

Survey Results, Overall Findings, and Phase II Recommendations

Dr. Jonathan Raab, Raab Associates,
Ltd.

Patrick Field, CBI

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Presentation Outline

- Introduction to Data
- Observations and Findings (by lunch time)
 - Overall Goals
 - Structure and Meetings
 - Decisionmaking
 - Role of PJM Staff and Management
 - Role of PJM Board and Members
- Conclusion and Phase II Recommendations (after lunch)
- Next Steps

Sources of Information

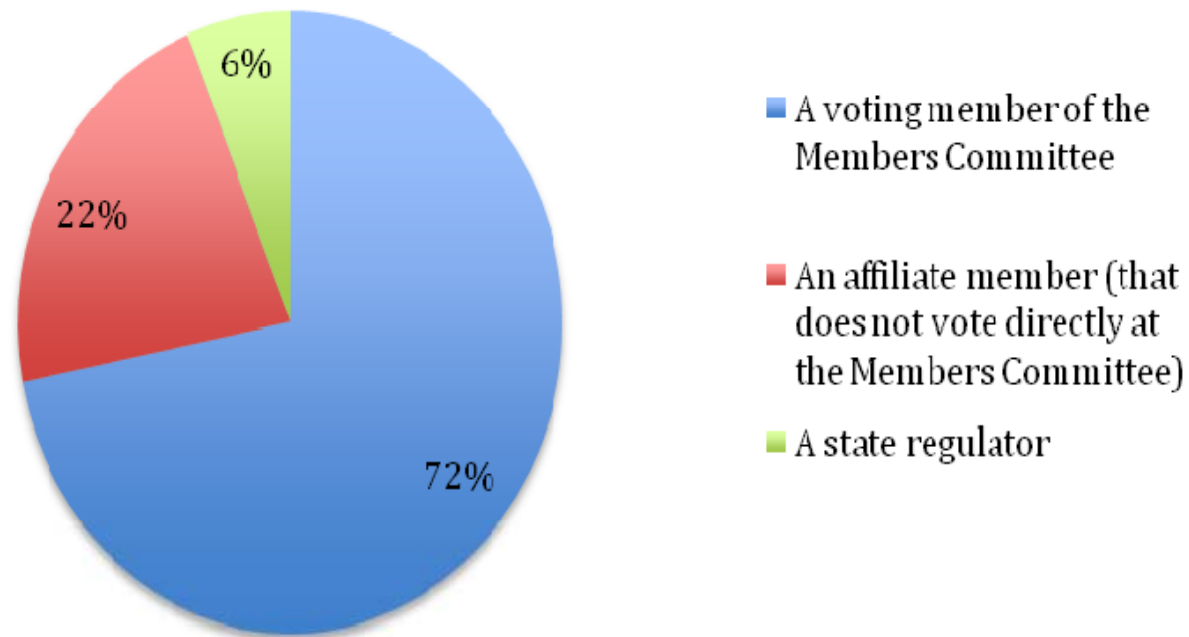
- On-Line Survey (114 respondents)
- Interviews and Focus Groups gathered information from over 75 people
 - In-depth interviews with 32 PJM Members
 - Additional interviews and focus groups with PJM (staff, mgt., and Board), IMM, and OPSI
 - Interviews with executives at 4 other RTOs (NY, ISO New England, MISO, Southwest Power Pool)
- Consideration of other organizations' governance
 - Financial Industry Regulatory Authority (FINRA), Canadian Medical Association, European Committee for Standardization, and a major international corporation and its franchisees
- PJM Member meeting observations
- Document review
- Analysis of PJM MC and MRC voting
- GAST meetings

On-Line Survey Respondents

	<u>Respondents</u>	<u>PJM Members</u>	<u>% Members</u>
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		
Note: PJM Members as of 9/1/09			

