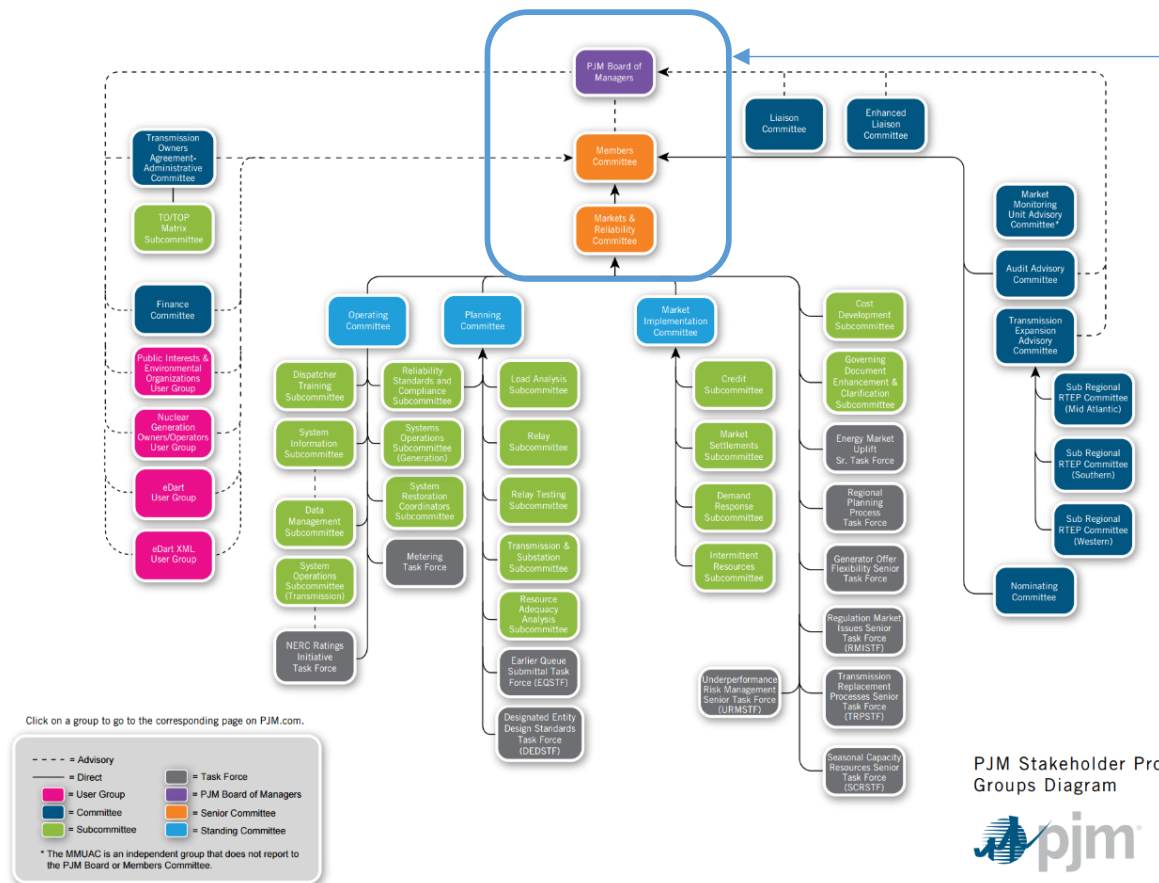


The Political and Practical Importance of RTO Stakeholder Decision Structures

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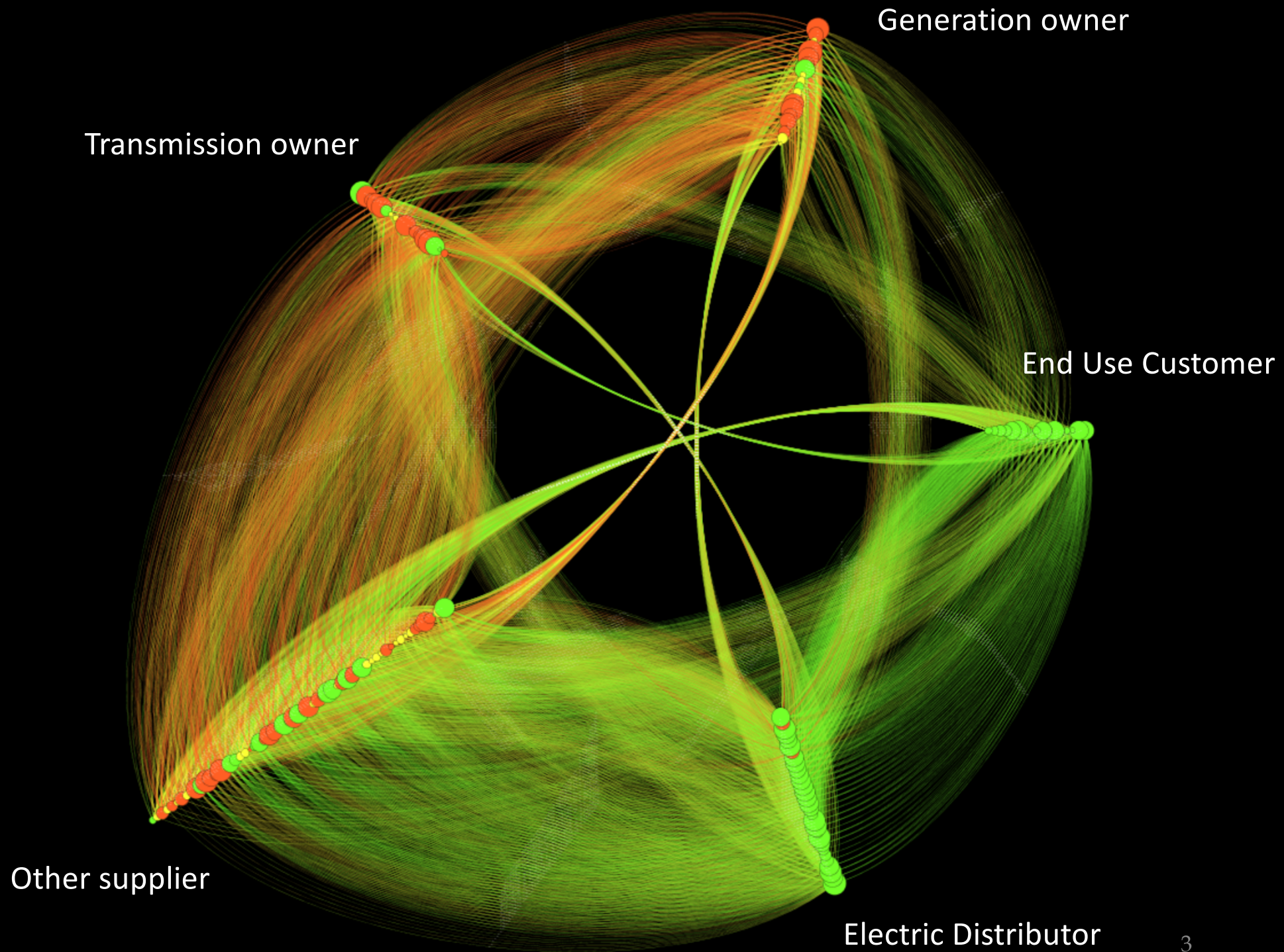


This discussion is based on analysis of voting data from top-level stakeholder committees. Information from lower-level committees is not typically as transparent, detailed or well-archived.

