



CONSIDERATIONS FOR A WESTERN REGIONAL ORGANIZATION STAKEHOLDER ENGAGEMENT PROCESS

JULY 2024



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INTRODUCTION

In its April Straw Proposal, the West-Wide Governance Pathways Initiative Launch Committee states, “[w]ith the launch of the [Regional Organization] (RO), the Launch Committee recognizes the opportunity to re-evaluate how stakeholders engage with and help shape WEIM/EDAM [Western Energy Imbalance Market/Extended Day Ahead Market] rules. Recent experiences in the West with greater stakeholder involvement in regional decision-making indicate a strong desire from some sectors for consideration of new meaningful ways for stakeholders to shape the rules and implementation practices of regional energy markets and other programs.”

This brief provides information to support this re-evaluation through the Pathways Initiative’s Stakeholder Engagement workstream. This workstream will design meaningful ways for stakeholders to engage in the development of the rules and practices for a new RO, envisioned to take responsibility for the Energy Imbalance and Day-Ahead Markets.

This brief was developed by Gridworks at the request of the Pathways Launch Committee. It documents and synthesizes the stakeholder engagement practices of organizations and initiatives comparable to the envisioned RO and offers questions for stakeholders to consider as the Pathways stakeholder engagement workstream advances. The contents of this brief are intended to support upcoming workshops among stakeholders with a shared interest in the envisioned RO.

To prepare this brief, information was gathered from publicly-accessible websites to better understand the specific practices and stakeholder governance processes of the:

- Independent System Operator - New England (ISO-NE);
- New York Independent System Operator (NYISO);
- PJM Interconnection LLC (PJM);
- Midcontinent Independent System Operator (MISO);
- Western Resource Adequacy Program (WRAP);
- Southwest Power Pool (SPP); and
- California Independent System Operator (CAISO).

Additionally, insight on stakeholder feedback and comparisons across processes was informed by the R Street Policy Study, *How the RTO Stakeholder Process Affects Market Efficiency* (2017) and the Lenhart and Fox journal article, *Participatory democracy in dynamic contexts: A review of regional transmission organization governance in the United States* (2021). These papers are themselves based upon literature reviews, interviews, reviews of Regional Transmission Operator (RTO) materials, and the authors’ expertise. Further, this document draws from the National Association of Regulatory Utilities Commissioner (NARUC) report, *Public Utility Commission Stakeholder Engagement: A Decision-Making Framework* (2021). This brief stands on the shoulders of these valued sources.

According to authors of the R Street Policy Study, “there exists little actual data about overall market efficiency. Instead, there is selective commentary on the particular challenges the markets face.”¹ As such, findings synthesized in this brief should be affirmed or updated with stakeholders through the workstream.

¹ James, Mark, Kevin B. Jones, Ashleigh H. Krick, and Rikaela R. Grean, October 2017, *How the RTO Stakeholder Process Affects Market Efficiency*, R Street Policy Study No. 112, page 10.

SHAPING A STAKEHOLDER ENGAGEMENT PROCESS

Stakeholder engagement can be thought of across three dimensions:

- Breadth of actors involved (“who”)
- Shared authority granted to participants (“what”)
- Communication and collective decision-making approaches (“how”)

Each of these dimensions can vary broadly, with differing effects to overall process. For example, the breadth of actors involved depends on whether active and/or passive recruitment strategies are able to engage a balanced and representative group of stakeholders. Additionally, shared authority granted to participants dictates whether stakeholders are informed, consulted, or empowered as central actors in shared decision-making. Further, communication and collective decision-making approaches determine the form, tone, and direction of information flows and the mechanisms for developing collective choices (e.g., voting process).²

For the existing RTOs and Independent System Operators (ISO), the breadth of actors involved is typically determined by defining the sectors that will participate in energy markets. The stakeholder governance structure defines the shared authority granted to participants (See Stakeholder Governance Process Types). The communication and collective decision-making approaches are expressed through the actions, working groups, committees, and meetings stakeholders are (t)asked to contribute to.