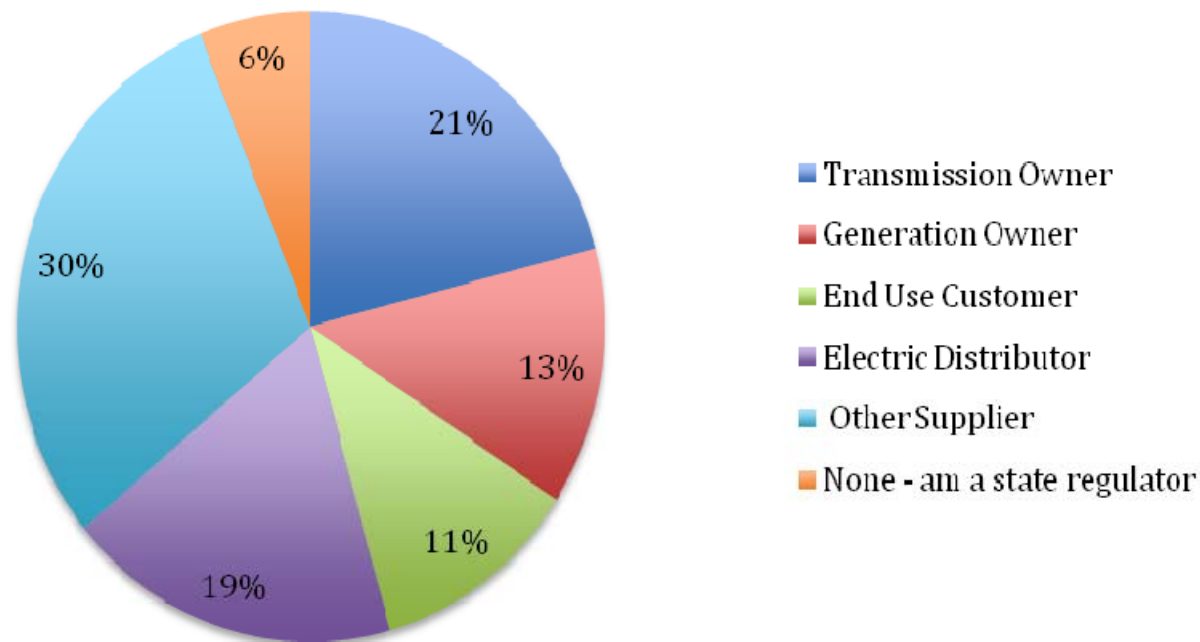
Respondents by PJM Role

5. Is your organization:



Respondents by Sector

6. To which PJM Sector does your Members Committee voting member belong?



Key to Online Survey Tabulations

- Each table shows number of respondents, means and standard deviations
 - By all PJM Members (including affiliates)
 - By Sector (without affiliates)
 - For OPSI responses
- Means are the average of responses (3.5 is the median of 1-6 scale)
- Standard deviation describes 2/3 of samples were +/- the standard deviation from mean
 - Large standard deviation more diverse opinion
 - Small standard deviation less diverse opinion

Survey: Overall Goals, Objectives, and Satisfaction With Stakeholder Process

Findings: Overall Satisfaction

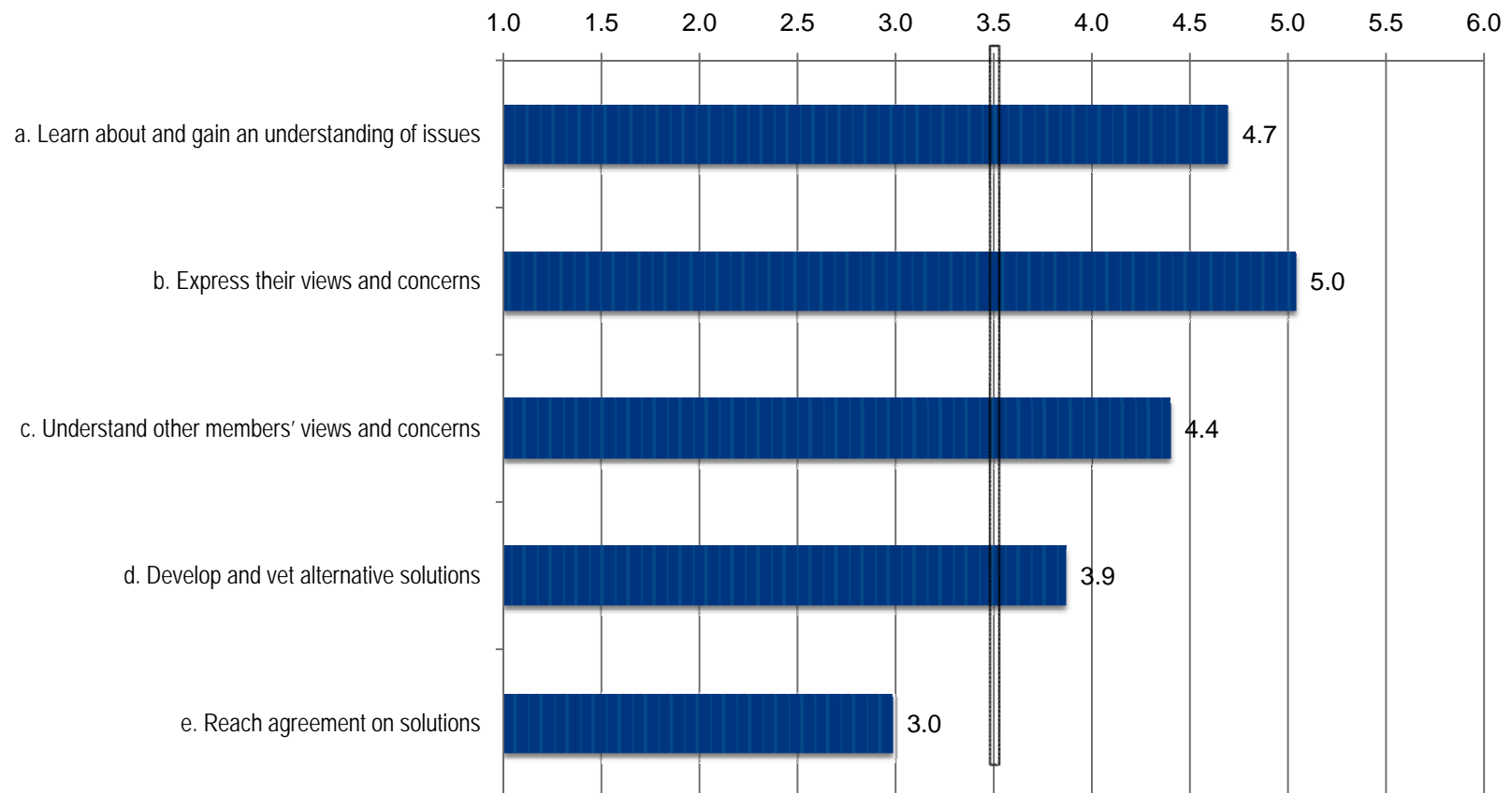
- PJM Members overall satisfaction with the stakeholder process is modest with a mean of 3.4 and a range from 3.1 (End Use Customers) to 4 (Generators)
- This appears to largely be due to perceptions that the process could do a better job “reasonably balancing competing interests” where the overall mean was 2.8, ranging from 2.7 (Transmission) to 3.6 (Electric Distributors)