PJM Stakeholder Process Groups Diagram



Company Name (in PJM CRM system)	04b0	04b1	04b2	04b3	04b4	04b5	Company Sector	Company Line of Business	Parent Name (in PJM CRM system)	Buyer-Seller	Generation	Transmission	Load Server
Air Liquide Industrials U.S., L.P	No	No	No	Yes	Yes	Yes	End User Customer	Industrial	Air Liquide Industrials U.S., L.P	Buyer	Zero	Zero	Zero
Air Products & Chemicals, Inc	No	No	No	Yes	Yes	Yes	End User Customer	Industrial	Air Products & Chemicals, Inc	Seller	Zero	Zero	Zero
Allegheny Electric Cooperative, Inc	No	No	No	No	No	Yes	Transmission Owner	Transmission Owner	Allegheny Electric Cooperative, Inc	Buyer	Small	Small	Small
Ameren Energy Marketing Company	No	Yes	Yes	No	No	No	Other Supplier	Power Marketer	Ameren Energy Marketing Company	Buyer	Small	Zero	Small
American Municipal Power, Inc	No	No	No	No	Yes	Yes	Generation Owner	Muni/Co-op	American Municipal Power, Inc	Buyer	Small	Zero	Small
Appalachian Power Company	No	Yes	Yes	No	No	No	Transmission Owner	Transmission Owner	Appalachian Power Company	Buyer	Large	Large	Large
ArcelorMittal USA LLC	Yes	No	No	Yes	Yes	Yes	End User Customer	Retail Energy Supplier	ArcelorMittal USA LLC	Seller	Zero	Zero	Zero
ArcLight Energy Marketing, L.L.C	No	Yes	Yes	No	No	No	Other Supplier	Power Marketer	ArcLight Energy Marketing, L.L.C	Buyer	Zero	Zero	Zero
Atlantic Grid Operations A, LLC	Abstain	Yes	Abstain	Abstain	Abstain	Abstain	Other Supplier	Transmission Owner	Atlantic Grid Operations A, LLC	Buyer	Zero	Zero	Zero
Baltimore Gas and Electric Company	No	Yes	Yes	No	No	No	Transmission Owner	Transmission Owner	Baltimore Gas and Electric Company	Buyer	Large	Medium	Medium
Beacon Power Corporation	No	Yes	No	No	No	No	Other Supplier	Financial Trader	Beacon Power Corporation	Buyer	Zero	Zero	Zero
Black Oak Energy, LLC	Abstain						Other Supplier	Financial Trader	Black Oak Energy, LLC	Seller	Zero	Zero	Zero
Blue Ridge Power Agency, Inc	No	No	No	Yes	Yes	Yes	Electric Distributor	Muni/Co-op	Blue Ridge Power Agency, Inc	Buyer	Zero	Zero	Small
Borough of Butler, Butler Electric Division	No	No	No	Yes	Yes	Yes	Electric Distributor	Retail Energy Supplier	Borough of Butler, Butler Electric Division	Buyer	Zero	Zero	Zero



