally has a strong opinion about how an issue should be resolved. This is a classic facilitation challenge

in many organizations, known as “facilitating with an interest.”

We asked members to state how strongly they agreed or disagreed that PJM should advocate for technically sound reliability solutions and for competitive and robust market solutions (Q48a and Q48b). As shown in Figure 5A Member respondents overall strongly supported the idea that PJM staff and management’s role within the

stakeholder process is to advocate for reliability (mean of 5.3) and to advocate for markets (mean of 4.9). There was greater variance in members’ views about PJM’s advocacy for markets, ranging from the End Users sector with a mean of 3.8, to the Transmission sector, with a mean of 5.7. The survey findings suggest that members are generally very supportive of PJM advocating for robust solutions, while they recognize that the additional facilitative role PJM staff plays can and does complicate the commitment to superior technical solutions.

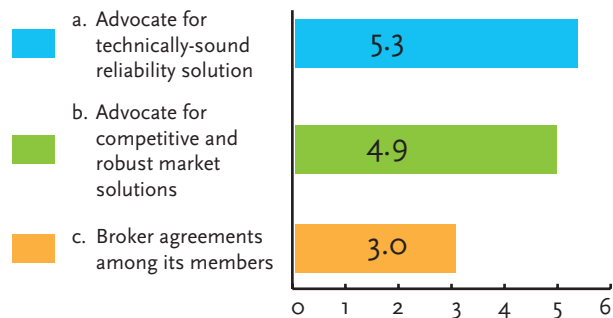
Given this tension between roles, we asked members both in the survey and in the interviews how PJM staff should handle situations in which they have both a facilitative role and substantive view on a particular issue. Member survey respondents offered a number of opinions on this issue. As shown in Table 5A, 98% of members agreed that when PJM has a strong opinion about an issue, it should state it clearly (Q50). This is a very strong finding. When asked, however, how PJM staff should manage their dual roles of facilitation and substantive advocacy, responses were somewhat more mixed.

Table 5A: Facilitating With a Substantive Interest

50. If PJM staff and management have a strong opinion about how an issue should be substantively resolved, should they...	# of Respondents	Keep it to Themselves	State it Clearly and Continue to Chair/Facilitate	State it Clearly But Assign Two PJM Staff (One to represent PJM and another to chair/facilitate)	State it clearly but bring in a 3rd party to chair/facilitate
All members (with affiliates)	104	1.9%	40.4%	37.5%	20.2%
By Sector (without affiliates)					
Transmission owners	13	0.0%	46.2%	38.5%	15.4%
Generation owners	12	8.3%	66.7%	16.7%	8.3%
End use customers	11	0.0%	0.0%	54.5%	45.5%
Electric distributors	16	0.0%	18.8%	75.0%	6.3%
Other suppliers	27	3.7%	29.6%	40.7%	25.9%
OPSI (state regulators)	6	0.0%	16.7%	66.7%	16.7%

Figure 5A: PJM’s Role within the Stakeholder Process

48. PJM staff and management’s role within the stakeholder process should be to ... (1-strongly disagree, 6-strongly agree)



Many interviewees noted that there are PJM staff that are highly skilled in both their technical and facilitation roles, and, that their ability to manage both roles enabled them to better assist members in illuminating issues, developing ideas, and reaching agreement, or, at least, in narrowing differences. Other interviewees expressed the concern that PJM cannot assure a fair members’ process if it both steers the content and directs the process of member meetings—that there is simply an inherent conflict between the two roles. Some interviewees were concerned enough about PJM’s influence in member meetings to

recommend outside facilitation for most meetings. A majority of respondents (58%) stated that PJM should either assign two staff persons, one to represent PJM and another to chair/facilitate, or bring in an outside party to chair/facilitate. Among sectors, only Generators, by a majority of 67%, thought that PJM should state its strong opinions and continue to chair/facilitate.

In order to better understand the challenges of PJM's facilitative and technical roles, we asked other Regional Transmission Organizations (RTOs) how they handle this issue. We learned that at the Midwest MISO, New York ISO, and the Southwest Power Pool, members, not staff, facilitate at all committee levels. At the New England ISO, the RTO provides a distinct and separate facilitator for standing committees requiring other ISO New England staff to both provide technical support and advocate on ISO New England's behalf. Among RTOs, we found that only PJM asks the same staff to take on the dual role of facilitation and technical assistance.

In our interviews, a few participants suggested that members, rather than PJM staff might take on the facilitation role. However, other than being supportive of a member chairing/facilitating at the Members Committee, most interviewees expressed strong concern about handing facilitation off from PJM staff to members. Their concerns included the:

- Variability of members' facilitation skills;
- Inherent challenge in choosing which member company facilitates;
- Potential conflict between members' individual interests and their ability to generally assist a diverse group as a whole; and
- Political complexity of asking an incompetent facilitator to "step down."

Interviewees and survey respondents were far more supportive of improving facilitation capacity through training, coaching, performance metrics, personnel incentives, providing more clear and consistent guidance across all staff and separating the substantive advocacy and technical support from the facilitation roles in meetings.

PJM as a Broker of Agreement

In our interviews we also explored to what degree PJM staff should take on more of a brokering role, beyond merely helping provide technical assistance, advocating for robust solutions, and facilitating effective meetings. Unlike the strong support we found for PJM advocating for robust solutions and improving its facilitation capacity, there was little support for PJM brokering agreements. As shown above in Figure 5A Member respondents answered with a mean of only 3.0 (Q48c).

From our interviews and the survey written comments, it appears PJM members are most uncomfortable with PJM as an active broker in high stakes settlement discussions (both before and when issues go to FERC) when members have not been able to resolve disagreement through the stakeholder process. A few interviewees expressed concern that the brokering role has been problematic in the past and can harm PJM's reputation among its members, for example, when PJM steps up active "brokering" in FERC settlements. Some members saw this as "cutting deals" or "playing politics" rather than helping to reach superior technical solutions. PJM members also seem somewhat ambivalent as to the degree to which PJM staff should be actively brokering agreements within the stakeholder process. A few interviewees saw the need for PJM playing a more "meditative" role to help push issues past the finish line to agreement. Others are concerned that PJM, in actively brokering agreement, may be foisting a particular solution on members, favoring one sector over another, and/or trying to meet some current or future FERC mandate.

Recommendations

Our interviews and the survey findings strongly support the idea that PJM should continue to provide expert technical assistance to members. Stakeholders also appear to strongly support PJM advocating for optimal solutions to reliability and market issues. We find that members value and do not want to lose PJM as a highly competent technical team assisting and sometimes even challenging stakeholders to help achieve superior

outcomes. PJM should continue to play and enhance this role. But PJM needs to consider how to do this in a way that moves the members and the process forward.

In most cases, PJM should separate PJM facilitation staff from those providing technical support or advocating for PJM’s substantive positions. PJM members value highly PJM’s technical competence as noted above, but in our view, members are also asking PJM to provide a clearer distinction between this important technical role as well as its advocacy role and the role of facilitation. Non-partisan facilitation not only ensures effective meetings, but also is invaluable in ensuring a fair and transparent process, both in perception and reality. In combining the roles of facilitation and technical expertise and advocacy, we conclude that PJM hinders its own ability to advocate for the best technical solutions, confuses both its staff and its members, and can be more effective by more clearly distinguishing between and separating the roles.

PJM staff rather than members or independent neutrals should continue to chair and facilitate the bulk of PJM meetings. We conclude that PJM is best suited, with the other changes we note in this section, to provide most of the facilitation services needed by members. There are numerous concerns and problems associated with members facilitating or chairing outside of the Members Committee (as noted above). We believe that these concerns are substantial and would likely lead to less satisfaction with facilitation in the stakeholder process. At the same time, we also conclude that the members’ substantive issues are highly complex and sophisticated. Turning most facilitation over to independent facilitators would require a considerable investment in educating these outside facilitators about the PJM process, energy markets, transmission reliability, and other substantive issues, and the costs would likely be greater than the those involved in enhancing internal capacity.

PJM, with members’ support and advice, should invest in facilitation capacity and capability building. This would include: 1) providing facilitation training for staff that will be serving as chair/facilitators; 2) providing opportunities for new staff to learn from more

experienced staff prior to assuming an active facilitation role; 3) providing advanced facilitation training for more senior staff; 4) providing a mentoring role for the most skilled PJM staff to share their stories and coach other staff in the facilitation role; 5) enhancing expertise through occasional “war stories” and “case studies” to help staff learn and develop from one another; 6) revising the current (and almost never used) evaluation procedures for facilitation and establishing an ongoing facilitation feedback/evaluation process; and, 7) aligning personnel performance metrics, incentives, and compensation mechanisms with this core competency.

PJM and its members should develop guidelines for how PJM facilitators should handle the more “meditative” parts of their role. Members are concerned about how much brokering of agreement PJM staff should do in the members’ process. We believe that if the PJM roles of facilitation and technical advocacy are separated, this concern will lessen. In addition, skilled PJM staff serving purely in the facilitation role may be able to take on more of a meditative role in some cases to help improve the chances of agreement. Mediative roles include activities such as actively caucusing with individual parties or smaller groups of parties, helping parties assess the strength of their alternatives to agreement, and shuttling between various parties in “shuttle diplomacy.” In order to provide greater clarity for both members and staff, as part of enhancing facilitation, we recommend that members and PJM develop clear roles and responsibilities and guidelines for facilitators, including what kinds of activities at what levels are and are not appropriate.

PJM and its members should develop guidelines for when stakeholders should engage an independent outside neutral to mediate/broker disputes within the stakeholder process. From time to time, it may be in PJM’s and in members’ interests to retain an independent facilitator/mediator to help resolve highly contentious issues. This might make sense when an issue continues not to garner sector-weighted support, or when PJM has a very strong position on an issue that even with the facilitation separation we advocate for above, members would still prefer an outside neutral. In such cases, the independent facilitator/mediator can actively seek to



broker agreements, to ensure a strong perception of fair process, and to bring “new blood and perspectives” to a difficult decision. Retaining such independent assistance can be determined on a case-by-case basis (as was done by the GAST). We recommend that PJM and members develop criteria for determining when and how such outside assistance is sought, and how this would dovetail with the Board and FERC’s decisionmaking processes.

PJM might consider implementing a number of these recommendations by establishing an Ombudsman Office. Such an office might periodically oversee the current mediation and arbitration rosters PJM utilizes, oversee facilitation capacity building, assist in obtaining occasional outside mediation for difficult and important issues, and serve as a confidential, independent, internal office for members and PJM staff to help address member-PJM conflicts (a traditional function of an ombudsman office). Such a possibility would need to be explored further in Phase II. ■

Chapter 6

The Role of the PJM Board

THE PJM BOARD is an independent Board that does not and cannot include any member organization of the stakeholder process. It was created to explicitly avoid any undue influence by any particular sector or member of the wholesale electricity market. The Board is nominated by the members through the Nominating Committee and selected by a vote of the Members Committee. Board meetings are not open to PJM stakeholder members. However, the Board frequently attends MC meetings, has open sessions at the general sessions with members, and interacts with selected representatives from each sector through a reinstated Liaison Committee.

Findings: The Role of PJM Board and Members

Both interview and survey findings support the conclusion that the Board has become more accessible and attuned to members' needs in the past few years. Member survey respondents assert that the Board has become more responsive (mean 4.3, Q51). Interviewees stated that the Board has worked actively to be present at the MC meeting, participated effectively in general sessions and at the annual meeting, and most importantly, supported the creation of and participation in the Liaison Committee. Member respondents agreed that the Liaison Committee in particular has improved communication among the Board and members (mean 4.5, Q52). As one survey respondent commented: "We firmly believe the Liaison Committee has proven to be a constructive and valuable means of addressing issues to the Board of Managers directly, and obtaining their feedback. The Liaison Committee has enabled a greater degree of contact with the Board, most importantly in

those areas where the Board of Managers is forced to take action in the absence of stakeholder consensus."