Findings: Process Objectives

- Despite overall concerns, the stakeholder process was rated as doing a very good job at providing a forum to:
 - Learn about issues (mean 4.7)
 - Express stakeholder views (mean 5.0)
 - Understand other members perspectives (mean 4.4)
- Also process does OK at developing and vetting alternatives (mean 3.9), but is perceived as less effective at reaching agreement (mean 3.0, with range 2.8 Transmission to 3.9 Generators)
- That said, in one of the strongest positives on entire survey, all sectors felt that it is still beneficial for issues to be vetted through the PJM process even when Members can't reach agreement (mean 5.2)

Stakeholder Process Objectives

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



Value of Vetting Issues

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)

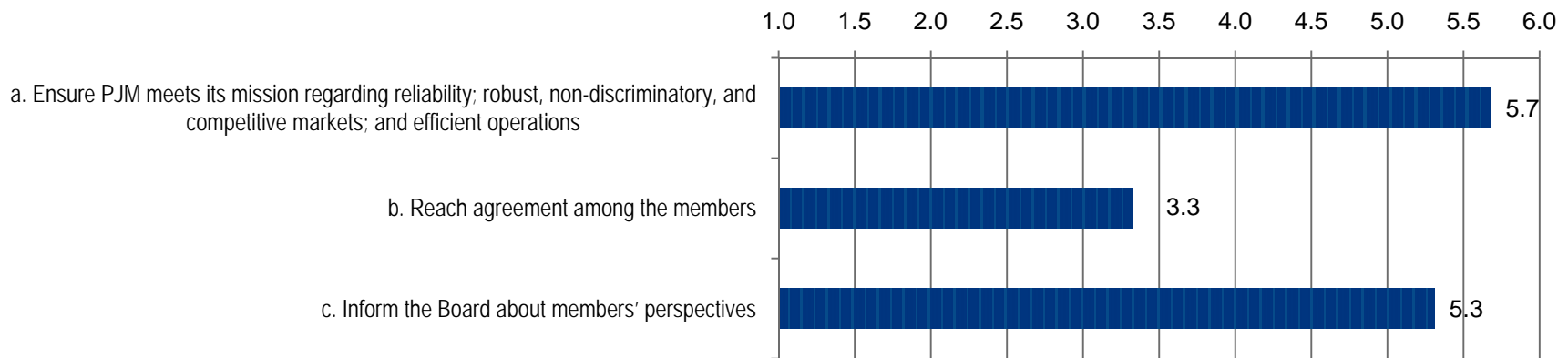
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	107	5.2	1.0
By Sector (without affiliates)			
Transmission owners	13	5.2	1.4
Generation owners	12	5.5	0.5
End use customers	12	5.1	0.7
Electric distributors	16	5.4	0.8
Other suppliers	29	5.2	1.2
OPSI (state regulators)	7	5.4	0.8

Findings: Essential Goals

- PJM Members were strongly aligned regarding the relative priorities of the stakeholder process
 - Ensuring PJM meets its mission regarding reliability, competitive markets, and efficient operations (mean 5.7)
 - Informing the Board about Member's perspectives (mean 5.3)
 - Reaching agreement among the members (mean only 3.3)
- So according to the Members the stakeholder process doesn't do a great job in reaching agreement (mean 3.0), but it's also a lower priority than other goals and objectives!

Stakeholder Process Goals

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



Structure and Meetings

Structure/Meetings: Interview Recap

- During our interviews, we heard concerns about:
 - Too many issues and too many meetings, especially for smaller Members
 - Issues taking too long and revisited too often as they move up the chain from work group to MC
 - Challenges for participating by phone
 - Inefficiencies in the chartering, structuring and conducting of Committees and work groups
- NOTE: We also heard a lot about decision-making related issues, and PJM management of meetings—which we deal with in subsequent sections