Implications for Political Power

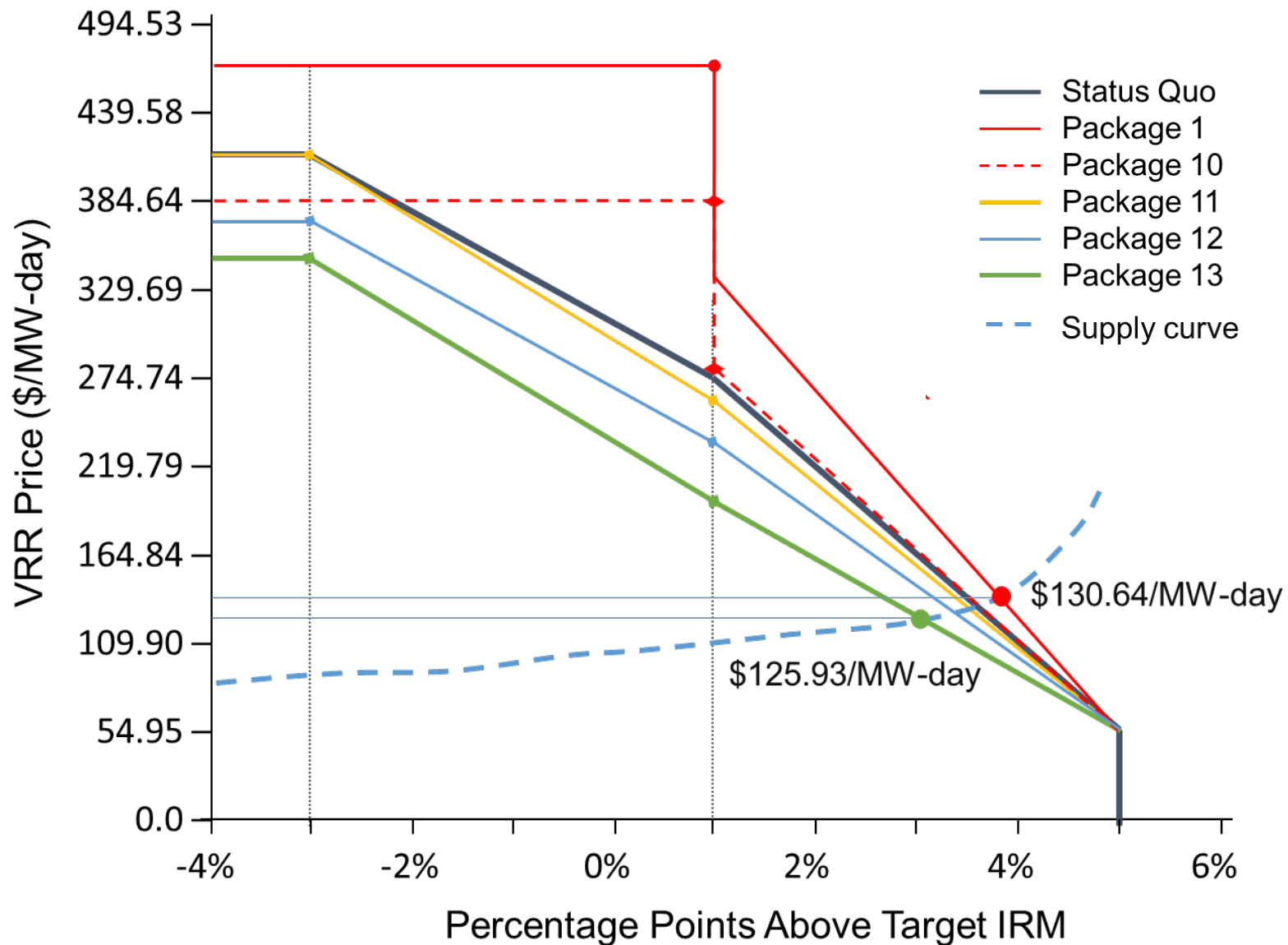
The choice to use sector-weighted voting combined with a supermajority has implications for the functionality of the governance process and for market/system outcomes.

- Political power may look very different in lower-level committees (driven by interest and ability to participate) than in the higher-level committees.
- Coalitions can emerge to block issues, or can be embedded into the stakeholder structure (“tyranny of the minority”), but it is much harder for coalitions to force issues towards passage.
- Passage of controversial issues often arises through “swing voters” rather than through strong pro-passage coalitions.
- Uneven stakeholder sector sizes give some stakeholders proportionally more decision power (and affects the likelihood of participating at all).