However, members are less sanguine on the Board's ability to make "sound decisions" on issues on which members cannot reach agreement (mean of 3.5, Q53). Furthermore, comfort with these Board decisions ranges widely, with End Use Customers expressing the lowest level of confidence (mean 2.4) and Generators expressing the highest (mean 3.8). Interviewees had different explanations for their dissatisfaction with Board decisions on issues where members disagree. Some believe that the Board's job is to make decisions and that making everyone somewhat unhappy in the process is inevitable and acceptable. Others believe that the Board has been influenced by political considerations and FERC's agendas, at the expense of advocating for optimal technical solutions. Some may be dissatisfied with the Board's decisions when they conflict with that particular individual organization's interest.

» Transparency of Members' Views to the Board

PJM members are strongly supportive of increasing the transparency of members' interests, concerns, and ideas when agreement cannot be reached through the stakeholder process. As Table 6A shows members do not currently believe the Board receives sufficiently clear and detailed information when a key issue is not resolved through the stakeholder process (mean of 3.3, Q54).

PJM and the Board have worked to increase the transparency of members' views by:

- Creating the Liaison Committee;
- Developing detailed voting reports for the Board that capture the voting data in a variety of ways, and;
- Allowing direct, written correspondence to the Board from individual members.

Members in general, strongly desire to build upon this foundation to further increase the Board’s understanding of members’ views on difficult and contentious issues.

Although the voting reports do provide additional information, members do not believe that they give adequate information about members’ views (mean 3.4, Q35). Interviewees expressed concerns that the voting reports are too complicated and numerous for any Board member to effectively sift through. Members also expressed concern about the process by which PJM management convey members’ interests to the Board on contentious matters. One survey commenter stated:

“In these situations [where there is no member agreement], there is insufficient transparency surrounding PJM Management’s reporting of issues to the PJM Board to allow the stakeholder community to be assured that the Board receives sufficiently clear and detailed information on the perspectives of the members. Additional information on what is communicated and how it is communicated could ease stakeholder uncertainty that their positions are not being reported to the Board or that the Board does not have a clear picture of the discussions that occurred.”

Several interviewees had suggestions for how to improve transparency. They include the following:

- Consider making the reports of PJM management to the Board available to all members;

Table 6A: Information about Members’ Perspectives to Board

54. Where members do not reach agreement on significant matters (exceed the 2/3 weighted vote threshold at the Members Committee), the PJM Board currently receives sufficiently clear and detailed information on the perspectives of members.

	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	3.3	1.5
By Sector (without affiliates)			
Transmission owners	13	3.3	1.6
Generation owners	11	4.0	1.2
End use customers	12	3.9	1.5
Electric distributors	15	3.6	1.8
Other suppliers	28	3.5	1.3
OPSI (state regulators)	5	2.2	1.1

conclude working groups, and ultimately, action on an issue at the MC meeting, with a clear summary of the problem statement, interests and issues identified, alternatives considered, and why and how various solutions sufficiently do and do not resolve the problem.

- On contentious, important issues where agreement isn’t reached, PJM staff and members could jointly prepare the report to the Board. In this way, everyone will have a say in what the Board receives. Members on the appropriate committee could review draft communication materials prepared by PJM for the Board before they are submitted to the Board.
- The Board could hold a members’ “hearing” in which PJM members have an opportunity to advocate for their views on difficult issues in a formal process prior to the Board’s deliberations.

» **Transparency of the Board to the Members**

As Table 6B demonstrates, members also want the Board to be more transparent in its decisionmaking (mean of 4.8, Q55).

In our interviews, we heard a range of views on the proceedings of the Board and its interactions with

members. Interviewees commented on closed Board meetings, the Liaison Committee, Board participation at some MC meetings, and the nomination and selection process for Board members.

From our interviews, we found that closed Board meetings can produce anxiety for members by creating at least the appearance that PJM senior management may somehow be “swaying the Board” in a particular direction, or that PJM may not be communicating the full and nuanced range of members’ views. A few members recommended holding open meetings similar to those conducted by some other RTOs (the Midwest ISO, and to some degree, the Southwest Power Pool). However, for the most part, the majority of interviewees supported the closed nature of the Board meetings, because it allows the independent Board to deliberate free of undue influence by any individual member and to be shielded from a more public and political meeting process. Most interviewees and commenters suggested other ways that the Board might increase the transparency of its process while preserving its independent, closed, deliberative meetings. These suggestions are noted below.

Liaison Committee

- Allow all members to observe the Liaison Committee meeting in person even if only three from each sector can speak.
- Allow more bilateral dialogue at Liaison Committee meetings; more free flow conversation among members and Board about topics of interest.
- Hold longer Liaison Committee meetings to allow for more interaction.
- Increase the subsectors that can participate in the Liaison Committee given that some sectors are extremely diverse.

Table 6B: Openness and Transparency of the Board’s Decisionmaking to the Members

55. The PJM Board’s processes and decisionmaking should be more open and transparent to the members (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	4.8	1.2
By Sector (without affiliates)			
Transmission owners	13	5.1	1.3
Generation owners	11	4.3	0.8
End use customers	12	4.6	0.9
Electric distributors	15	5.2	1.0
Other suppliers	28	4.5	1.4
OPSI (state regulators)	6	5.7	0.5

Annual Meeting

- PJM Board members are more accessible than in prior years. However, continue the trend of interacting with members at the annual meeting. Also, Board members should actively participate in the Senior Committee meetings. They should ask questions, request clarifications, and talk to as many members as possible at breaks.

Other

- Provide more detailed explanation and rationale regarding Board decisions on difficult, contentious issues, especially related to market design.
- The Board should respond directly and in writing to member communications on issues where the members did not reach agreement, to both convey its reasoning, and to make abundantly clear that it is receiving, understanding, and responding to these communications.

Lastly, some interviewees expressed concern about the Board nomination and selection process. Some interviewees want to make sure that balloting for the

nomination of and voting for Board members is, by policy, a confidential process. These members want to ensure there is no opportunity for “hard feelings” or retaliation should a member vote against a nomination. Secondly, a few members expressed concern that since they do not observe or have information about individual Board members’ decisionmaking, they have little substantive information on which to base a decision about reappointments.

Table 6C: RTO Board Interface with Members

RTOS	Board Meetings	Liaison Committee	Full Membership
PJM	Closed	Yes, primarily before each Board meeting	Annual Meeting, General Sessions
Midwest ISO	Open/Closed	No	Hot Topics held seven times per year
New York ISO	Closed	Yes, after each Board meeting	Annual Meeting with members
ISO New England	Closed	Consumer Liaison Group only	Two times per year
Southwest Power Pool	Open with 19 members & Board both voting in sequence	No	

» **Transparency of Members and Boards at other RTOs**

In speaking with representatives of four other RTOs, we found that Board meetings may be open, closed, or partly open and partly closed. As Table 6C shows, most, but not all, RTOs have some kind of liaison committee and in some cases, members have additional access to the Board through annual meetings, “hot topics” meetings conducted throughout the year, and other means. Lastly, we learned that liaison committee meetings are conducted in a variety of ways at different RTOs, from relatively formal meetings at PJM to very open and free-flowing gathering at other RTOs. Also, while PJM’s Liaison committee meetings are generally held before Board meetings to inform the Board about members’ views, New York’s liaison committee meets directly after the Board meeting, for the express purpose of having the Board explain their decisions to the members.

Recommendations

Our interviews and the survey strongly support the idea that PJM should find additional ways to communicate members’ views on key issues where sector-weighting voting does not achieve a resolution. Although PJM and members have taken several important steps in improving the information the Board receives, most members believe that there is room for

improvement. Furthermore, we conclude that if these improvements are made, they may also address some of the key underlying concerns of members about the stakeholder process generally. A Phase II process would take up the suggestions noted above and hone, refine, and prioritize which suggestions would best meet the objective of improved transparency of members’ views before the Board.

Our interviews and the survey also strongly support the notion that the Board needs to continue to seek ways to enhance the transparency of its decisionmaking to the members. We do not conclude that Board meetings should be open. However, we do believe that the Phase II process could explore a variety of mechanisms to increase Board transparency, such as:

- Enhancing the Liaison Committee proceedings to provide a forum for the Board to discuss its decisions;
- Possibly creating limited but additional forums for Board and member interaction (i.e., “hot topics” meetings held at the Midwest ISO); and,
- Fine-tuning the nomination and selection process for Board members. ■

Chapter 7

Phase II Recommendations

Summary of Key Survey Findings

WE SUMMARIZE OUR KEY FINDINGS by areas of convergence and divergence below.

» Key Areas of Convergence

- It is beneficial for issues to be vetted through the PJM process even when members can't reach agreement (5.2)
- The most important goals of the stakeholder process are to help PJM meet its mission (5.7), and to inform the Board of members' perspectives (5.3)
- PJM and its members need to do a better job prioritizing issues (4.2), setting deadlines (4.1), and framing issues (4.2)
- PJM should improve the effectiveness of meeting participation by phone (4.5)
- Voting procedures at working groups, task forces, and lower level standing committees are often unclear and confusing (4.2), and are not uniform (4.1)
- There should be greater transparency at the Lower Level Standing Committees so that Senior Committees know how members and sectors voted. (Sector range 4 to 5.3)
- Working groups should strive for consensus on a single proposal, elevating multiple proposals if no consensus (5.2)
- Members' sector placement should be better monitored and enforced (5.8)
- There is both satisfaction with PJM's technical assistance role (5.0), and agreement that its

facilitative role is very uneven across staff (4.7), and needs to be adjusted when PJM has a strong view on an issue

- The Board has become more accessible and attuned to members' needs in the last few years (4.3), in part, due to the Liaison Committee (4.5), but members would like to still see greater transparency (4.8)

» Key Areas of Divergence

- Sector weighted voting
 - Overall opinion—
 - ♦ Effective (End Use Customers 58%, Electric Distributors 80%),
 - ♦ Not Desirable, but Unlikely to Change (Other Suppliers 46%, Generators 33%),
 - ♦ Imperfect but Workable (Transmission 54%—but with 31% Very Undesirable and Should be Seriously Reconsidered)
 - Whether Lower Level Standing Committees should use it (Ranges from Transmission 2.8 to End Use Customers 5.2)
- Merging the MRC—Ranges from 1.8 (End Use Customers) to 3.5 (Transmission Owners), but large standard deviations for all members (1.9) and by sector indicate a wide range of opinion
- Role of affiliates and agents

Phase II Recommendations

Given our findings, we recommend that the PJM members undertake a focused, time-limited, two-part Phase II process to address the numerous issues raised in this report.

Why should PJM undertake a GAST Phase II Process?

We acknowledge that any process, no matter how well structured, cannot guarantee success and will take time and effort. However, we find that most PJM members believe that a more effective and efficient stakeholder process is essential in order for PJM to achieve its mission.

An improved process will increase:

- Efficiency (issues would be addressed more quickly and with less investment of resources);
- Clarity and transparency (issues would be better defined and members would be more clear on how ideas, options and proposals were developed);
- Trust (through a refined process of governance that participants believe to be transparent, predictable, rationalized, inclusive, fair, and efficient); and,
- Quality of proposals (through supporting and incentivizing integrative bargaining and problem-solving, utilizing competent technical analysis).