Findings: Structure

- PJM Stakeholder process appears to be only RTO process with a 4 level stakeholder process (MC, MRC, Standing Committees, Work Groups/Task Forces/Subcommittees)
- Other RTO Stakeholder processes have 3 levels (Senior Committee, Standing Committees, Work Groups)
- One option to explore could be to streamline the structure by consolidating the MRC's functions, roles and responsibilities into MC and Standing Committees
 - PJM members had very divergent opinions about this idea on average, mean of 2.9 with range of 1.8 (End Use Customers) to 3.5 (Transmission Owners)
 - And a very large standard deviation (1.9 around all Members mean), and comments on survey indicate many think this is a very good idea and many others think it's not a good idea
- Probably worth exploring all the ramifications further and in the context of overall structure and decision-making package

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 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

Findings: Meetings

- According to GAO report, PJM, which has over 300 meetings/year is on the high end, but half the meetings held by MISO
- Bulk of PJM meetings at the working group, task force, and subcommittee level
- Virtual consensus that there aren't "too few" meetings
- But overall split on whether "too many" (End Use Customers and Electric Distributors) or "just about right" (Generators and Other Suppliers), with Transmission equally divided
- Still finding ways to reduce number of meetings, appreciated by Members

Number of Stakeholder Meetings/Year

Stakeholder Meetings Per Year	
PJM	330
Midwest ISO	611
New York ISO	280
ISO New England	184
Southwest Power Pool	202
Source: GAO Report	

Approximate Annual PJM Member Meetings



PJM Stakeholder Meetings

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%

Findings: Issue Selection, Prioritization, and Timelines

- Members on average do not feel like PJM is taking on way more issues than it can handle, with mean of 3.8 (but wide range 3.4 Other Supplier to 5.1 End Use Customers)
- PJM and its Members do need to do a better job prioritizing the issues it does take on--mean of 4.2 (but also wide range from 3.4 Generators to 5.0 Electric Distributors)
- In addition, PJM and its Members should set firm timetables for resolving each issue they undertake—mean of 4.1

Findings: Meeting Mechanics

- Members were neutral about whether agendas should include start times and durations—mean of 3.5 (range of 3.0 Generators to 3.7 Transmission)
- They were supportive of having clearer groundrules about Members' roles and responsibilities, and norms of behavior—mean of 3.9 (but with wide range of 2.8 End Use Customers to 4.9 Transmission)
- They were also supportive of having Lower Level Standing Committees better manage the scope and timing of the work groups that serve them—mean 3.9 (range of 3.3 Generators to 4.3 Electric Distributors)

Findings: Meeting Mechanics

- Members on average were very supportive of spending more time at the outset of work on issues identifying and clarifying the problem, defining criteria, and generating multiple options—mean 4.2 (range of 3.3 End Use Customers to 4.5 Transmission)
- Members did not think the process would benefit from greater direct participation by senior managers and executives of Member organizations—mean of 2.3
- Nor were any of the sectors particularly interested in requiring Members to participate in at least one stakeholder meeting per year – overall mean of 2.9 with range of 2.0 End Use Customers to 3.5 Transmission/Generator, but large standard deviations indicate some Members thought this was a good idea
- Members across sectors felt very strongly that PJM should improve the effectiveness of participating in meetings by phone—mean 4.5

Meeting Mechanics: Members' Suggestions

REMOTE PARTICIPATION

- *Video Conferencing and/or video feeds.*
- *“Improved 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.”*

POSTING AND INFORMATION BEFORE MEETINGS

- *“Post meeting material 7 days in advance, with agenda and links to materials in Word (doc) format. Updated the night before the meeting with current attachments.”*
- *“For the Members Committee, provide a summary of proposed motions and an explanation of why they are being voted on (background information leading up to the vote).”*

Meeting Mechanics: Members' Suggestions

MEETING MANAGEMENT AND GROUNDRULES

- *“Member Ground rules - professionalism, brevity, etc.”*
- *“Clearer rules for how to handle “friendly” amendments”*
- *“Bounding discussion timeline (with discretionary flexibility)”*
- *“Meetings should follow agendas in order, instead of skipping around. Presenters should be present at their appointed time.”*
- *“Establish a maximum number of times one can speak on an agenda item”*
- *“Members with multiple representatives at meetings should designate one speaker.”*
- *“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.”*

MEETING LOCATION

- *Meetings should be held at more locations spread throughout the*

Decisionmaking

Decision-making: Focus Areas

- Clarity and Transparency
- Effectiveness and Efficiency
- Fairness

Findings: Voting Clarity and Transparency

- Several issues related to the clarity of the PJM decision-making process surfaced during our interviews
 - 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 later under the slides on Board)

Voting Rules: Consistency

- There was broad agreement in survey that voting procedures at work groups, task forces, and lower level standing committees were
 - Often unclear and confusing —mean of 4.2, range of 3.3 Generators to 4.9 Transmission/Electric Distributors
 - Not uniform – mean of 4.1, range of 3.7 Generators to 5.1 Electric Distributors
- PJM Chairs/Facilitators acknowledged the confusion and inconsistency in our interviews

Transparency Throughout Stakeholder Process

- Currently votes at Lower Level Standing Committees and below only capture the vote count, but not who supports what
- All sector means indicated that voting at the Lower Level Standing Committees should be more transparent to the Senior Committees such that they know how members and sectors voted – means ranged from 4.0 Generation to 5.3 End Use Customers
- However, members were more divided on whether Lower Level Standing Committees should use sector weighted voting to increase transparency—means ranged from 2.8 Transmission to 5.2 End Use Customers
- Members appear to see less need for Lower Level Standing Committees to know how members and sectors voted at the working group level—mean was 3.3, and range of 2.7 Generation to 3.7 Transmission/End Use Customers