Selected excerpts from *Participatory democracy in dynamic contexts: A review of regional transmission organization governance in the United States* provide added perspective on the context that stakeholder engagement processes operate in. These statements should be affirmed or modified with the RO stakeholders.

“RTO governance encompasses the structures, institutional relationships, practices, and negotiations that lead to collective decisions about market design and system planning, as well as the translation of those decisions into public administrative policy through formal regulatory filings and rulemaking by state and federal regulators.”³

Regional Organization or Regional Transmission Organization governance often involves multiple organizations and their respective, diverse interests and sources of authority. It is characterized by shared problem-solving among interdependent actors, accomplished through ongoing collaboration and negotiation in response to multiple aims and authorities.⁴

“The structures and participation practices established to enable regulatory restructuring and economic efficiencies are not necessarily suited to the current challenges of innovating new market, operating, and planning approaches for the future grid...Traditional divides between power supplier interests in reliability and consumer interests in affordability are complicated by new market entrants offering innovative approaches to grid services, as well as policymakers,

² Lenhart, Stephanie and Dalten Fox, December 2021, *Participatory democracy in dynamic contexts: A review of regional transmission organization governance in the United States*, Energy Research & Social Science 83 (2022) 102345, page 5.

³ Lenhart and Fox, December 2021, page 2.

⁴ Lenhart and Fox, December 2021, page 2.

advocates, consumers, and service providers seeking resilience, sustainability, and equity.”⁵

“In complex governance arrangements, like RTOs, traditional political oversight approaches to accountability are less effective and characteristics of participatory decision-making processes become more important...engaging stakeholders in governance has the potential to increase legitimacy, efficiency, effectiveness, and justice.”⁶

REGULATORY CONTEXT

Federal Energy Regulatory Commission (FERC) Order 719

FERC Order 719 established new policies in four different areas of RTO market operations: market monitoring; long-term power contracts; demand response; and stakeholder engagement. FERC aimed to improve RTO responsiveness to customers and other stakeholders. Under the order “responsiveness” was defined as “an RTO/ISO board’s willingness, as evidenced in its practices and procedures, to directly receive concerns and recommendations from customers and other stakeholders, and to fully consider and take actions in response to the issues that are raised.”⁷ FERC required each RTO and ISO to make a compliance filing to demonstrate that the RTO/ISO “has in place or would adopt practices and procedures to ensure that its board of directors is responsive to customers and other stakeholders.”⁸ FERC assessed each filing using four criteria: inclusiveness, fairness in balancing diverse interests, representation of minority positions, and ongoing responsiveness.

Inclusiveness

The Inclusiveness criterion is intended to “ensure that existing or newly-developed practices and procedures are adequate to bring the views of all customers or other stakeholders before the board.”⁹ An RTO must ensure that “any customer or other stakeholder affected by the operation of the RTO or ISO, or its representative, is permitted to communicate its views to the RTO or ISO board of directors.”¹⁰ To meet the requirement, an RTO must demonstrate that it actively provides means for “presenting customer and other stakeholder issues, concerns, or proposals to its boards.”¹¹

Fairness on Balancing Diverse Interests

The Fairness in Balancing Diverse Interests criterion aims to ensure that the “RTO/ISO can make well-informed decisions that reflect the full range of competing interests that may be affected.”¹² To meet this criterion, RTO business practices and procedures must be structured to provide equitable consideration of the interests of customers and other stakeholders and, “deliberation and consideration of RTO and ISO issues cannot be dominated by any single stakeholder category.”¹³

⁵ Lenhart and Fox, December 2021, page 1.

⁶ Lenhart and Fox, December 2021, page 4.

⁷ Federal Energy Regulatory Commission, Order No. 719: Wholesale Competition in Regions with Organized Electric Markets, Docket Nos. RM07-19-000 and AD07-7-000, Oct. 17, 2008, section 477.

⁸ FERC Order 719, section 477.

⁹ FERC Order 719, section 506.