Our interviews and survey results suggest that there are several potential consequences for not sufficiently improving governance, including:

- Inefficiencies, if not in decisions, at least in the process of decisionmaking, imposing costs on all stakeholders in terms of dollars, time, and staff resources;
- Languishing issues and procedures that sit too long without resolution, hindering reliability and robust markets;
- Relinquishment of self-regulation of the markets by failing to make decisions within PJM and increasingly turning back to the Board and to FERC (and the associated time and expense of filing and intervening); and,
- Reduced trust in the process, leading to conflict, protracted litigation, and potentially, to member

withdrawal, or at worst, collapse of the PJM governance system.

How is this process different than the original Governance Working Group (GWG)?

Our recommendations intend to largely build on, and bring to resolution issues originally raised in the GWG. The GWG did scope numerous issues through its process (including many named here) and worked diligently to create additional voting reports, refine sector definitions, change the Member Handbook, and create the charter for the Liaison Committee. At the same time, the GWG was not able to undertake a comprehensive, data-driven review of the overall PJM governance process, nor to address the full range of issues identified through this GAST process. In other words, the GWG did not resolve many outstanding issues. In addition, our proposed process would be a structured, time-constrained, and independently facilitated process.

What would be the scope of the PJM governance dialogue?

Through our assessment, and as requested in the RFP, we have identified two broad categories of governance issues: issues of convergence where there is a strong likelihood of reaching consensus, and issues of divergence among members where there are greater challenges to reaching consensus.

The key areas of convergence focus primarily, though not exclusively, on the stakeholder process issues. These issues include:

- Increasing transparency within the PJM Member process and between members and Board
- Improving meeting procedures and mechanics (prioritizing issues, setting deadlines, and framing issues, remote participation)
- Fine-tuning proposal development, decision-making procedures and elevation process at work groups and task forces

- Clarifying roles and responsibilities of PJM members and staff, and increasing PJM facilitation skills and capacity
 - Monitoring and enforcing sector placement
3. Consider a package of changes that could meet diverse interests and improve the governance in terms of fairness and effectiveness. Such a final package might include improvements to all or some of the divergent issues.

The areas of divergence focus primarily on voting and structure issues and include:

- Streamlining the overall committee structure
- Improving sector weighted voting, including: 1) sector numbers, 2) sector weighting, 3) sector definitions, and 4) voting threshold(s)
- Voting at Lower Level Standing Committees
- The role of affiliates and agents in voting

How would the PJM Phase II process be structured?

Given our findings, knowledge of the PJM process, expertise in working with other organizations, and experience in designing and running stakeholder processes, we recommend the following two-part process:

Phase II, Parts A and B: The process would be divided into two sequential parts. Part A would generate options and seek consensus on the issues of convergence related primarily to the stakeholder process, as well as conduct additional research and explore options and ideas for the issues of divergence related primarily to voting and structure. Part B would seek consensus on a package of recommendations to address voting and structure issues.

The issues related to voting and structure will be more difficult to resolve because of strong and differing views on the issues, structural conflicts that are a natural part of the marketplace, and underlying concerns about fairness, power, and respect. However, these issues should still be discussed in order to:

1. Clarify the underlying interests and concerns;
2. Explore a range of options that might address those interests (new ideas will arise through effective dialogue); and,

Even if consensus is not reached on such a package of improvements, a thorough, structured discussion of these issues among members will help bring current concerns to a well-defined conclusion.

Duration and Frequency: Part A would begin in October 2009, upon approval of the MC at the September meeting. The process would involve three to four months to develop the bulk of the recommendations and some modest period of time afterward to implement and monitor the changes. The second part, Part B, would begin either immediately after the first phase or after some set period of time (e.g., 3-6 months). This time might be used to determine how effectively the changes in the first phase, Part A are working and potentially to allow additional time to perform research and scoping to fully support Part B. Part B would take from three to six months.

For Part A, we would propose starting with a two-day kick-off meeting, followed by a meeting approximately every three weeks, and conference calls with working groups focused on specific issues between meetings.

Accountability: The Members Committee would sanction the dialogue and the dialogue participants would report back to the MC.

Participation: The composition of this group needs to balance efficiency (size of group), consistency (of participation), fairness (representation across interests and sectors), and openness (transparency to all members about process and outcome).

One option would be to form a group that would include two to three members from each of the five sectors, the PJM Members Committee secretary and a PJM upper management representative. OPSI would serve in a non-voting participant role. Sector Representatives could



provide an opportunity for all interested sector members to “nominate” participants for the effort and then the Sector Representative and facilitators would work with the sector to select up to three participants to collectively represent the sector. In addition, preference should be given to those nominees who have participated in the GAST because due to their sustained interest in and knowledge of the issues. The group could be reconstituted (participants changed or added) from Part A to Part B.

If the GAST and/or the Members Committee were to decide not to use the representative approach described above, the GAST/MC should still endeavor to meet the criteria noted above. Part of the intent of this recommendation is not only to suggest an efficient, effective process, but to encourage members to consider a model that might be useful in addressing other difficult PJM issues. Another option to accomplish Part A is to continue to use the GAST.

Openness: If desired by PJM members, meetings could be open, with members who are not representatives observing the discussions by teleconference or in-person. At some point in each session, observing members could be provided a time for comment.

Recording and Agenda Setting: The group would focus on creating draft products and agreements. In between meetings, the facilitators would produce brief action item lists and other written materials to assist the group. The group, with the assistance of the facilitators, would develop agendas and objectives for each meeting.

Facilitation/Mediation: We encourage PJM to use an independent, external facilitator/mediator for this effort. Due to the sensitivity of certain issues and because the role of PJM staff is one the issues under discussion, we believe it would be most effective to utilize an outside, experienced neutral considered accountable and acceptable by all participants. This neutral would not only actively facilitate meetings, but would also work closely with the participants throughout the process to help mediate differences and to reach consensus to the greatest degree possible.

Decisionmaking: For the purposes of Phase II, we recommend that participants attempt to reach consensus. Consensus means that all participants can accept the recommendations developed. Consensus also means that participants have the right to raise concerns and issues as well as the responsibility to offer ideas and solutions that meet their and others’ interests. Consensus would be reached when all participants affirm their consent. Should agreement not be reached, the participants would lay out the multiple options and indicate which members support each option. For Part A, we would likely seek agreement on each distinct area of investigation, while for Part B (on voting and structure), we would likely seek agreement on an integrated package. Final products would be presented to the Members Committee (and to the PJM Board, for issues relevant to the Board) for final consideration and adoption.

PJM’s Role: PJM would serve as an active participant in the dialogue but would offer consent (or dissent) only on issues directly related to PJM (staff and Board). PJM staff would be encouraged to take part actively and to advocate for the interests of PJM Interconnection and its staff and management while also respecting the members’ ultimate “say” over their members’ process. PJM would work specifically on helping developing plans to improve meeting mechanics and build facilitation capacity.

Metrics: We recommend that, as part of the process, the members develop a set of metrics, to measure the success of the improvements proposed and implemented. ■

APPENDIX A

ROLLUP OF ISSUES INTO TOPICS FOR DEVELOPING INTERVIEW QUESTIONS

Brainstorming of the GAST

Jonathan Raab, Raab Associates and Pat Field CBI

June 18, 2009

Multi-level PJM Member Committee and Working Group Structure

- TRANSMISSION OF ISSUES UP FROM LOWER GROUPS TO HIGHER LEVELS
- HOW DEMAND RESPONSE ISSUES ARE HANDLED WITHIN THE CURRENT STRUCTURE
- LACK OF STAKEHOLDER COMMITMENT TO SOLUTIONS WORKED OUT AT LOWER LEVELS – EITHER HIGHER UPS WITHIN THE SAME ORGANIZATIONS INTERVENE HIGHER UP, OR MORE FREQUENTLY, OTHER ORGANIZATIONS NOT PART OF THE LOWER LEVEL WORK INTERCEDE
- MINORITY PROPOSALS GETTING FAIR CONSIDERATION AT HIGHER COMMITTEES
- IS THERE A REASON THAT MEMBERS DON'T PARTICIPATE AT THE LOWER LEVELS?
- IMPACT OF PROCESS ON LONG TERM ABILITY OF PJM TO MAINTAIN ADEQUATE RELIABILITY
- HOW TO RECONCILE THE GOVERNANCE STRUCTURE WITH JUST AND REASONABLE RATES REQUIRED BY FERC
- IMPLICATIONS OF STAKEHOLDERS UNABLE TO REACH CONSENSUS – DEFERRING DECISIONS TO THE BOARD AND SOMETIMES FERC
- PERVERSE INCENTIVE TO AVOID COMPROMISE GIVEN ISSUES CAN BE DEFERRED UPWARD
- IMPLICATIONS OF PROCESS FOR UTILITIES WITH DIFFERENT BUSINESS MODELS AND REGULATORY ENVIRONMENTS: VERTICALLY INTEGRATED UTILITIES UNDER THE STATE REGULATED ENVIRONMENTS

- LEVEL OF COMMITMENT TO A COMPETITIVE MARKETPLACE – IS THIS CONSISTENT AMONG EVERYONE?
- ABILITY OF SMALL MEMBERS TO SURVIVE IN THE PJM MARKETS (EFFORT TO IMPOSE NET WORTH MINIMUM) – IS IT TRULY A COMPETITIVE MARKETPLACE?

Decision Making the Within PJM Stakeholder Process

- SECTOR-WEIGHTED VOTING
- DEFAULT ALLOCATIONS
- NON-REPRESENTATION OF AFFILIATES IN SECTOR VOTING
- ARE THERE DIFFERENT TYPES OF ISSUES WHEN IT'S AN OBLIGATION TO SPEND CAPITAL VS. OTHER MARKET RULES: DOES ONE SIZE FITS ALL VOTING RULE MAKE SENSE?
- ARE RIGHTS AND OBLIGATIONS OF EACH MEMBER ARE ADEQUATELY BALANCED / REPRESENTED IN THE VOTING
- VOTING RIGHTS AT DIFFERENT COMMITTEE LEVELS AND WHO CAN REPRESENT YOUR VOTING RIGHTS (PROXY VOTING AND AGENCY VOTING)
- SECTOR DEFINITIONS
- IMPLICATION OF 2/3 OF MEMBERS BELONGING TO ONE SECTOR (OTHER SUPPLIER SECTOR) – SHOULD THERE BE MORE THAN 5 SECTORS?
- WHO REPRESENTS THE MEGAWATTS?
- PJM IS A WHOLESALE MARKETPLACE BUT HAS IMPACT ON RETAIL
- COST ALLOCATIONS DON'T FOLLOW COST CAUSATION
- AFFILIATES ABLE TO VOTE IN LOWER LEVELS BUT NOT AT HIGHEST LEVEL (DIFFERING VOTING RULES PER LEVEL): OVERREPRESENTATION THEN AT THE LOWER LEVELS?
- PROCESS AND MANNER IN WHICH WE VOTE: MAIN MOTIONS, SUBORDINATE MOTIONS, A KIND OF VAGUE ROBERTS RULES OF ORDER APPROACH. IS THIS BEST?