Effectiveness at Working Group Level

- There was very strong agreement across all sectors that working groups should strive for consensus on a single proposal, elevating multiple proposals if no consensus—mean of 5.2
- There was also some support for only developing proposals at the working group levels that have a reasonable chance of acceptance at the committees above them, but a range of opinion—mean of 3.9, range of 3.2 Transmission to 5.2 End Use Customers
 - Yet, when asked whether proposal should have a minimum number of supporters at the working group level to go forward, the mean was still positive but the supporting reversed—mean of 3.7, range of 2.7 End Use Customers to 4.3 Transmission
- Overarching concern expressed during interviews of diversity of participation especially at working group level

Working Group Proposals

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

~~Voting Effectiveness and~~ Effectiveness at MRC and MC Levels

- Analysis of voting records from 2007 to 2009 shows when acclamation and sector weighted votes taken together, MRC and MC passed 86% and 88% respectively of votes taken
- However, MRC and MC passed only 38% and 30% respectively of the specific sector weighted votes taken (most of failures were alternative proposals on same topic)
- As detailed in numerous interviews, members were unable to reach agreement on various large issues before them (e.g., RPM, and demand response) resulting in frustration among many with the sector weighted voting scheme, sector definitions, etc.
- Also notable that on average only 32% of eligible MC Members actually voted in 2007 and 2009, ranging from 21% for Other Suppliers to 94% for Transmission

MC and MRC Voting Rates 2007-2009

PJM Voting Patterns 2007-2009

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

Notes: Raw data provided by PJM. MC thru 6/4/09 meeting, MRC thru 7/30/09 meeting

Total Votes includes Acclamation and Sector Weighted Votes

Two MC sector weighted votes at 6/4/09 meeting lost due to technical difficulty

MC Average Participation Per Vote (1/08 to 6/09)

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

MC Average Participation Per Vote by Sector (1/08 to 6/09)

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%

Decision-making: Fairness

- During the course of our interviews many issues related to the perceived fairness of the overall stakeholder process were raised
 - Asset owners feel they have more invested and at risk compared to their voting strength, especially at the sector weighted voting levels
 - Customers feel they ultimately pay the bills and don't have the resources to fully participate and weigh in at all the working groups thus disadvantaging them at the lower levels
 - Large members feel it's not fair they have the same vote as the smallest member within their sector (and de facto across sectors)
 - Other Suppliers feel their sector is too large and diverse to enable them to have much voice
 - Some members feel that other members are in the wrong sectors further diluting their relative power and making it difficult to caucus effectively
 - Asset owners don't like that a single agent can represent many and use customers and customers don't like that

Fairness: Sector Weighted Voting

- Members have a wide range of views on the effectiveness and desirability of the current sector weighted voting paradigm both across and within sectors (see next slide)

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	27.6%	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%

Perspectives: Problem Statements

- *“The current PJM decision making process is nearly meaningless, as there seems to be no incentive for groups to reach negotiated consensus...”*
- *“An asset owner with billions of dollar in investment and maintenance obligations has the same vote and influence as a company with virtually no assets...”*
- *“Reduce the weight of the asset owners, and increase the weight of end users, who ultimately pay all costs...”*
- *“Sector weighted voting provides necessary checks and balances to reflect the diverse interests of a range of market participants...”*
- *“Any two sectors can essentially veto a proposal...”*
- *“Interest of investor owned utilities are too diluted...”*
- *“Sectors are not representative of the stakeholder interests, e.g. TO sector reps may be advocating solely for generation issues...”*
- *“Sector weighted voting is unlikely to be changed given it will likely take a sector weighted vote to change it...”*

Perspectives: Solution Suggestions

- *“Perhaps there should be either more sectors or sub-sectors to better reflect the diversity of membership.”*
- Consolidation suggestions:
 - End Use Customer and Electric Distributors
 - Generation Owners and Other Suppliers
 - Other Suppliers into other sectors
- Some suggested eliminating:
 - Affiliate voting
 - Agent voting
- *“Actual voting and/or voting reports to the PJM Board need to be significantly changed to better reflect and clearly state the weighted asset vote of transmission and generation owners.”*
- *“Modify the existing sector weighted voting to balance interests of large and small members--by establishing a Bicameral voting structure.”*
- *“Use sector weighted voting in the lower level committees and working groups.”*
- *“Take MC Section 205 filing authority off the table.”*

Sector Weighted Voting-- Threshold

- PJM process currently requires vote to exceed 2/3 on sector weighted basis to pass
- Other RTOs have range of thresholds for their Senior Committee:
 - MISO simple majority
 - NY ISO 58%
 - ISO New England 60% market rules, 66% reliability rules, and 70% Board selection
 - SPP two thirds
- Other RTOs also have range of predominant Section 205 rights ranging from PJM, where the Members' process may have the most 205 rights, to NY where its shared, to New England and MISO where Members are primarily advisory