¹⁰ FERC Order 719, section 482.

¹¹ FERC Order 719, section 506.

¹² FERC Order 719, section 507.

¹³ FERC Order 719, section 507.

Representation of Minority Positions

The Representation of Minority Positions criterion is intended to “ensure that customers and other stakeholders have confidence in the decisions that come out of the RTO and ISO processes.”¹⁴ To meet the requirement “in instances where stakeholders are not in total agreement on a particular issue, minority positions are communicated to the RTO’s or ISO’s board of directors at the same time as the majority positions.”¹⁵

Ongoing Responsiveness

Through the Ongoing Responsiveness criterion, RTOs and ISO are required to “continue over time to consider customer and other stakeholder needs as the architecture and market environment of the RTO or ISO changes.”¹⁶ To meet the requirement, an RTO or ISO must ensure that business practices and procedures provide for “stakeholder input into the RTO’s or ISO’s decisions as well as mechanisms to provide feedback to stakeholders to ensure that information exchange and communication continue over time.”¹⁷

National Association of Regulatory Utilities Commissioners (NARUC) Stakeholder Engagement Framework

A NARUC review of stakeholder engagement processes at Public Utilities Commissions provides another helpful perspective. NARUC assessed various proceedings to determine lessons learned and emerging best practices for future decision-making. While the subject matter is different from issues addressed at RTOs and ISOs, the intention for inclusive stakeholder processes, decisions that fairly balance diverse interests, appropriate representation of minority positions, and ongoing responsiveness is the same. Figure 2 summarizes stakeholder engagement design elements from NARUC’s framework. Additionally, Appendix A presents [a summary of NARUC’s emerging best practices](#) and a series of questions that the Launch Committee can discuss with stakeholders to design a stakeholder engagement process to move an issue from concept to conclusion.

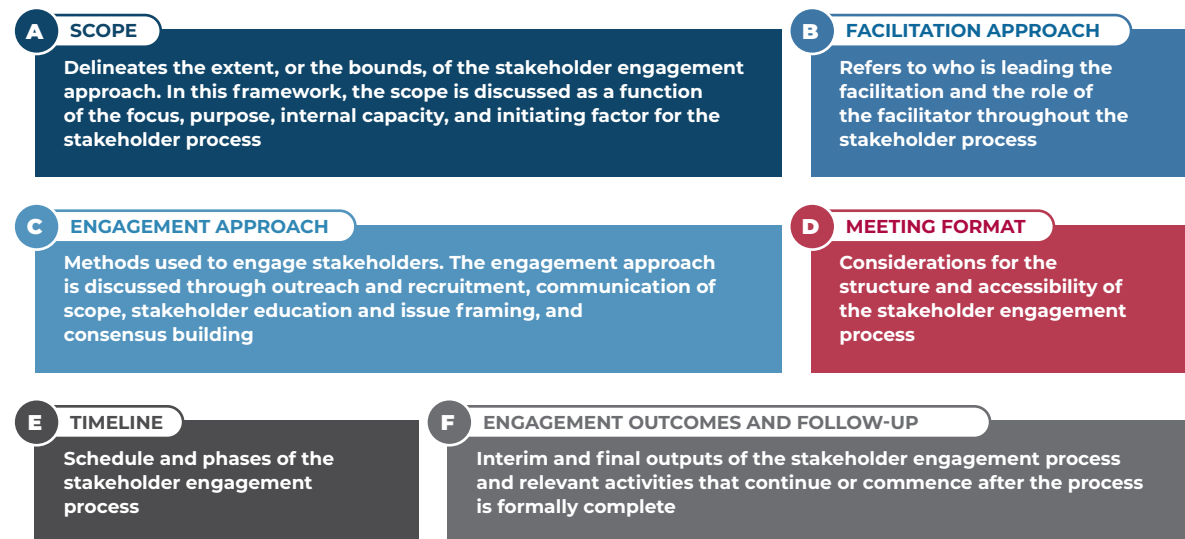
¹⁴ FERC Order 719, section 508.