Member Meeting Mechanics

- SKILLED FACILITATION WITHIN WORKING GROUPS
- WORKING GROUPS ARE STRUCTURED POORLY TO SOLVE PROBLEMS (DON'T DIFFERENTIATE NEW POLICY, REVISING EXISTING POLICY, ENGINEERING ISSUES – I.E. POOR PROBLEM IDENTIFICATION)OR EVEN FOLLOW THE ONE METHOD CONSISTENTLY ON HOW WORKING GROUPS WORK ARE SUPPOSED TO WORK. AND, IS ONE METHOD EVEN A GOOD IDEA?
- ISSUE COMPLEXITY AND POOR STAKEHOLDER UNDERSTANDING OF THE ISSUES. WE NEED EDUCATION, KNOWLEDGE, AND UNDERSTANDING OF ISSUES BY ALL ACTIVE PARTICIPANTS.
- BARRIERS TO PARTICIPATION BY DIFFERENT ENTITIES (EX: CONSUMER ADVOCATES) DUE TO RESOURCES OR OTHER FACTORS

Interface Between PJM Board and PJM Staff With PJM Members

- PJM STAFF'S ROLE IN THE STAKEHOLDER PROCESS (FACILITATOR / SUBSTANTIVE MATTER EXPERT/ OR STAKEHOLDER)
- INABILITY OF GENERATION / TRANSMISSION ASSET OWNERS TO HAVE THEIR VIEWS CLEARLY HEARD BY PJM MANAGEMENT AND BOARD
- IS THERE A CULTURE (AT THE BOARD LEVEL) TO ALLOW PJM TO EFFECTIVELY CONSIDER ISSUES OF THE "ULTIMATE CONSUMERS (RETAIL)
- IMM'S ROLE IN THE STAKEHOLDER PROCESS
- IMPLICATIONS OF MARKET MONITORING MITIGATION ON GOVERNANCE—NOT PROVIDING SUFFICIENT OPPORTUNITY TO CONSTRUCT MORE VIABLE OFFERS

**GOVERNANCE ASSESSMENT SPECIAL TEAM (GAST)
STAKEHOLDER GOVERNANCE ISSUES LIST
(as of 4/13/09)**

1. Stakeholder Process Mechanics

1. Stakeholders recognize time of change, decisions need to be made	
1a. Stakeholders can decide (best way)	
1b. Punt to FERC (outcome is the lowest common denominator)	1, 3
1c. Concern is too many issues get to lowest common denominator	
2. Stakeholders seem to be voting with their short term pocketbook, in some cases not an economic or efficient solution	1, 2, 3
7. Inconsistent voting protocols at different levels leading to inconsistent results at different levels	1, 2
10. Concern there are adequate checks and balances in SH process between supply & demand	1, 2, 3
14. Governance Structure does not account for non-traditional or new entrants in markets	1
15. Squelching of ideas and positions in lower level committee/workgroups prevents their consideration by upper level committees	1, 4
16. SH tend to lock into positions rather than express interest or explore issues and alternatives.	1, 3
17. Effectiveness of the PJM Governance structure as identified in Member Committee Handbook?	1
19. Stakeholders are not committed to results of the stakeholder process – no buy in	1, 3
22. Who represents customers?	1, 2
23 b. In the long run the current “balance of voting interest” will hamper the PJM Board’s ability to carry out its duties and responsibilities in a manner consistent with the safe and reliable operation of the PJM region, the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region and, the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region.	1, 2, 3
26. Failure by stakeholders and SH process to recognize PJM is a FERC regulated utility	1, 3, 5
27. Process is time consuming and can it be more efficient	1
29. 363 meetings in 2008 , ~40 groups – costs, level of effort, impact on SH, prioritization	1
32. Certain member groups having undue influence on SH Process of PJM	1, 2, 3
33. O.S. sector is too large & diverse to give meaningful voting results	1
34. Limited participation by stakeholders representation	
34a. Representation by agents	1
34b. Limited direct participation versus number of members	
34b. Limited direct participation versus number of members	1
35. Renewable and distributed generation resources be considered fairly in SH process and access to market	1, 5
37. MIC/MRC are largely redundant (eg., combine and retain Sector Weighted Voting)	1
38. Inadequate time to consider and inadequate level of understanding of various market and technical issues by the stakeholders	1, 4
39. Votes at upper level committees do not reflect outcome in lower level committee	1, 2
40. The various working group committee chairs facilitation skills and understanding of PJM SH process vary widely	1, 4
42. The GAST is to examine whether the current governance process fairly represents the obligations of each member in their respective roles as consumers or suppliers of products and services provided by PJM. If the governance process does not fairly represent the obligations of the respective members, then the GAST should examine how the process can be reformed to provide equitable representation for all members such that the governance process - particularly voting methods – can accurately represent the interests of the membership.	1

2. Voting Issues

2. Stakeholders seem to be voting with their short term pocketbook, in some cases not an economic or efficient solution	1, 2, 3
3. Both supply & load have veto power thereby eliminating need to compromise	2
4. Voting power not allocated according to perceived interest in G&T ownership	2
6. Voting interests not aligned with the default allocation	2
7. Inconsistent voting protocols at different levels leading to inconsistent results at different levels	1, 2
10. Concern there are adequate checks and balances in SH process between supply & demand	1, 2, 3
13. Section 205 rights for MC – PJM is one of the few RTO/ISO with such (NYISO?)	2, 3
22. Who represents customers?	1, 2
23 a. In the long run the current “balance of voting interest” will harm PJM’s ability to achieve its 3 part goals: (reliability, robust markets, and efficient operations).	2, 3
23 b. In the long run the current “balance of voting interest” will hamper the PJM Board’s ability to carry out its duties and responsibilities in a manner consistent with the safe and reliable operation of the PJM region, the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region and, the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region.	1, 2, 3
32. Certain member groups having undue influence on SH Process of PJM	1, 2, 3
39. Votes at upper level committees do not reflect outcome in lower level committee	1, 2
41. The voting method used in the governance process may lead to suboptimal results	2

3. Outcomes and Impacts

**GOVERNANCE ASSESSMENT SPECIAL TEAM (GAST)
STAKEHOLDER GOVERNANCE ISSUES LIST
(as of 4/13/09)**

1. Stakeholders recognize time of change, decisions need to be made	
1a. Stakeholders can decide (best way)	1, 3
1b. Punt to FERC (outcome is the lowest common denominator)	
1c. Concern is too many issues get to lowest common denominator	
2. Stakeholders seem to be voting with their short term pocketbook, in some cases not an economic or efficient solution	1, 2, 3
8. Failure to recognize ultimate cost to customers as issues are considered.	3, 5
10. Concern there are adequate checks and balances in SH process between supply & demand	1, 2, 3
12. Concern wholesale market rule outcomes are passed through costs without ability for retail regulatory oversight	3, 5
13. Section 205 rights for MC – PJM is one of the few RTO/ISO with such (NYISO?)	2, 3
16. SH tend to lock into positions rather than express interest or explore issues and alternatives.	1, 3
19. Stakeholders are not committed to results of the stakeholder process – no buy in	1, 3
21. Failure to recognize generation & transmission costs	3, 5
23 a. In the long run the current “balance of voting interest” will harm PJM’s ability to achieve its 3 part goals: (reliability, robust markets, and efficient operations).	2, 3
23 b. In the long run the current “balance of voting interest” will hamper the PJM Board’s ability to carry out its duties and responsibilities in a manner consistent with the safe and reliable operation of the PJM region, the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region and, the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region.	1, 2, 3
24. Gray line between economic and reliability. Difficult to tell when someone says this is a “reliability issue” v. “we need more money”	3, 5
26. Failure by stakeholders and SH process to recognize PJM is a FERC regulated utility	1, 3, 5
28. Ability of demand response issues to be considered fairly in stakeholder process	3,5
31. Breakdown in PJM governance results in regulatory uncertainty for PJM market participants/outcomes	3, 5
32. Certain member groups having undue influence on SH Process of PJM	1, 2, 3
36. Inconsistent roles of PJM Management and Board in developing FERC filings	3, 5

4. Information and *Issue* Flows

9. Diverging ideas on what PJM staff roles are:	
9a. simply facilitators	
9b. offering/defending points of view	4, 5
9c. subject matter expert	
11. Current process provides inadequate information to the Board for their decision making	4
15. Squelching of ideas and positions in lower level committee/workgroups prevents their consideration by upper level committees	1, 4
20. PJM BOM / Sr. Mgmt not present at lower committees/WG to fully hear members express themselves	4
38. Inadequate time to consider and inadequate level of understanding of various market and technical issues by the stakeholders	1, 4
40. The various working group committee chairs facilitation skills and understanding of PJM SH process vary widely	1, 4

5. Market Policy Development

9. Diverging ideas on what PJM staff roles are:	
9a. simply facilitators	
9b. offering/defending points of view	4, 5
9c. subject matter expert	
18. Inadequate representation of the consumer interests on the Board	5
21. Failure to recognize generation & transmission costs	3, 5
25. Market participants ability to seek higher of cost or market based rates.	5
26. Failure by stakeholders and SH process to recognize PJM is a FERC regulated utility	1, 3, 5
28. Ability of demand response issues to be considered fairly in stakeholder process	3,5
30. Failure to focus on L.T. Reliability and ability to attract & retain investment	5
31. Breakdown in PJM governance results in regulatory uncertainty for PJM market participants/outcomes	3, 5
35. Renewable and distributed generation resources be considered fairly in SH process and access to market	1, 5

PJM Members: DRAFT Interview Protocol

Raab Associates and CBI

June 18, 2009

- 1. What should be the primary goal of PJM's governance and stakeholder process? To what degree is PJM currently achieving that goal?**

MULTI-LEVEL PJM MEMBER COMMITTEE STRUCTURE

- 2. How effective is the flow of ideas and agreements/disagreements from the lower level working groups up through the Members' Committee?**
- 3. Please provide an example of an important topic or issue that the PJM stakeholder process has handled well, and explain why? Please provide an example of a topic or issue that the PJM stakeholder process has NOT handled well, and explain why.**
- 4. Please provide an example of a standing Committee or Working Group/Sub-Committee/Task Force that you think adds value and works particularly well on an on-going basis and explain why? Please provide an example of a standing Committee or Working Group/Sub-Committee/Task Force that you think should add value but is not working particularly well and explain why?**
- 5. What would you recommend for improving the multi-level Committee/Working Group structure?**

DECISIONMAKING WITHIN PJM

- 6. In what ways is the PJM stakeholder process effective in building consensus? In what ways is it not? How would you improve consensus building within the PJM stakeholder process?**
- 7. How does the way the PJM sectors are organized impact decisionmaking? Would you recommend changing the number of sectors and/or sector definitions in any way? Why or why not, and if so, how?**

8. What are the impacts on PJM's overall effectiveness of the current sector-weighted voting rules requiring at least a 2/3 majority in the Members' and Market Reliability Committees? Do you think these rules are fair? If you are dissatisfied with the current rules, what would you propose as a better alternative and why?
9. What do you think are the impacts of the voting rules below the Members' and Market Reliability Committees (one vote per organization, simple majority rules, affiliates can vote) on PJM's overall effectiveness? Do you think these rules are fair? If you are dissatisfied with the current rules, what would you propose as a better alternative and why?
10. What do you think about the recent proposal for indicative votes only at the Working Group/Sub-Committee/Task Forces levels and Lower Committees voting on all alternatives discussed by working groups and passing on top two alternatives?

MEMBER MEETING MECHANICS

11. Separate from voting, what is working well about the mechanics of PJM member meetings at the Committee and working group levels? (For instance, agenda development, summary of meetings, how motions are made, set up of the room, phone/in-person option, etc.). What should be improved and how?
12. Do you feel that there are too many, too few, or just about the right number of PJM related meetings to accomplish what PJM needs to develop and resolve?

INTERFACE BETWEEN PJM BOARD and PJM STAFF WITH PJM MEMBERS

13. What are the appropriate relative roles and responsibilities of the PJM Board, staff, and members? What's match between what you described and current practice?
14. How effective is communication among PJM staff and management, PJM Board, and PJM members? What improvements would you recommend, if any?
15. Currently PJM Staff chair and facilitate all PJM Member meetings, except the Members Committee, and provide technical expertise as well.

- a. What do they do well in their technical assistance role? What improvements could they make?
- b. What do they do well in their facilitative role? What improvements could they make? Should PJM staff continue to facilitate PJM member meetings? If not, then who?