Sector Weighted Voting-- Threshold

- 80% of the PJM Members on the survey said the threshold should remain the same, while 11% said it should be lower, and 8% said it should vary by issue type
- Majority in each sector agreed, but there was some significant variability by sector (see next slide)

Changing The Voting Threshold

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%

Sector Definitions

- The sector definitions have been clarified and tightened via the Governance Committee
- Some to many interviewees noted:
 - The definitions are “still gamed” to some extent (whether and how this actually influences sector weighted voting isn’t clear).
 - Sector definitions are integrally tied up with sector weighted voting and decision making more generally.
- Quote from Member: *“Though tightening the sector definitions is hardly the most important fix, it goes toward the integrity of the process, both in reality and perception.”*

Survey Findings: Sector Definitions

- There is strong support for sector definitions to be better monitored and enforced -- mean 4.8.
- There is support for keeping the existing number of sectors – mean 4.2. (We note that other RTOs have from 5 to 8 or even 9 sectors)
- There is a range of views on whether to further refine sector definitions –mean 3.8, but with high standard deviation 1.9.
- There is not a strong preference for evaluating a sub-weighting scheme within the “Other Supplier” sector to address the heterogeneity of business types within that sector – mean 3.8.

Sector Definitions: Monitored and Enforced

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

Number of Sectors

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

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

Sectors and Other RTOs

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

Role of PJM Staff and Management

PJM's Technical Expertise

- Most interviewees noted that PJM staff are considered highly technically competent, and some of the best in the business.
- For satisfaction with PJM staff providing technical expertise and analysis to support the stakeholder process – mean 5.0.

PJM's Technical Expertise

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

PJM's Facilitative Expertise

- The views of PJM's facilitative expertise are more varied.
- For satisfaction with PJM staff chairing/facilitating meetings:
 - There is an overall mean of 4.0.
 - The variation in facilitation skill across groups was noted strongly in the survey -- mean of 4.7.
 - Numerous comments in interviews and the survey call for PJM to develop more facilitative expertise since it is considered a core (but by no means sole) staff function.
- Interviewee and survey concerns noted include both too little or too much exercise of control over meetings, and confusion regarding PJM playing both a facilitative and technical role simultaneously.

PJM's Facilitative Expertise: Overall Satisfaction

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's Facilitative Expertise: Consistency

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)

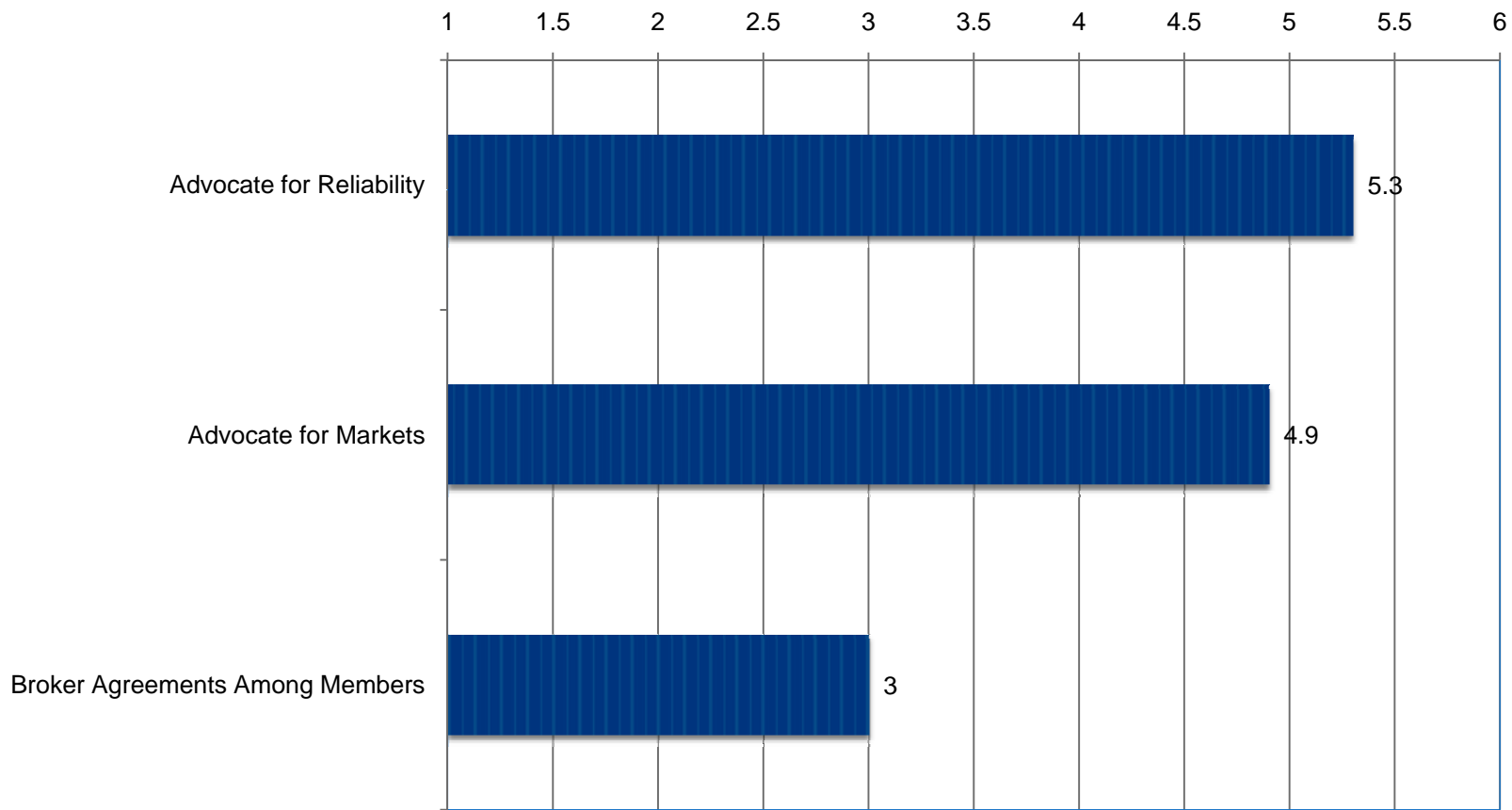
	# of Respondents	Mean	Standard Dev.
All Members (with affiliates)	104	4.7	1.1
By Sector (without affiliates)			
Transmission owners	13	4.6	1.1
Generation owners	12	3.8	1.5
End use customers	12	5.3	1.1
Electric distributors	15	5.3	1.0
Other suppliers	27	4.3	1.1
OPSI (state regulators)	6	4.3	0.5