¹⁵ R Street Policy Study, October 2017, page 3.

¹⁶ FERC Order 719, section 509.

¹⁷ FERC Order 719, section 482.

FIGURE 1. *NARUC Stakeholder Engagement Design Elements*¹⁸



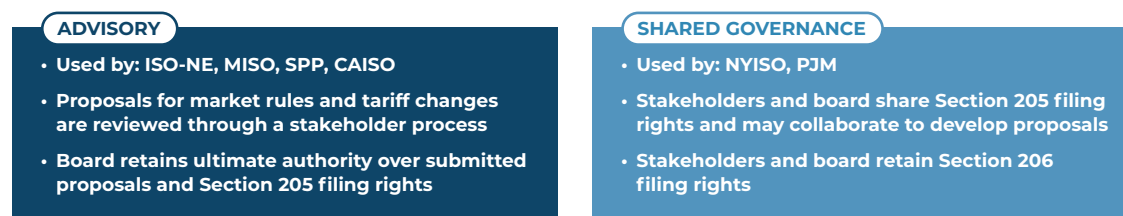
¹⁸ National Association of Regulatory Commissioners (NARUC), January 2021, [Public Utility Commission Stakeholder Engagement: A Decision-Making Framework](#), page 3.

DEFINING STAKEHOLDER ROLES

Stakeholder governance processes are described in two broad categories: Advisory and Shared Governance (Figure 1). Among the existing RTOs, Advisory structures are most common, where stakeholders provide feedback on and/or develop proposals and make recommendations for consideration and approval by the RTO Board of Directors or Governors.

Under an Advisory process, each RTO board exercises its authority differently. For example, SPP's board meets concurrently with the Members Committee and, unless there is an appeal, files proposals approved by the Members Committee's "straw vote" without further review.¹⁹ With this approach, members, rather than the board, are empowered with direct authority over many decisions. Alternatively, in ISO-NE, any proposal receiving support from 60% or more of the members must be filed by the board; however, the board may file a competing proposal.²⁰ In MISO, the Organization of MISO States (OMS) holds complementary Section 205 filing rights for cost allocation. If, during a stakeholder process on a change in cost allocation methodology, at least 66% of voting OMS members approve a proposal, OMS can request that MISO file an OMS alternative proposal with FERC. MISO is not required to make the filing, but if it elects not to, it must provide OMS a written explanation as to why it did not file.²¹ CAISO is the only RTO to use a governor-appointed board and less formal stakeholder engagement process. All interested stakeholders are invited to review and comment on draft proposals, discussion papers, and plans developed by ISO staff. CAISO staff incorporate stakeholder feedback and submit proposals and plans to the five-member governor-appointed board for approval.

FIGURE 2. *Stakeholder Governance Process Categories*²²



In Shared Governance structures, stakeholders and boards must both approve a market rule change proposal before filing at FERC. NYISO and PJM employ different shared governance structures - NYISO's approach requires a consensus between the board and members whereas PJM's approach divides authority between the board, transmission owners, and members, with members having authority over operating issues.²³

19 The Members Committee consists of up to 24 persons - six representing investor-owned utilities, five representing cooperatives, two representing municipalities, three representing independent power producers/markets, two representing state power agencies, one representing a Federal Power Marketing Agency, two representing alternative power/public interest members, one representing an independent transmission company, one representing large retail customers, and one representing small retail customers. The Members Committee meetings only with the Board of Directors. The straw vote provides the Board an indication of the level of consensus among Members on all actions pending before the Board ([Southwest Power Pool Bylaws](#), page 55, November 8, 2022).

20 Lenhart and Fox, December 2021, page 9-10.

21 NRDC, June 2016, [Making Sense of Potential Western ISO Governance Structures: The Role of States](#), pages 3-4

22 Gardner, Jennifer, March 2019, [RTO Stakeholder Processes: Principles & Best Practices presentation](#), Regional Issues Forum - Albuquerque, NM, slide 5.