16. Do the PJM Board's decisions reflect PJM member's interests and perspectives? If not, how could it improve?

WRAP UP

17. If your organization participates in other ISO/RTO's, how does PJM's governance and stakeholder process compare in terms of effectiveness and fairness?

18. Anything else we didn't ask about but you think is important for us to know?

APPENDIX B

PJM Members: DRAFT Interview Protocol Raab Associates, Ltd. and Consensus Building Institute

June 18, 2009

- 1. What should be the primary goal of PJM's governance and stakeholder process? To what degree is PJM currently achieving that goal?**

MULTI-LEVEL PJM MEMBER COMMITTEE STRUCTURE

- 2. How effective is the flow of ideas and agreements/disagreements from the lower level working groups up through the Members' Committee?**
- 3. Please provide an example of an important topic or issue that the PJM stakeholder process has handled well, and explain why? Please provide an example of a topic or issue that the PJM stakeholder process has NOT handled well, and explain why.**
- 4. Please provide an example of a standing Committee or Working Group/Sub-Committee/Task Force that you think adds value and works particularly well on an on-going basis and explain why? Please provide an example of a standing Committee or Working Group/Sub-Committee/Task Force that you think should add value but is not working particularly well and explain why?**
- 5. What would you recommend for improving the multi-level Committee/Working Group structure?**

DECISIONMAKING WITHIN PJM

- 6. In what ways is the PJM stakeholder process effective in building consensus? In what ways is it not? How would you improve consensus building within the PJM stakeholder process?**
- 7. How does the way the PJM sectors are organized impact decisionmaking? Would you recommend changing the number of sectors and/or sector definitions in any way? Why or why not, and if so, how?**

8. What are the impacts on PJM's overall effectiveness of the current sector-weighted voting rules requiring at least a 2/3 majority in the Members' and Market Reliability Committees? Do you think these rules are fair? If you are dissatisfied with the current rules, what would you propose as a better alternative and why?
9. What do you think are the impacts of the voting rules below the Members' and Market Reliability Committees (one vote per organization, simple majority rules, affiliates can vote) on PJM's overall effectiveness? Do you think these rules are fair? If you are dissatisfied with the current rules, what would you propose as a better alternative and why?
10. What do you think about the recent proposal for indicative votes only at the Working Group/Sub-Committee/Task Forces levels and Lower Committees voting on all alternatives discussed by working groups and passing on top two alternatives?

MEMBER MEETING MECHANICS

11. Separate from voting, what is working well about the mechanics of PJM member meetings at the Committee and working group levels? (For instance, agenda development, summary of meetings, how motions are made, set up of the room, phone/in-person option, etc.). What should be improved and how?
12. Do you feel that there are too many, too few, or just about the right number of PJM related meetings to accomplish what PJM needs to develop and resolve?

INTERFACE BETWEEN PJM BOARD and PJM STAFF WITH PJM MEMBERS

13. What are the appropriate relative roles and responsibilities of the PJM Board, staff, and members? What's match between what you described and current practice?
14. How effective is communication among PJM staff and management, PJM Board, and PJM members? What improvements would you recommend, if any?
15. Currently PJM Staff chair and facilitate all PJM Member meetings, except the Members Committee, and provide technical expertise as well.

- a. What do they do well in their technical assistance role? What improvements could they make?
- b. What do they do well in their facilitative role? What improvements could they make? Should PJM staff continue to facilitate PJM member meetings? If not, then who?

16. Do the PJM Board's decisions reflect PJM member's interests and perspectives? If not, how could it improve?

WRAP UP

- 17. If your organization participates in other ISO/RTO's, how does PJM's governance and stakeholder process compare in terms of effectiveness and fairness?
- 18. Anything else we didn't ask about but you think is important for us to know?

APPENDIX C: Interviews and Focus Groups

PJM Members Interviewees — 5 Sectors

Transmission Owner Sector

- AEP - Raj Rana, Greg Baker, Josh Vetter, Lena Horton Rana
- Dominion - Mike Batta
- Exelon - David Pratzon, Susan Ivey, David Weaver, Regina Carrado, Jennifer Walker, Jack Crowley, William Berg
- First Energy - Tom Bainbridge
- PPL -Jesse Dillon and Thomas Mazinsky
- PSEG - Steve Kirk and Marjorie Philips
- Rockland Electric - Deepak Ramlatchan, Stuart Nachmias, Jim Tarpey, Pete McGoldrick

Generation Owner Sector

- Calpine Energy Services - Brett Kruse
- Edison Mission and Marketing and Trading - Reem Fahey
- Mirant Potomac River - Hal Siegrist
- NextEra Energy Power Marketing - David Applebaum
- White Pine Consulting representing Premcor Refining Group - Jay Fuess
- RRI Energy Services - Neil Fitch

Electric Distributor Sector

- Downes Associates representing Borough of Chambersburg - George Owens
- Delaware Municipal Electric Corporation - Pat McCullar
- Old Dominion Electric Coop - Ed Tatum, David Scarpignato, Lopa Parikh, Lisa Johnson
- North Carolina Electric Membership Corp - Diane Huis and Rick Feathers
- Pepco Holdings International - Ken Gates and Gloria Godson
- PJM Public Power Coalition - Jeff Whitehead and Erik Paulson

End-Use Customer Sector

- Lehigh Cement and Arcelor Mittal - Paul Williams
- Linde Energy Services, Inc. - Mike Messer
- Ohio Consumer Counsel - Jackie Roberts, Bruce Weston, Stacia Harper, Jeff Small
- Pennsylvania OCA - Sonny Popowsky, Tanya McCloskey, Dave Evrard
- PJM Industrial Customer Coalition - Susan Bruce
- Severstal Steel - Ron Belbot

Other Supplier Sector

- DC Energy - Bruce Bleiweis
- Energy Connect - Bruce Campbell
- EPIC NJ/PA - Gordon Scott and Lydia Vollmer
- Hess - Dennis Sobieski
- JP Morgan - Bob O'Connell
- Shell North America - John Brodbeck
- South River Consulting - Bert Wilson

PJM Senior Staff, Upper Management, and Board Interviews

- W. Terry Boston, President and CEO
- Andrew Ott, Sr., VP Markets
- Suzanne Daugherty, VP, CFO and Treasurer
- Vincent Duane, VP and General Counsel
- Stu Bresler, VP, Market Operations and Demand Response
- Howard Schneider, Board Chair
- Lynn Eury, Board Vice Chair

Independent Market Monitor Interview

- Joseph Bowring

Members Committee Chairpersons

- John Horstmann, current MC Chair
- Patti Esposito, former MC Chair

PJM Staff Focus Group

- Over 15 PJM staff who serve as chair/facilitators

State Regulators – OPSI Focus Group

- Raj Barua, Exec. Director and Bill Bowker, Kentucky PSC; Hisham Choueiki, PUC of Ohio; Dan Cleverdon, District of Columbia PSC; Matt Davey, New Jersey BPU; Lewis Deboard, Tennessee RA; Mike Fletcher, West Virginia PSC; Michael Krauthamer, Maryland PSC; John Levin, Pennsylvania, PUC; Andrea Maucher, Delaware PSC; Bob Pauley, Indiana URC; Randy Rismiller, Illinois CC; Ken Roth, Michigan PSC; Howard Spinner, Virginia SCC; Sam Watson, North Carolina UC

Other RTO's Interviews - ISO-NE, MISO, NYISO, SPP

- Ray Hepper, VP and Asst. General Counsel, ISO-NE/ David Doot, General Counsel, NEPOOL
- Rob Fernandez, VP and General Counsel, New York ISO (NYISO)
- Michael Holstein, VP and Chief Financial Officer, Midwest ISO (MISO)
- Carl Monroe, COO and Executive VP, Southwest Power Pool (SPP)

APPENDIX D

On-Line Survey Respondent Organizations (Alphabetically)

- Air Liquide Large Industries U.S. LP
- Air Products and Chemicals, Inc
- Allegheny Electric Cooperative, Inc
- Allegheny Energy Supply Company, LLC
- Altair Energy Trading
- American Municipal Power, Inc.
- Appalachian Power
- ArcelorMittal USA
- Atlantic City Electric Company
- Baltimore Gas and Electric
- Blue Ridge Power Agency
- Borough of Chambersburg
- Borough of Ephrata
- Borough of Lavallette New Jersey
- Borough of Mont Alto
- BP Energy Company
- Buckeye Power, Inc.
- Calvert Cliffs Nuclear Power Plant, Inc.
- CMS Energy Resource Management Company
- Conectiv Bethlehem
- Conectiv Energy Supply Inc.
- Constellation Energy Commodities & Trading
- Constellation Energy Control and Dispatch, LLC
- Constellation NewEnergy, Inc.
- Constellation Power Source Generation, Inc.
- CPower
- DC Energy
- Delaware Municipal Electric Corporation
- Delmarva Power
- Direct Energy Business
- District of Columbia Public Service Commission
- Downes Associates, Inc.
- DPL Energy
- DPL Energy Resources Inc.
- DTE Energy Trading
- Duke Energy Business Services
- Duke Energy Carolinas, LLC
- Duquesne Light Company
- Dynegy Power Marketing, Inc.
- Easton Utilities Commission
- Edison Mission Marketing & Trading, Inc.
- EnergyConnect, Inc
- Enerwise Global Technologies, Inc.
- FirstEnergy Solutions Company
- Gerdau Ameristeel Energy Inc.
- Granger Energy of Honey Brook, LLC
- Hess Corp.
- Highlands Energy Group LLC
- Iberdrola Renewables Inc
- Illinois Commerce Commission
- Indiana Office of Utility Consumer Counselor
- Indiana Utility Regulatory Commission
- Industrial Energy Users - Ohio
- IPA Trading
- Jersey Atlantic Wind
- JP Morgan Ventures Energy Corp
- Jump Power, LLC
- Kentucky Public Service Commission
- Kimberly-Clark Corporation
- Lehigh Portland Cement Company
- Letterkenny Industrial Development Authority
- Linde, inc.
- Long Island Lighting Company dba LIPA
- Lower Mount Bethel Energy, LLC
- Madison Gas & Electric Company
- Maryland Public Service Commission
- MeadWestvaco Corp.
- Miami Valley Lighting, LLC

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

- Michigan Public Service Commission
- Mirant, Potomac River LLC
- NextEra Energy Power Marketing LLC
- Nordic Energy Services, LLC
- North Carolina Electric Membership Corporation
- Northern Indiana Public Service Company
- NRG Energy
- NYSEG-RGE
- Office of the People's Counsel for the District of Columbia
- Ohio Consumers' Counsel
- Old Dominion Electric Cooperative
- Orion Power Midwest, LP
- Parma Energy
- PECO Energy Company on behalf of Exelon Corp
- Pennsylvania Office of Consumer Advocate
- Pennsylvania Public Utility Commission
- Pepco Energy Services, Inc.
- Pepco Holdings on behalf of Potomac Electric Power Company
- PPL Brunner Island, LLC
- PPL Electric Utilities Corporation
- PPL EnergyPlus, LLC
- PPL Holtwood, L.L.C.
- PPL Martins Creek, L.L.C.
- PPL Montour, L.L.C.
- PPL Susquehanna, L.L.C.
- PPL University Park LLC
- Procter & Gamble Paper Products Company
- PSEG Energy Resources & Trade LLC
- Red Wolf Energy Trading
- Rockland Electric
- RRI Energy Services, Inc.
- RRI Energy Solutions East, LLC
- Sempra Energy Trading, LLC.
- Severstal Sparrows Point LLC
- Shell Energy North America
- South Jersey Energy Co.
- Southern Maryland Electric Cooperative, Inc.
- TEC Trading, Inc
- The Dayton Power & Light Company
- The Premcor Refining Group
- Thurmont Municipal Light Company
- UGI Utilities, Inc.
- Vineland Municipal Electric Utility
- Virginia Electric & Power Co.
- Viridity Energy, Inc.
- Wellsboro Electric Company

On-Line Survey Respondent Organizations (By Sector without Affiliates, Affiliates, OPSI)

Transmission Owners

- Allegheny Electric Cooperative, Inc
- Allegheny Energy Supply Company, LLC
- Appalachian Power
- Baltimore Gas and Electric
- Duquesne Light Company
- FirstEnergy Solutions Company
- PECO Energy Company on behalf of Exelon Corp
- PPL EnergyPlus, LLC
- PSEG Energy Resources & Trade LLC
- Rockland Electric
- The Dayton Power & Light Company
- UGI Utilities, Inc.
- Virginia Electric & Power Co.

