



CRA Insights: Energy

CRA Charles River
Associates

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PJM states: Enhancing communications

PJM Interconnection, LLC (PJM) services approximately 65 million customers through its member companies across 13 states and the District of Columbia in the mid-Atlantic region of the United States.¹ This *Insights* is the second of two articles providing thoughts on how the PJM/state relationship might be benefited. The first [article](#) dealt with the concept of states becoming PJM members, and this paper focuses on enhanced communications between PJM and the states.

Background

Some existing structures help promote improved communication between PJM and the states. In 2005, the states formed an entity called the Organization of PJM States, Inc. (OPSI).² The individual states, through their OPSI representatives,³ meet with PJM staff and the PJM Board on a regular basis. PJM, for its part, has staffed a section within its State and Member Services Division called the State Government Policy (SGP) group. That group's function is to interact with the states, OPSI, and consumer advocates. In addition, the PJM Board established a standing committee (the Regulatory Committee) the primary function of which is to monitor state relationships. In addition to reporting internally to PJM management, the SGP reports to the Regulatory Committee which, in turn, reports to the full PJM Board.

¹ PJM is a Federal Energy Regulatory Commission (FERC) approved Regional Transmission Organization (RTO) which operates the power grid in 13 states and the District of Columbia (14 jurisdictions in all). The PJM states are: Delaware, District of Columbia (not a state, but for these purposes, considered one), Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia.

² OPSI is funded through the PJM budget. It has an executive director and a small staff which functions on behalf of all of the 14 jurisdictions within PJM. OPSI acts as an observer, but lets stakeholders know positions within the stakeholder process it espouses on behalf of the states, as well as directly to PJM staff and to the PJM Board. OPSI is not a member of PJM.

³ OPSI has rotating elected officers from among its state regulatory commissioners serving specific terms.

Improved engagement with PJM

How can the states be more effective in PJM? It is a given that the states are powerful voices for their position—after all, they control the rate-making process by which state-regulated energy companies are compensated. However, given state budgetary constraints and the numerous other issues which state regulatory commissions face, states are not likely to devote substantial manpower and resources to the PJM stakeholder process. What states need is an early alert to an issue and intelligence as to how that particular issue will affect the state so that it can concentrate its efforts where most important to the state. It is imperative to have the appropriate state regulator learn about the issue very early on in the process, to have an analysis presented to that regulator, and to have the regulator make an informed decision about what position and what resources the regulator will choose to devote to a particular issue.

At times, an issue will be of critical importance to a state (e.g., impact on state quota for renewables) and the state will want to expend the resources to fully pursue the matter. At other times, the state may view the issue as important but not crucial, or one affecting all states in PJM in which case they may leave it to OPSI to cover the proceedings. Or, the matter may be regarded as unimportant in the larger scheme of things and the state will choose to do little, or nothing, to affect its outcome.

OPSI was formed to provide information about issues to its constituent states, but not every issue is of equal concern to all 14 PJM jurisdictions. When priorities are not exactly aligned, OPSI would be better served by not engaging as a monolith on behalf of all 14 jurisdictions. If the states were PJM members, they could better individualize their concerns (particularly in matters of overwhelming importance to that state). OPSI would then serve as a funnel for information and a helpful advisor. When OPSI purports to act for all jurisdictions in a forced consensus where it is obvious there are divergent views among the states, OPSI dilutes its effectiveness. OPSI would have more clout if it acknowledged differences of position among its states and did not attempt to force a unanimous vote on every issue.

PJM role

What can PJM do to help the states be more productive in PJM? As the name implies, the State Government Policy group, or, as termed in this paper, “SGP”, concentrates on state governmental matters such as state electricity issues, consumer advocate issues, the state government structure, and the underlying politics of the state at all levels of government. The SGP currently serves the states by providing education about PJM and current PJM issues of likely concern to the states, counsel about PJM processes and procedures, and in maintaining a general cordiality among the participants.

The SGP should redouble its efforts to bring issues that are likely to affect a particular state or states to the responsible state party as early in the process as possible—an early warning system. Not only should the issue be highlighted, but the reasons it might be of concern, its potential impact, and the positions various stakeholders are likely to take should be summarized orally and then expanded upon in written form. The SGP needs to undertake a full scale educational intervention. On major issues, early and complete information is imperative.

Issues must be prioritized as 1) *crucial* to the states or a particular state, 2) *important* to the states or a particular state, or 3) *routine*. Subjective judgment will be required. The SGP has good leadership and can make these subjective judgments in the ordinary course of business.

On *crucial* issues, it is important to make sure that the responsible state official is counseled on how to proceed through the stakeholder process. If the state desires to pursue the matter at PJM, SGP should become an unofficial “coach.” On *important* issues, the knowledge package should be complete and put into context as to why important. If a state decides to become active on such an issue, then PJM should provide the same guidance as with respect to crucial issues. On *routine* issues, a normal briefing package should suffice. Again, this is basically what SGP currently does. However, we recommend a heavier emphasis on early awareness and more proactive hand-holding.

As to the Regulatory Committee, a more direct involvement with the states is in order. The Regulatory Committee should meet with state regulators individually throughout the year.⁴ Hopefully, these sessions would alert the Regulatory Committee, and subsequently the full PJM Board, to state concerns about PJM policies, procedures, and personnel. This interaction would facilitate understanding of each other’s viewpoints. While it may not lead to 100% agreement, it will create goodwill around topics which could otherwise become contentious.

Conclusion

Above all, coordination is required between the state regulators, OPSI, SGP, and the Regulatory Committee. All parties are attempting to sustain a reliable, functioning grid and competitive electricity markets to promote the economic viability and well-being of the customers serviced in the particular state, and from PJM’s viewpoint, over the entire PJM area. The states are vital components of that endeavor and everything should be done to ensure that their voices are heard and taken into consideration. Hopefully, some of the suggestions above will be useful to accomplish that result.

About the author

Mr. Schneider served on the PJM Board of Managers (for most of the time, as Chairman of the Board) from 1997–2018. **Jordan Kwok**, Associate Principal in CRA’s Washington, DC office, assisted in the preparation of this paper.

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⁴ This will put an increased burden on the Regulatory Committee. It may have to schedule these meetings apart from regular Board meetings. A separate day, twice a year, could allow the Regulatory Committee to function on this suggestion.

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Contacts

Howard Schneider

Senior Consultant

New York

+1-212-520-7104

hschneider@crai.com



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