23 Lenhart and Fox, December 2021, page 10.

In the R Street Policy Study white paper, authors were unable to find compelling evidence that a shared governance design (as used by NYISO and PJM) demonstrated any different market design efficiency than stakeholder processes where the RTO board exercises more control. That said, in stakeholder interviews, NYISO and PJM were often noted as having the most sophisticated market design.²⁴

Whether under an Advisory or Shared Governance approach, in the refinement of electric market rules and program designs, stakeholders across RTOs take part in:

- Ideating;
- Proposing;
- Listening;
- Learning;
- Collaboration;
- Coordinating;
- Evaluating;
- Commenting;
- Negotiating; and/or
- Editing.

These actions move an issue from concept through conclusion in the adopted stakeholder engagement process. Conclusion of an issue will also often include:

- Consensus-building;
- Compromising; and/or
- Group decision-making and/or voting.

²⁴ R Street Policy Study, October 2017, page 11.

COMPARISON OF STAKEHOLDER ROLES ACROSS RTOS

Nearly all of the RTOs leverage a committee structure to implement its stakeholder governance and engagement processes; however the scope, engagement approach, and voting processes vary. Appendix B.1, Matrix Comparison Across RTOs, summarizes recent or ongoing stakeholder engagement practices at RTOs and ISO across the country under NARUC's stakeholder engagement design elements, and other engagement practices (e.g., voting). Additionally, elements from Appendix B.1 are synthesized in Appendix B.2 as an initial stakeholder engagement toolkit for the Launch Committee's consideration.

While most RTOs share similar practices (e.g., use of senior stakeholder committee and guides, open meetings, publicly-accessible information, working groups, consensus-building, and voting), there are also key differences to highlight (Figure 3).

FIGURE 3. Summary Comparison of RTO Governance²⁵

	Stronger State and More Informal Stakeholder Power		Moderate State and Moderate Stakeholder Power		Weaker State and More Formal Stakeholder Power		
	CAISO	ERCOT	MISO	SPP	ISO-NE	NVISO	PJM
Restructuring: resource adequacy/retail choice	State-reg./ Partial choice	State-reg./ Choice	Vol. mkt./ No choice	Multi-state/ No choice	Mandatory mkt./ Choice		
Number of sectors	NA	7	10 ^a	10	6	5	5
Voting weight/ participant share: transmission & gen.^b	Open self-selection	27% / 10% 2.6	28% / 43% 0.9	50% / 48% 1.2	33% / 7% 4.9	42% / 25% 1.7	40% / 26% 1.6
Access^c	Open	Open	Open	Open	Closed board/ Members-only committee	Closed to non-members	Closed board/Open members committee
Agenda setting	Any stakeholder	Any stakeholder	Any stakeholder	Staff, members, states, or market participants	Staff, members, or states	Members	Committees
Information rules^d	Publicly available	Publicly available	Publicly available	Publicly available	Board info. unavailable	Publicly available	Board info. unavailable
Committee structure/ voting threshold^e	None	Rep./Super-majority	Rep./Simple Majority	Rep./Super-majority	Plenary/Supermajority		
Stakeholder authority	Emergent	Advisory	Advisory	Advisory	Compelling	Consensus	Divided
State authority	Statutory	Statutory	Delegated	Delegated	Advisory	Advisory	Advisory

a MISO is reconsidering its stakeholder structure and has an affiliate sector in place during this process.

b Shares and ratio of transmission and generation owners and developers voting weight and number of participants as a share of the total number of participants.

c Boards and committees retain authority to meet in executive session. ISO-NE, NYISO, and PJM meet with members in non-decisional liaison committee meetings.

d Board and members committee minutes, materials, written comments, and individual or pass/fail votes posted publicly. ISO-NE and PJM make summaries of board meeting minutes available, and PJM makes written comments to the board available.

e NYISO decisions require a supermajority of 58%. All other supermajority thresholds are 66%.