Generation Owners

- American Municipal Power, Inc.
- Duke Energy Business Services
- Edison Mission Marketing & Trading, Inc.
- Granger Energy of Honey Brook, LLC
- IPA Trading
- Jersey Atlantic Wind
- Kimberly-Clark Corporation
- Mirant, Potomac River LLC
- NextEra Energy Power Marketing LLC
- NRG Energy
- RRI Energy Services, Inc.
- The Premcor Refining Group

End Use Customers

- Air Liquide Large Industries U.S. LP
- Air Products and Chemicals, Inc
- ArcelorMittal USA
- Indiana Office of Utility Consumer Counselor
- Lehigh Portland Cement Company
- Linde, inc.
- MeadWestvaco Corp.
- Office of the People's Counsel for the District of Columbia
- ohio consumers' counsel
- Pennsylvania Office of Consumer Advocate
- Procter & Gamble Paper Products Company
- Severstal Sparrows Point LLC

Electric Distributors

- Blue Ridge Power Agency
- Borough of Chambersburg
- Borough of Ephrata
- Borough of Lavallette New Jersey
- Borough of Mont Alto
- Delaware Municipal Electric Corporation
- Easton Utilities Commission
- Letterkenny Industrial Development Authority
- Nordic Energy Services, LLC
- North Carolina Electric Membership Corporation
- Old Dominion Electric Cooperative
- Pepco Holdings on behalf of Potomac Electric Power Company
- Southern Maryland Electric Cooperative, Inc.
- Thurmont Municipal Light Company
- Vineland Municipal Electric Utility
- Wellsboro Electric Company

Other Suppliers

- Altair Energy Trading
- BP Energy Company
- Buckeye Power, Inc.
- CMS Energy Resource Managemet Company
- CPower
- DC Energy
- Direct Energy Business
- Downes Associates, Inc.
- DTE Energy Trading
- Dynegy Power Marketing, Inc.
- EnergyConnect, Inc
- Enerwise Global Technologies, Inc.
- Gerdau Ameristeel Energy Inc.
- Hess Corp.
- Highlands Energy Group LLC
- Iberdrola Renwables Inc
- Industrial Energy Users - Ohio
- JP Morgan Ventures Energy Corp
- Jump Power, LLC
- Long Island Lighting Company dba LIPA
- Madison Gas & Electric Company
- Northern Indiana Public Service Company
- NYSEG-RGE
- Parma Energy
- Red Wolf Energy Trading
- Sempra Energy Trading, LLC.
- Shell Energy North America
- South Jersey Energy Co.
- Viridity Energy, Inc.

Affiliates

- Atlantic City Electric Company
- Calvert Cliffs Nuclear Power Plant, Inc.
- Conectiv Bethlehem
- Conectiv Energy Supply Inc.
- Constellation Energy Commodities & Trading
- Constellation Energy Control and Dispatch, LLC
- Constellation NewEnergy, Inc.
- Constellation Power Source Generation, Inc.
- Delmarva Power
- DPL Energy
- DPL Energy Resources Inc.
- Duke Energy Carolinas, LLC
- Lower Mount Bethel Energy, LLC
- Miami Valley Lighting, LLC
- Orion Power Midwest, LP
- Pepco Energy Services, Inc.
- PPL Brunner Island, LLC
- PPL Electric Utilities Corporation
- PPL Holtwood, L.L.C.
- PPL Martins Creek, L.L.C.
- PPL Montour, L.L.C.
- PPL Susquehanna, L.L.C.
- PPL University Park LLC
- RRI Energy Solutions East, LLC
- TEC Trading, Inc

OPSI/State Regulators

- District of Columbia Public Service Commission
- Illinois Commerce Commission
- Indiana Utility Regulatory Commission
- Kentucky Public Service Commission
- Maryland Public Service Commission
- Michigan Public Service Commission
- Pennsylvania Public Utility Commission

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

5. Is your organization:		
A voting member of the Members Committee	82	71.9%
An affiliate member (that does not vote directly at the Members Committee)	25	21.9%
A state regulator	7	6.1%

6. To which PJM Sector does your Members Committee voting member belong?		
Transmission Owner	24	21.1%
Generation Owner	15	13.2%
End Use Customer	13	11.4%
Electric Distributor	21	18.4%
Other Supplier	34	29.8%
None - am a state regulator	7	6.1%

7 (a) An essential goal of the PJM Member stakeholder process is to ensure PJM meets its mission regarding reliability; robust, non-discriminatory, and competitive markets; and efficient operations (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	5.7	0.8
By Sector (without affiliates)			
Transmission owners	13	5.6	1.1
Generation owners	12	5.8	0.4
End use customers	12	5.9	0.3
Electric distributors	16	5.6	0.9
Other suppliers	29	5.4	1.2
OPSI (state regulators)			
	7	5.7	0.8

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

7 (b) An essential goal of the PJM Member stakeholder process is to reach agreement among the members (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	3.3	1.1
By Sector (without affiliates)			
Transmission owners	13	3.2	1.4
Generation owners	12	3.4	1.3
End use customers	12	3.8	0.7
Electric distributors	15	3.6	0.8
Other suppliers	29	3.7	1.1
OPSI (state regulators)	7	3.3	0.8

7 (c) An essential goal of the PJM Member stakeholder process is to inform the Board about members' perspectives (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	5.3	0.9
By Sector (without affiliates)			
Transmission owners	13	5.5	0.7
Generation owners	12	5.3	0.8
End use customers	12	5.7	0.5
Electric distributors	15	5.5	0.7
Other suppliers	29	4.8	1.4
OPSI (state regulators)	7	4.9	1.3

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

8 (a) The stakeholder process does a good job allowing members to learn about and gain an understanding of issues (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	4.7	0.9
By Sector (without affiliates)			
Transmission owners	13	4.8	0.7
Generation owners	12	5.3	0.6
End use customers	12	4.6	0.8
Electric distributors	16	4.6	1.1
Other suppliers	29	4.6	1.2
OPSI (state regulators)	7	4.1	0.9

8 (b) The stakeholder process does a good job allowing members to express their views and concerns (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	5.0	1.0
By Sector (without affiliates)			
Transmission owners	13	5.3	0.9
Generation owners	12	5.4	0.5
End use customers	12	4.7	1.0
Electric distributors	15	4.9	1.1
Other suppliers	29	4.5	1.2
OPSI (state regulators)	7	4.0	1.3

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

8 (c) The stakeholder process does a good job allowing members to understand other members' views and concerns (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	4.4	1.1
By Sector (without affiliates)			
Transmission owners	13	4.6	1.0
Generation owners	12	5.0	0.9
End use customers	12	4.1	0.9
Electric distributors	15	4.4	1.2
Other suppliers	29	4.2	1.3
OPSI (state regulators)	7	4.1	0.9

8 (d) The stakeholder process does a good job allowing members to develop and vet alternative solutions (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	3.9	1.2
By Sector (without affiliates)			
Transmission owners	13	3.8	1.4
Generation owners	12	4.8	0.9
End use customers	12	3.9	0.8
Electric distributors	15	4.0	1.2
Other suppliers	29	3.8	1.1
OPSI (state regulators)	7	3.4	1.8

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

8 (e) The stakeholder process does a good job allowing members to reach agreement on solutions (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	3.0	1.2
By Sector (without affiliates)			
Transmission owners	13	2.8	1.1
Generation owners	12	3.9	1.8
End use customers	12	3.0	0.7
Electric distributors	15	3.5	1.1
Other suppliers	29	3.1	1.0
OPSI (state regulators)	7	3.0	0.6

9 (a) The PJM stakeholder process is effective at resolving issues related to the reliable operation of the electric grid (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	4.5	1.3
By Sector (without affiliates)			
Transmission owners	13	4.2	1.2
Generation owners	12	4.9	1.1
End use customers	12	5.3	1.1
Electric distributors	16	4.7	1.4
Other suppliers	29	4.8	1.1
OPSI (state regulators)	7	4.7	1.0

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

9 (b) The PJM stakeholder process is effective at resolving issues related to the design of wholesale electricity markets (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	3.0	1.1
By Sector (without affiliates)			
Transmission owners	13	3.2	1.1
Generation owners	11	3.4	1.5
End use customers	12	2.4	0.9
Electric distributors	16	3.2	1.2
Other suppliers	29	3.2	1.1
OPSI (state regulators)	6	2.8	1.2

10. Even when members can't reach agreement on a solution, it is still beneficial for issues to be fully vetted through the PJM stakeholder process (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	5.2	1.0
By Sector (without affiliates)			
Transmission owners	13	5.2	1.4
Generation owners	12	5.5	0.5
End use customers	12	5.1	0.7
Electric distributors	16	5.4	0.8
Other suppliers	29	5.2	1.2
OPSI (state regulators)	7	5.4	0.8

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

11. Overall, the PJM stakeholder process reasonably balances competing interests (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	2.8	1.4
By Sector (without affiliates)			
Transmission owners	13	2.7	1.7
Generation owners	12	3.1	1.8
End use customers	12	2.8	0.6
Electric distributors	16	3.6	1.3
Other suppliers	29	3.3	1.2
OPSI (state regulators)	6	2.8	1.2

12. All things considered, the PJM stakeholder process is superior to the stakeholder processes of other RTOs (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	99	3.9	1.1
By Sector (without affiliates)			
Transmission owners	11	3.8	0.9
Generation owners	10	4.3	1.1
End use customers	12	3.0	0.7
Electric distributors	14	4.3	1.4
Other suppliers	27	3.8	1.3
OPSI (state regulators)	4	2.0	0.8

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

13. Overall, how satisfied is your organization with PJM’s Member Stakeholder Process? (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	3.4	1.2
By Sector (without affiliates)			
Transmission owners	13	3.2	1.2
Generation owners	12	4.0	1.2
End use customers	12	3.1	0.9
Electric distributors	16	3.9	1.2
Other suppliers	29	3.6	1.1
OPSI (state regulators)	7	2.7	0.8

14. Do you think the current number of PJM stakeholder-related meetings needed to accomplish PJM’s workload is ...				
	# of Respondents	Too Few	Too Many	Just About the Right #
All Members (with affiliates)	104	2.9%	45.2%	51.9%
By Sector (without affiliates)				
Transmission owners	13	7.7%	46.2%	46.2%
Generation owners	11	0.0%	27.3%	72.7%
End use customers	12	0.0%	100.0%	0.0%
Electric distributors	16	0.0%	62.5%	37.5%
Other suppliers	28	7.1%	28.6%	64.3%
OPSI (state regulators)	6	0.0%	16.7%	83.3%