PJM's Roles

- PJM has 4 distinct roles in PJM Member process:
1) Technical support/analysis; 2) Chairing/facilitating meetings; 3) Advocating; and 4) Implementing FERC mandates.
- There appears to be more support for PJM advocating for reliability and robust market solutions, than brokering agreement
 - Technically-sound Reliability solutions -- mean of 5.3
 - Competitive and robust Market solutions – mean of 4.9 (but large range, End Use Customers 3.8 to Transmission 5.7)
 - Broker agreements among Members– mean of 3.0

Process

PJM staff and management's role within the stakeholder process should be to:



Differing Views on Managing PJM's Multiple Roles

- 98% of Members felt that when PJM has a strong opinion about an issue they should state it clearly
- However, nearly 60% of Members felt that in those cases PJM should separate its technical staff from the chair/facilitator role using either another PJM staffer or an outside independent neutral to facilitate
- Numerous RTOs have members chairing/facilitating more than just the uppermost Committee, but based on interviews this was not very appealing to PJM Members
- Some separation of roles would reduce confusion, at least the perception of driving the process, and free PJM in its technical role to advocate for superior technical solutions while also, through a separate, skilled staff person (or in limited cases an outside neutral), running superior meetings

Interface Between PJM Advocacy and Facilitation

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%

Who Facilitates at Other RTOs?

RTO	Highest Committee Facilitation	Standing Committees Facilitation	Work Groups Facilitation
PJM	M	RTO & T	RTO & T
Midwest ISO	M	M	M
New York ISO	M	M	M
New England ISO	M	RTO	RTO or M
Southwest Power Pool	M	M	M

M = Member

RTO = RTO Staff

RTO & T = RTO facilitates and technical Lead

PJM Brokering Deals vs. Advocating

- Interviewees and survey respondents noted that PJM can and does play a “broker” role from time to time. Opinions varied between:
 - *“PJM should be allowed to broker agreements between member factions, however, the agreements must be based on finding solutions to solving the stated problem and not deals that may not solve the problem but just temporarily end the dispute at hand.”*
 - *“PJM should enable Members to further these goals, but PJM should not be tasked with brokering stakeholder agreement, especially where compromise may provide a sub-optimal reliability or market solution.”*
- Thus, PJM must be very careful about this role due to concerns about “cutting deals,” favoring one interest or another, and/or seeking to meet shorter-term political

PJM Board and Members

Members' View of PJM Board

- The Board has become more accessible and attune to members needs in the last few years, in part, due to the Liaison Committee.
 - The Board has become more responsive – mean 4.3.
 - The LC has significantly improved communication – mean 4.5.
- There reviews on the Board's ability to make “sound decisions are mixed ” in the absence of member agreement -- 3.5 mean, range of 2.4 End Use Customers to 3.8 Generators.

Transparency.

Stakeholder Process to the Board

- The survey indicates that on issues where Members can't agree, there is at least room for improvement in providing the board with sufficiently clear and detailed information on members perspectives.
 - Some interviewees expressed concern that the Board still doesn't know Members' interests and positions.
 - Other interviewees stated that the introduction of voting reports and the Liaison Committee, and the ability to send information directly to the Board should be sufficient.
- Respondents were tepid about the value of current voting reports communicating Members' and sectors' interests and the

overall mean of 2.4 indicates probably some

Transparency: Info to the Board when agreement not reached

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

Transparency. FJVM BOARD TO

Members

- Members felt strongly that the Board decision making process should be more open and transparent—mean of 4.8.
- There is a wide range of ideas about how to improve that transparency.
- Interviewees noted that the Board's independence and closed meetings:
 - Helps foster sound decision making, by removing undue influence, and allowing for quiet deliberation and thoughtful consideration
 - But creates at least the perception of undue influence by PJM senior management, and lack of clarity on why decisions were made including uncertainty whether the full range of stakeholder views was fully understood
 - MISO and Southwest Power Pool have open Board meetings and a few interviewees cited this as an approach worth emulating at PJM.
 - Many interviewees thought that closed Board meetings were

Board Transparency

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

Transparency: How to Improve?