25 Lenhart and Fox, December 2021, Table 5, page 9.

MEMBERSHIP SECTOR DEFINITIONS

Membership requirements and sector definitions shape participation in RTO decision-making. “To some extent, this reflects differences in regulatory and policy contexts and related differences in the most common business models, technologies, or community and environmental interests seeking to participate.”²⁶ Each RTO has similar but sometimes varying member sector definitions that determine who the stakeholder is. For all RTOs except for CAISO, an annual membership fee is required to engage (Table 1).

TABLE 1. *RTO Member Sectors and Annual Fees*

	Member Sectors	Annual Membership Fee
CAISO	CAISO does not use a membership and committee stakeholder structure. Any individual or organization can participate as a stakeholder in CAISO initiatives.	Since there is no membership structure, there is no associated fee.
SPP	<ol style="list-style-type: none"> 1. Cooperatives 2. Federal agencies 3. Independent power producers 4. Independent transmission companies 5. Investor-owned utilities 6. Marketers 7. Municipal utilities 8. State agencies 9. SPP contract participants 	Annual membership fee (\$6K/year) and membership exit fees (\$700K - \$1M) required. ²⁷
WRAP	<ol style="list-style-type: none"> 1. IOUs 2. POUs 3. Retail Competition Load Serving Entity (LSE) 4. Federal Power Marketing Administration 5. Independent Power Producers (IPPs) and marketers 6. Public interest organizations 7. Retail customer advocacy group 8. Industrial customer advocacy group 9. LSE with loads in the WRAP represented by other Load Responsible Entity (LRE) and is otherwise not eligible for another sector 10. Committee of State Representatives 	The WRAP membership fee is based on the costs to administer and operate the program. The costs are allocated between Base Costs, Load Costs, and Dual Benefit Costs. The Base Charge is equal to the Base Costs plus half the Dual Benefit Costs, evenly split among participants on a monthly basis. The Load Charge is equal to the Load Costs plus the other half of the Dual Benefits Costs; this is allocated based on the Participants' Median Monthly P50 Peak Load and also charged monthly. The maximum annual Base Cost collected by WPP will not exceed \$59K/year and the maximum annual Load Costs collected by WPP will not exceed \$199/MW.

²⁶ Lenhart and Fox, December 2021, page 10.

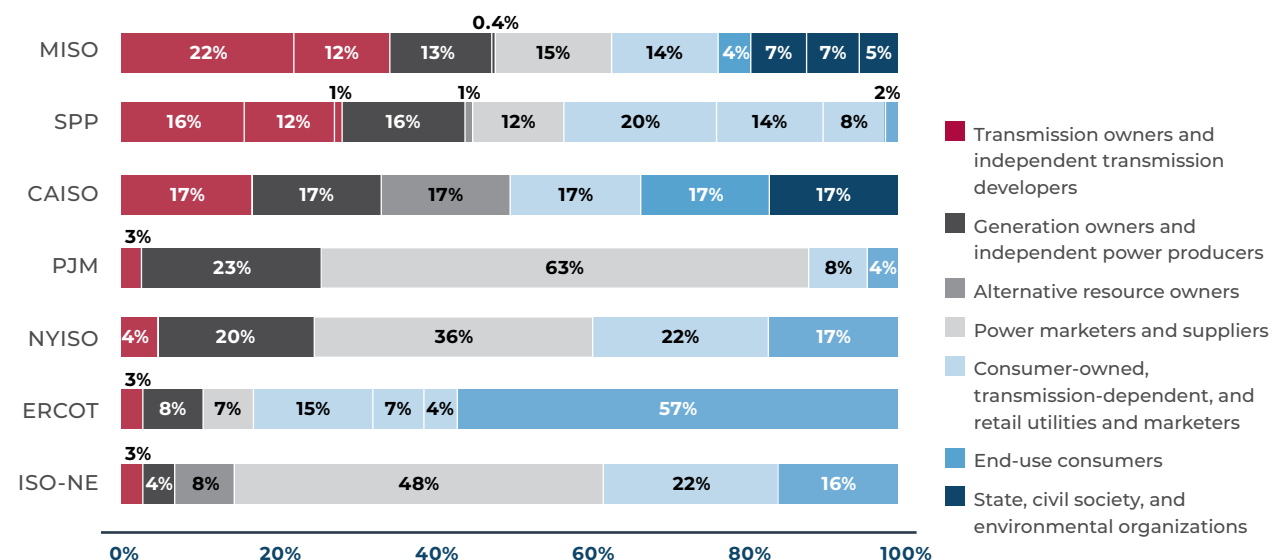
²⁷ Gardner, Jennifer, March 2019, [RTO Stakeholder Processes: Principles & Best Practices presentation](#), Regional Issues Forum - Albuquerque, NM, slide 8.