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

15. The PJM stakeholder process takes on more issues in a year than it can process and resolve (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	3.8	1.4
By Sector (without affiliates)			
Transmission owners	13	3.7	1.3
Generation owners	11	3.5	1.5
End use customers	12	5.1	1.2
Electric distributors	16	4.1	1.9
Other suppliers	29	3.4	1.4
OPSI (state regulators)			
	6	3.5	1.9

16. PJM and its members need to do a better job prioritizing the issues they do undertake each year (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	4.2	1.3
By Sector (without affiliates)			
Transmission owners	13	4.2	1.1
Generation owners	12	3.4	1.3
End use customers	12	4.9	1.1
Electric distributors	16	5.0	1.2
Other suppliers	29	4.1	1.4
OPSI (state regulators)			
	6	4.3	1.6

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

17. PJM and its members should set firm timetables for resolving each issue they undertake (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	4.1	1.3
By Sector (without affiliates)			
Transmission owners	13	4.4	1.6
Generation owners	12	4.0	1.2
End use customers	12	4.0	1.3
Electric distributors	16	3.9	1.8
Other suppliers	29	3.8	1.2
OPSI (state regulators)			
	7	3.4	1.5

18. Meeting agendas should designate specific start times and durations for agenda items (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	3.5	1.4
By Sector (without affiliates)			
Transmission owners	13	3.7	1.7
Generation owners	12	3.0	1.2
End use customers	12	3.6	1.0
Electric distributors	16	3.1	1.4
Other suppliers	29	3.4	1.2
OPSI (state regulators)			
	7	2.9	1.2

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

19. Working groups and committees should have clearer groundrules about members' roles, responsibilities, and norms of behavior (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	3.9	1.4
By Sector (without affiliates)			
Transmission owners	13	4.9	1.3
Generation owners	12	3.6	1.3
End use customers	12	2.8	1.1
Electric distributors	16	3.8	1.5
Other suppliers	29	3.9	1.3
OPSI (state regulators)	6	3.3	1.5

20. Members should consider eliminating the Markets and Reliability Committee (MRC) and distributing its current roles and responsibilities among the Members Committee and Lower Level Standing Committees (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	2.9	1.9
By Sector (without affiliates)			
Transmission owners	13	3.5	2.1
Generation owners	12	2.6	1.2
End use customers	12	1.8	1.5
Electric distributors	15	3.1	2.2
Other suppliers	27	3.4	1.9
OPSI (state regulators)	6	2.2	1.3

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

21. Lower Level Standing Committees need to better manage the scope and timing of the Working Groups and Task Forces that serve them (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	3.9	1.0
By Sector (without affiliates)			
Transmission owners	13	4.1	1.3
Generation owners	12	3.3	1.0
End use customers	12	3.7	0.7
Electric distributors	16	4.3	0.8
Other suppliers	29	4.0	1.2
OPSI (state regulators)	6	3.5	0.5

22. At the outset of their work on a particular issue, Working Groups and Task Forces should spend more time identifying and clarifying the problem, determining desirable attributes of solutions, and generating multiple options			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	4.2	1.2
By Sector (without affiliates)			
Transmission owners	13	4.5	1.1
Generation owners	11	3.9	1.1
End use customers	12	3.3	1.0
Electric distributors	15	4.3	1.4
Other suppliers	29	4.4	1.2
OPSI (state regulators)	6	4.2	1.0

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

23. The stakeholder process would benefit from greater direct participation by senior managers and executives of member organizations (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	2.3	1.5
By Sector (without affiliates)			
Transmission owners	13	2.5	1.7
Generation owners	12	2.7	1.2
End use customers	11	2.0	1.4
Electric distributors	16	2.1	1.5
Other suppliers	29	3.1	1.6
OPSI (state regulators)			
	6	2.8	1.3

24. Members should be required to directly participate in at least one stakeholder meeting per year (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	2.9	1.7
By Sector (without affiliates)			
Transmission owners	13	3.5	2.3
Generation owners	12	3.5	2.1
End use customers	12	2.0	1.3
Electric distributors	16	3.1	1.3
Other suppliers	29	2.7	1.7
OPSI (state regulators)			
	7	2.1	1.7

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

25. User groups are necessary for addressing issues that are not resolved in the stakeholder process (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	4.2	1.4
By Sector (without affiliates)			
Transmission owners	13	3.8	2.0
Generation owners	11	3.6	1.5
End use customers	12	3.7	1.0
Electric distributors	16	3.5	1.4
Other suppliers	29	4.3	1.3
OPSI (state regulators)	6	3.2	0.8

26. PJM should improve the effectiveness of participation in meetings by telephone (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	4.5	1.4
By Sector (without affiliates)			
Transmission owners	13	4.2	1.6
Generation owners	12	4.5	1.3
End use customers	12	5.1	1.4
Electric distributors	16	5.2	1.1
Other suppliers	29	4.5	1.1
OPSI (state regulators)	6	5.2	1.0

27. Please provide up to three specific suggestions that would most improve the PJM Stakeholder Structure and Meetings

Individual responses not included here.

28. If you have any additional comments related to the questions above about the PJM Stakeholder Structure and Meetings, please provide here:

Individual responses not included here.

29. The current method of sector weighted voting reasonably balances competing interests (1=strongly disagree, 6=strongly agree)

	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	103	3.3	2.0
By Sector (without affiliates)			
Transmission owners	13	2.5	1.6
Generation owners	12	3.3	1.8
End use customers	12	5.0	1.3
Electric distributors	16	5.3	1.3
Other suppliers	25	3.5	1.6
OPSI (state regulators)			
	6	3.3	2.0

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

30. The current method of sector weighted voting is...					
	# of Respondents	Effective	Imperfect, But Workable	Not Desirable, But Unlikely to Change	Very Undesirable + Must Be Seriously Reconsidered
All Members (with affiliates)	105	27.6%	21.0%	22.9%	28.6%
By Sector (without affiliates)					
Transmission owners	13	7.7%	53.8%	7.7%	30.8%
Generation owners	12	25.0%	25.0%	33.3%	16.7%
End use customers	12	58.3%	25.0%	16.7%	0.0%
Electric distributors	15	80.0%	13.3%	0.0%	6.7%
Other suppliers	28	17.9%	25.0%	46.4%	10.7%
OPSI (state regulators)					
	6	0.0%	66.7%	33.3%	0.0%

31. The sector-weighted voting threshold, currently requiring more than 2/3 majority, should					
	# of Respondents	Remain at 2/3	Be Higher	Be Lower	Be Different for Different Types of Issues (e.g. market design vs. reliability issues)
All Members (with affiliates)	105	80.0%	1.9%	10.5%	7.6%
By Sector (without affiliates)					
Transmission owners	13	61.5%	0.0%	15.4%	23.1%
Generation owners	12	58.3%	0.0%	25.0%	16.7%
End use customers	12	100.0%	0.0%	0.0%	0.0%
Electric distributors	16	68.8%	0.0%	25.0%	6.3%
Other suppliers	27	77.8%	7.4%	7.4%	7.4%
OPSI (state regulators)					
	5	60.0%	0.0%	0.0%	40.0%

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

32. The number of sectors should remain at the current five sectors (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	4.2	1.5
By Sector (without affiliates)			
Transmission owners	13	3.5	1.5
Generation owners	11	4.0	1.5
End use customers	12	4.9	1.4
Electric distributors	16	5.6	0.7
Other suppliers	28	3.5	1.7
OPSI (state regulators)			
	7	3.6	1.5

33. The definitions of each of the current five sectors should not be changed (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	3.8	1.9
By Sector (without affiliates)			
Transmission owners	13	2.8	2.0
Generation owners	11	3.5	1.9
End use customers	12	4.8	1.5
Electric distributors	15	5.5	0.7
Other suppliers	29	3.1	1.8
OPSI (state regulators)			
	6	3.8	1.5

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34. Members' placement in the appropriate sectors should be more carefully monitored and enforced (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	4.8	1.2
By Sector (without affiliates)			
Transmission owners	13	5.0	1.4
Generation owners	11	5.4	0.9
End use customers	12	4.5	0.8
Electric distributors	15	4.7	1.4
Other suppliers	29	4.8	1.2
OPSI (state regulators)	6	4.3	1.2

35. The voting reports prepared by PJM provide sufficient information about the members' and sector's interests (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	3.4	1.5
By Sector (without affiliates)			
Transmission owners	13	3.1	1.3
Generation owners	11	4.3	0.9
End use customers	12	4.1	0.9
Electric distributors	15	3.6	1.7
Other suppliers	29	3.8	1.5
OPSI (state regulators)	6	3.7	1.5

36. PJM and its members should evaluate using a sub-weighting scheme within the “Other Supplier” sector to address the heterogeneity of business types within that sector (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	3.8	1.4
By Sector (without affiliates)			
Transmission owners	13	3.2	1.4
Generation owners	11	3.7	1.0
End use customers	12	4.8	1.1
Electric distributors	15	3.9	1.6
Other suppliers	28	3.8	1.6
OPSI (state regulators)			
	6	2.5	1.5

37. Voting procedures at working groups, task forces and Lower Level Standing Committees are often unclear and confusing (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	4.2	1.2
By Sector (without affiliates)			
Transmission owners	13	4.9	1.0
Generation owners	10	3.3	1.3
End use customers	12	4.7	0.9
Electric distributors	16	4.9	1.1
Other suppliers	28	4.3	1.1
OPSI (state regulators)			
	6	4.2	0.8

38. Voting procedures at working groups, task forces and Lower Level Standing Committees are not uniform across working groups, task forces or lower level committees (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	103	4.1	1.4
By Sector (without affiliates)			
Transmission owners	13	4.5	1.3
Generation owners	10	3.7	1.7
End use customers	12	4.4	1.0
Electric distributors	14	5.1	0.9
Other suppliers	29	4.2	1.3
OPSI (state regulators)			
	5	3.8	1.1

39. Voting at the Lower Level Standing Committees should be more transparent, enabling the higher-level committees to know how participating members and sectors vote on any given issue (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	3.9	1.8
By Sector (without affiliates)			
Transmission owners	13	4.2	1.8
Generation owners	11	4.0	1.6
End use customers	12	5.3	1.0
Electric distributors	15	4.7	1.8
Other suppliers	28	4.3	1.3
OPSI (state regulators)			
	6	5.0	0.9

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40. Lower Level Standing Committees should calculate sector-weighted votes similarly to the higher level committees (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	3.3	2.0
By Sector (without affiliates)			
Transmission owners	13	2.8	1.9
Generation owners	10	3.2	1.9
End use customers	12	5.2	1.3
Electric distributors	15	4.3	1.8
Other suppliers	29	3.9	1.6
OPSI (state regulators)	6	3.7	1.4

41. Working Groups and Task Forces should develop proposals that have a reasonable chance of acceptance at the committees above them (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	3.9	1.6
By Sector (without affiliates)			
Transmission owners	13	3.2	1.4
Generation owners	11	3.6	1.7
End use customers	12	5.2	1.0
Electric distributors	16	5.0	1.6
Other suppliers	29	3.9	1.5
OPSI (state regulators)	6	3.0	1.1

42. Working Groups and Task Forces should strive for consensus wherever possible; where consensus on a single proposal is not possible, WGs and TFs should elevate multiple proposals to the Lower Level Standing Committees to which they report			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	5.2	0.9
By Sector (without affiliates)			
Transmission owners	13	5.3	0.8
Generation owners	11	5.1	0.8
End use customers	12	5.4	0.9
Electric distributors	16	5.6	0.8
Other suppliers	29	5.0	1.0
OPSI (state regulators)			
	7	5.0	1.2

43. Working Groups and Task Forces need not vote on proposals, but should indicate to their Lower Level Standing Committees which participating members support each proposal (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	3.3	1.3
By Sector (without affiliates)			
Transmission owners	13	3.7	1.5
Generation owners	11	2.7	1.1
End use customers	12	3.7	0.8
Electric distributors	16	3.3	1.4
Other suppliers	28	3.4	1.5
OPSI (state regulators)			
	6	4.5	0.8

44. A proposal should be required to have the support of a minimum number of Working Group and Task Force members (e.g., 2-3) before it may be elevated to the Lower Level Standing Committee for that Working Group or Task Force			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	102	3.7	1.4
By Sector (without affiliates)			
Transmission owners	12	4.3	1.7
Generation owners	10	3.8	1.7
End use customers	12	2.7	0.9
Electric distributors	15	2.8	1.9
Other suppliers	28	4.0	1.1
OPSI (state regulators)			
	6	2.5	1.6

45. Please provide up to three specific suggestions that would most improve the PJM Decision-making Process

Individual responses not included here.