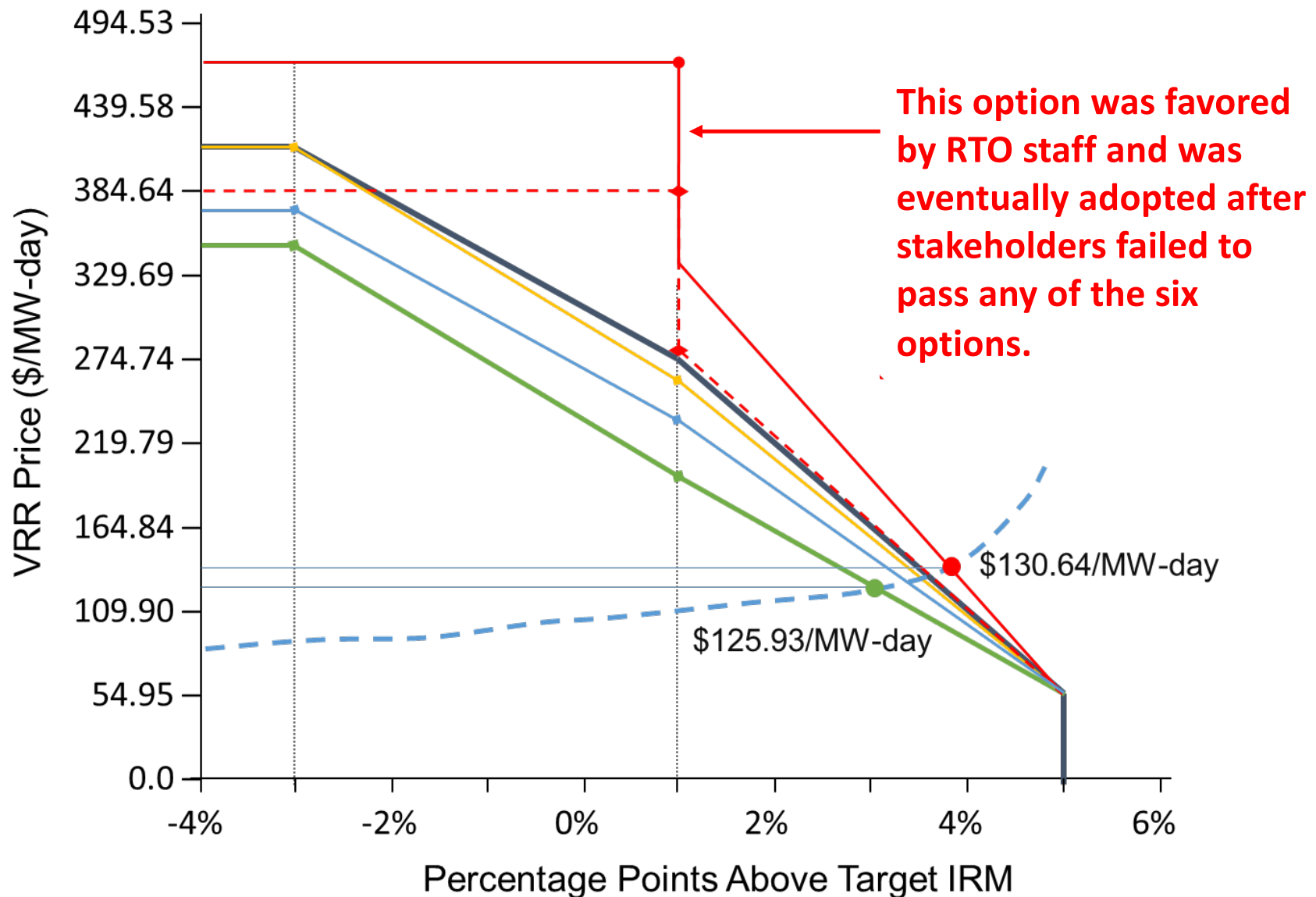
Implications for Market and System Outcomes

- Particularly in close or contentious decisions, the stakeholder structure or the decision rule (or both) can be an influential factor in whether business items are passed or not.
- The passage or failure of these business items can be traced into implications for market or other system outcomes.
- An example using a series of capacity market votes illustrates how the decision structure can be connected to real outcomes. This illustration is based on PJM but we have seen similar behavior in the New York ISO.