Member Sectors	Annual Membership Fee
MISO <ol style="list-style-type: none"> 1. IPPs and EWGs 2. Transmission owners 3. TDUs, cooperatives, and municipalities 4. Transmission developers 5. Power marketers 6. Eligible end use customers 7. Coordinating members 8. State regulatory authorities 9. Public consumer advocates 10. Environmental 11. Affiliate 	<p>Annual membership fee (\$1K/year) required; initial membership fee (\$15K) may be waived for non-transmission owners if they are affiliated with another MISO member.</p>
PJM <ol style="list-style-type: none"> 1. Generation owners 2. Other suppliers 3. Transmission owners 4. Electric distributors 5. End use customers 	<p>Application fee (\$2K) required for market participants. Annual membership fee (\$5K/year) required for voting members.</p>
NYISO <ol style="list-style-type: none"> 1. Generation owner 2. Other suppliers 3. Transmission owner 4. End Use customers 5. Public power / environmental groups 6. Non-voting members²⁸ 	<p>Annual membership fee varies by Party status:</p> <ul style="list-style-type: none"> ▪ \$5K/year for private companies and organizations; ▪ \$100/year for non-profits representing environmental parties, small consumers, and non-voting members; ▪ \$0/year for government agencies that represent small consumers.
ISO-NE <ol style="list-style-type: none"> 1. Generation 2. Supplier 3. Transmission 4. End use 5. Publicly owned 6. Alternative resources 	<p>Annual membership fee varies by Party status:</p> <ul style="list-style-type: none"> ▪ \$500/year for each End Use participant, large End Use participants pay an additional \$500 per MWh of its highest hourly load in the preceding year, up to \$5K, plus an additional \$200 per MWh for each MWh by which its highest hourly load in the preceding year exceed 20MWh; ▪ \$1.5K/year for each Data-Only participant or Provisional Member; ▪ \$5K/year for each Alternative Resource provider, except for small providers who pay \$1,000/year; ▪ \$5K/year for each POU, except for smaller POUs who pay \$500/year.

²⁸ See [NYISO Governance Summary of Sector Definitions and Related Terms](#) for greater detail.

The share of members in each sector varies widely by RTO (Figure 4). According to Lenhart and Fox (2021), “smaller and more numerous sectors are likely to have more homogeneous [similar to each other] interests, allowing these sectors to represent participating and non-participating stakeholders more effectively. More homogenous sectors also promote transparency. Also, sector definitions may encourage or discourage certain stakeholders from participating in RTO processes either actively through provisions that rule out participation or passively by requiring participation in a sector with misaligned interests.”²⁹

FIGURE 4. Share of Members in Sector Categories by RTO³⁰



Notes: Within the seven sector categories, individual sectors are identified as separate segments and by percentage. Blue shades represent supplier interests. Red and black represent supplier interests. Grey shades represent sectors with mixed interests. Blue shades represent consumer interests. MISO allows members to vote in more than one sector. SPP only uses the full slate of 11 sectors in the members committee that meets concurrently with the Board and in the Corporate Governance Committee. CAISO only uses sectors in the board nomination process.

STANDING AND AD HOC COMMITTEE STRUCTURE

Except for CAISO, all existing RTOs and NYISO implement a standing and ad hoc committee structure. The practices of “senior committees,” those with decision-making authority on behalf of members, are described in Appendix B.1. The figures below demonstrate the respective organization structures.