46. If you have any additional comments related to the questions above about the PJM Decision-making Process, please provide here:

Individual responses not included here.

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

47 (a) Overall, how satisfied are you with how the PJM staff provides technical expertise and analysis to support the stakeholder process (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	5.0	1.2
By Sector (without affiliates)			
Transmission owners	13	5.2	0.8
Generation owners	12	5.7	0.5
End use customers	12	5.3	0.9
Electric distributors	16	4.3	1.9
Other suppliers	28	4.7	1.4
OPSI (state regulators)	7	4.0	0.8

47 (b) Overall, how satisfied are you with how the PJM staff chairs/facilitates working group, task force, and committee meetings (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	4.0	1.2
By Sector (without affiliates)			
Transmission owners	13	4.2	1.0
Generation owners	11	4.8	1.3
End use customers	12	3.3	1.4
Electric distributors	16	3.4	1.4
Other suppliers	27	4.1	1.3
OPSI (state regulators)	7	3.9	0.4

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

48 (a) PJM staff and management’s role within the stakeholder process should be to advocate for technically-sound reliability solutions (1=strongly disagree, 6=strongly agree)

	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	5.3	1.1
By Sector (without affiliates)			
Transmission owners	13	5.8	0.4
Generation owners	12	5.3	0.9
End use customers	12	5.3	1.4
Electric distributors	16	5.4	0.9
Other suppliers	28	4.6	1.4
OPSI (state regulators)	6	5.2	1.2

48 (b) PJM staff and management’s role within the stakeholder process should be to advocate for competitive and robust market solutions (1=strongly disagree, 6=strongly agree)

	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	106	4.9	1.3
By Sector (without affiliates)			
Transmission owners	13	5.7	0.5
Generation owners	12	4.8	1.0
End use customers	12	3.8	1.1
Electric distributors	16	4.3	1.3
Other suppliers	28	4.5	1.4
OPSI (state regulators)	6	5.0	0.9

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

48 (c) PJM staff and management’s role within the stakeholder process should be to broker agreements among its members (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	105	3.0	1.4
By Sector (without affiliates)			
Transmission owners	13	2.8	1.3
Generation owners	12	3.2	1.6
End use customers	12	3.8	0.7
Electric distributors	16	3.7	1.6
Other suppliers	27	3.2	1.3
OPSI (state regulators)	6	3.7	1.6

49. The effectiveness of PJM staff in facilitating working group, task force and committee meetings varies significantly by staff member (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	4.7	1.1
By Sector (without affiliates)			
Transmission owners	13	4.6	1.1
Generation owners	12	3.8	1.5
End use customers	12	5.3	1.1
Electric distributors	15	5.3	1.0
Other suppliers	27	4.3	1.1
OPSI (state regulators)	6	4.3	0.5

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

50. If PJM staff and management have a strong opinion about how an issue should be substantively resolved, should they...					
	# of Respondents	Keep it to Themselves	State it Clearly and Continue to Chair/ Facilitate	State it Clearly But Assign Two PJM Staff (One to represent PJM and another to chair/ facilitate)	State it clearly but bring in a 3rd party to chair/ facilitate
All Members (with affiliates)	104	1.9%	40.4%	37.5%	20.2%
By Sector (without affiliates)					
Transmission owners	13	0.0%	46.2%	38.5%	15.4%
Generation owners	12	8.3%	66.7%	16.7%	8.3%
End use customers	11	0.0%	0.0%	54.5%	45.5%
Electric distributors	16	0.0%	18.8%	75.0%	6.3%
Other suppliers	27	3.7%	29.6%	40.7%	25.9%
OPSI (state regulators)	6	0.0%	16.7%	66.7%	16.7%

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51. Over the last two to three years, PJM Board has become more responsive to PJM members (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	102	4.3	1.4
By Sector (without affiliates)			
Transmission owners	13	4.3	1.3
Generation owners	9	5.0	1.0
End use customers	12	4.0	0.9
Electric distributors	15	4.6	1.6
Other suppliers	28	3.9	1.1
OPSI (state regulators)			
	5	4.0	1.0

52. The addition of the Liaison Committee has significantly improved communications between the PJM members and the Board (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	102	4.5	1.3
By Sector (without affiliates)			
Transmission owners	13	4.2	1.2
Generation owners	11	5.0	0.9
End use customers	12	4.9	1.4
Electric distributors	14	5.2	1.5
Other suppliers	27	3.9	1.2
OPSI (state regulators)			
	5	3.8	0.8

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

53. Overall, the PJM Board makes sound decisions on issues on which members are not able to reach agreement (exceed the 2/3 weighted vote threshold at the Members Committee) (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	103	3.5	1.2
By Sector (without affiliates)			
Transmission owners	13	3.7	1.2
Generation owners	11	3.8	1.3
End use customers	12	2.4	0.7
Electric distributors	15	3.1	1.2
Other suppliers	27	3.6	1.0
OPSI (state regulators)			
	6	2.8	1.0

54. Where members do not reach agreement on significant matters (exceed the 2/3 weighted vote threshold at the Members Committee), the PJM Board currently receives sufficiently clear and detailed information on the perspectives of members			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	3.3	1.5
By Sector (without affiliates)			
Transmission owners	13	3.3	1.6
Generation owners	11	4.0	1.2
End use customers	12	3.9	1.5
Electric distributors	15	3.6	1.8
Other suppliers	28	3.5	1.3
OPSI (state regulators)			
	5	2.2	1.1

PJM Stakeholder Process and Governance Online Survey – Data (Sept. 2, 2009)

55. The PJM Board's processes and decision-making should be more open and transparent to the members (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	4.8	1.2
By Sector (without affiliates)			
Transmission owners	13	5.1	1.3
Generation owners	11	4.3	0.8
End use customers	12	4.6	0.9
Electric distributors	15	5.2	1.0
Other suppliers	28	4.5	1.4
OPSI (state regulators)	6	5.7	0.5

56. PJM should provide a more detailed description of stakeholder views in its FERC filings (1=strongly disagree, 6=strongly agree)			
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	100	3.8	1.5
By Sector (without affiliates)			
Transmission owners	13	3.8	1.5
Generation owners	10	3.2	1.1
End use customers	12	3.3	1.5
Electric distributors	15	3.9	1.8
Other suppliers	26	4.2	1.5
OPSI (state regulators)	7	4.3	1.1

57. Please provide up to three specific suggestions that would most improve PJM Staff, Management, and Board interface with the members.

Individual responses not included here

58. If you have any additional comments about the questions above about the PJM Staff, Management, and Board interface with the members, please provide here:

Individual responses not included here

59. PJM and its members should more actively seek state regulators’ views on issues so that PJM and its members can address them during their deliberations (1=strongly disagree, 6=strongly agree)

	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	103	3.9	1.7
By Sector (without affiliates)			
Transmission owners	13	3.5	1.7
Generation owners	11	3.2	1.7
End use customers	12	5.6	1.0
Electric distributors	15	5.0	1.2
Other suppliers	27	3.9	1.7
OPSI (state regulators)	7	5.6	0.8

60. Please provide up to three specific suggestions that would most improve state regulators interface with the members

Individual responses not included here.

61. Would you like to add any other suggestions from your organization for improving PJM’s governance and stakeholder process?

Individual responses not included here.

Appendix E: Summary of Review of Other Organizations

As part of our background research, we reviewed several organizations, in addition to other RTOs that might provide useful insights about governance, particularly regarding voting rules. We reviewed various collaboratives and stakeholder processes supported by various state and federal agencies, various Washington D.C. membership organizations that make joint decisions about policy direction and lobbying, and a sampling of other organizations with memberships and decisionmaking. These other organizations included:

- The Financial Industry Regulatory Authority (FINRA), who, like PJM, is regulated by a federal body, the Securities and Exchange Commission (SEC);
- The Canadian Medical Association, a body with a large membership and voting rules;
- a large international food service provider with franchisees and joint decisionmaking around various expenditures of funds and business decisions; and,
- The European Committee for Standardization.

In reviewing these organizations, we found several instructive comparisons. First, there are very few organizations we were able to identify that use any form of sector-weighted voting. Almost all organizations use some form of simple majority, supermajority, or consensus-based (unanimity or close to unanimity) voting rule. Most other organizations handle voting rights (involving questions of fairness, power, balance) by managing representation and membership rather than the voting rule. For instance, some organizations use the U.S. Senate approach where a voting member is designated from each state or organization, and each member gets one vote regardless of size or scale of that state or organization (i.e., this is the case in the United Nations General Assembly). Other organizations identify voting representatives through some formula per state or province based on numbers of members within a geographic area. The Canadian Medical Association has a large General Council, which is the legislative body of the organization regarding policy and advocacy. From the 68,000 members across Canada, each province's members elect representatives to the Council based on the number of members in that province (4 delegates per the first 100 members, 1 additional for 101 to 250 members, and so forth).

The European Committee for Standardization does use sector weighted voting. Its members are designated from countries within the European Union as well as by several cross-country organizations representing labor, the environment, large industrial sectors, and small and medium sized enterprises. The voting threshold is 71%. If the sector-weighted vote does not pass with all members, the vote is

recounted by “country” members only to determine if the proposal passes. Votes are weighted according to a formula that takes into account level of production, gross domestic product, and other factors.

Most organizations we reviewed tend to structure decisionmaking in one of two ways. One typical form is a strong board with “weak” member participation where member’s primary decisionmaking is in electing board members. Such boards typically have representation by sector across an industry or have general election of board members from all members. For example, FINRA has both public and industry governors with the governors from industry including representation from kinds and sizes of companies. In some cases, members may participate in proposal development and vetting through various committees, but ultimately, a limited-size Board receives proposals and makes final decisions.

The other typical form is a “weak” board and a strong member legislative body. In this case, the board handles administrative and fiscal matters related to the operation of the organization, but members make most or all policy decisions. This is the case for the Canadian Medical Association and numerous D.C.-based trade associations. We also note that some member organizations like the Canadian Medical Association also occasionally turn key policy decisions over to a full vote of all members (and with large organizations, they typically use a simple majority threshold in these cases). In some sense, PJM’s structure is a hybrid of both general forms, partly dictated by the complex allocation of Section 205 rights.

Lastly, in our review, we noted a trend regarding the size of the membership. For organizations with fewer than 100 members, most organizations we know of use some form of supermajority or consensus-based decisionmaking to reach agreement. With fewer members and the desire for broad-based support, these organizations find it necessary and possible to use consensus or high-hurdle voting thresholds both to make decisions and keep the membership on-board, satisfied, and continuing in their on-going participation. Large member organizations with thousands of members almost always use some form of representative governance in which the members elects representatives who in turn participate actively in governance. PJM is an interesting case in size in that it is probably too large to use consensus-based decisionmaking at the MC and MRC level due to number of participants, but too small to necessarily move to a representative model with fewer but elected representatives