Information relayed to the Board

- *“There needs to be additional communication and transparency on what information is being relayed to the Board by PJM when the MC is unable to achieve a decision supported by 2/3 of the stakeholders.”*
- *“The information PJM management provides to the PJM Board of Managers on appropriate stakeholder issues should be public.”*
- *“Communication materials to the Board, by PJM staff, should be reviewed at the relative committee prior to taking it to the Board.”*

Improving existing forums

- *“More bilateral dialogue at board meetings; more free flow conversation among members and board about topics of interest (liaison committee is still too staged to be truly meaningful.)”*
- *“General sessions should allow for more Q&A and less time on prepared remarks.”*

Board – Stakeholder Transparency: How to improve?

Voting Reports

- *Retain the current sector voting tabulation but also report out a second voting tabulation based on asset ownership and/or customer load served.*
- *Voting reports should include a roll-up of “load” versus “asset” owners.*

Other

- *“The Board should be available for a formal appeals process.”*

Other RTO Board - Member Interaction

RTOS	Board Meetings	Liaison Committee	Full Membership
PJM	Closed	Yes, before each Board meeting	Annual Meeting with Members
Midwest ISO	Open	No	Hot Topics held seven (7) 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	

State Regulators' Role

- Members were relatively mixed on how much more active PJM should be in seeking state regulators' views on issues so that PJM and Members can address them during deliberations – mean of 3.9 (range of 3.2 Generators to 5.6 End Use Customers)

State Regulator Views

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

Conclusions and Phase II Recommendations

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)
- Most important goals of stakeholder process are to help PJM meet it's mission (5.7), and 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 participating in meetings by phone (4.5)
- Voting procedures at working groups, task forces, and lower level standing committees are often unclear and confusing (4.2), and not uniform (4.1)

Key Areas of Convergence

- Voting at the Lower Level Standing Committees should be more transparent to the Senior Committees such that they know how members and sectors voted (Sector range 4-5.3)
- 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)

Key Areas of Convergence

- Satisfaction with PJM's technical assistance role (5.0), and agreement that their 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 attune 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 (Range Transmission 2.8 to End Use Customers 5.2)
- Merging the MRC--Range of 1.8 (End Use Customers) to 3.5 (Transmission Owners), but large standard deviations for all Members (1.9) and by sector indicate wide range of opinion
- Role of affiliates and agents

Phase II Recommendations

- Phase II should be divided into two parts
 - Part A Focus: Stakeholder Process
 - Part B Focus: Structure/Voting

Phase II, Part A: Stakeholder Process

Substantive Areas of Focus

- Increasing transparency within PJM Member process, and between Members and Board
- Improving meeting procedures and mechanics (voting procedures, phone participation, etc.)
- Fine-tuning proposal development, decision-making and elevation process (focusing primarily at working group level in Part A)
- Clarifying roles and responsibilities of PJM staff, and improving facilitation skills/capacity
- Monitoring and enforcing sector placement

Phase II, Part B: Structure/Voting

Substantive Areas of Focus

- Streamlining structure (e.g., 3 levels vs. 4 levels, reducing # of committees/work groups, etc.)
- Sector weighted voting including 1) sector numbers, 2) sector weighting, 3) sector definitions, and 4) voting threshold(s)
- Voting at Lower Level Standing Committees
- Affiliates and agents in voting

Changes

Proposed Process

- 3-4 month process to develop process change recommendations
- Representative group of PJM Members, reasonably sized group, well versed in PJM governance issues, consistent participation, and transparent process (e.g., 2-3 from each Sector, or GAST)
- PJM staff should be included (and work specifically on developing plans to improve meeting mechanics and build facilitation capacity)
- OPSI can actively observe
- Actively facilitated by skilled, knowledgeable outside neutral
- Do further research, option generation, and consultation with Members and PJM on decision-

making/ Structure Proposed Process

- Should begin following Phase II, Part A
 - (perhaps with 3-6 month break to implement process recommendation and continue to prepare for Part B)
- 3-6 month process
- Can begin with representative group of PJM Members but broaden to all interested members
- Need to seek a comprehensive and fully integrated decision-making and structural package
- Structured more like mediation with skilled, knowledgeable outside neutral

Next Steps

- GAST Meets to Develop Recommendations on 9/15 for 9/24 MC Meeting
- Final “draft” report from Raab/CBI to MC 9/17
- GAST and Raab/CBI present to MC on 9/24
- Final, “camera-ready” report 9/31
- If approved, GAST should meet with consultants to develop scope of work, timing, etc. for Phase II