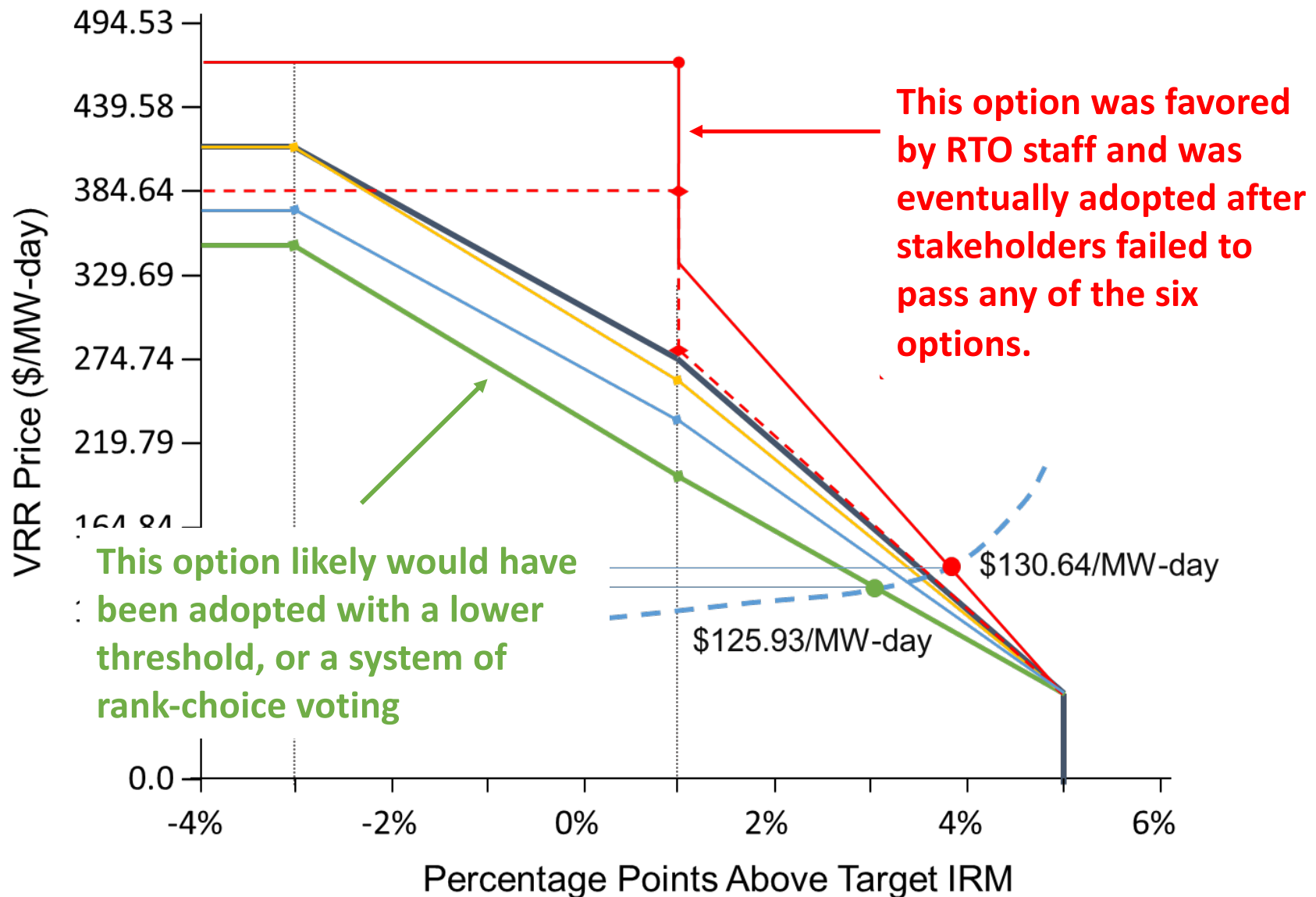
Capacity Market Votes, 2011



Decision Structure Implications



Decision Structure Implications



Capacity Market Summary

- When stakeholders came to stalemate over capacity market issues, the option preferred by the RTO was ultimately moved forward.
- Replacing the two-thirds supermajority with a weaker supermajority, or asking stakeholders to rank options rather than vote in a sector-weighted way would have moved forward the option most preferred by customer-side interests.
- Stakeholder process modifications would have reduced capacity costs but also the prevailing reserve margin (by 2% to 4% depending on the shape of the supply curve).



Thanks!

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