²⁹ Lenhart and Fox, December 2021, page 11.

³⁰ Lenhart and Fox, December 2021, Figure 5, page 9.

FIGURE 5. SPP Markets+ Phase One Working Group Organization Chart³¹

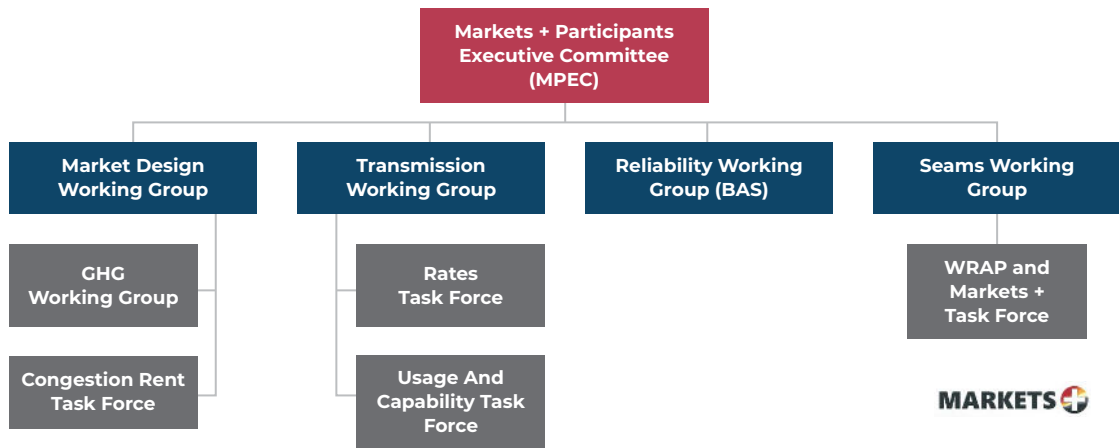
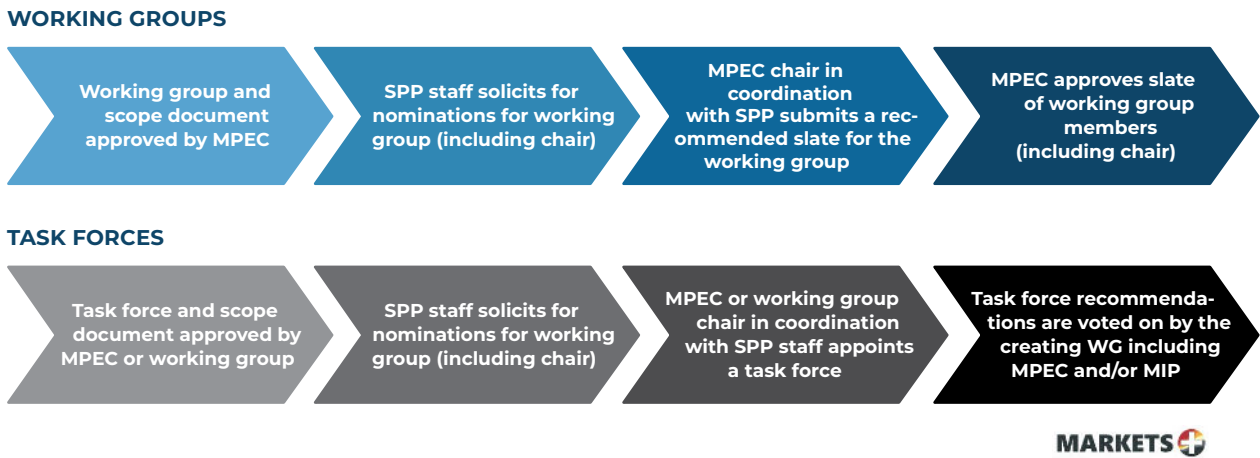


FIGURE 6. SPP Markets+ Working Group and Task Force Creation and Composition³²

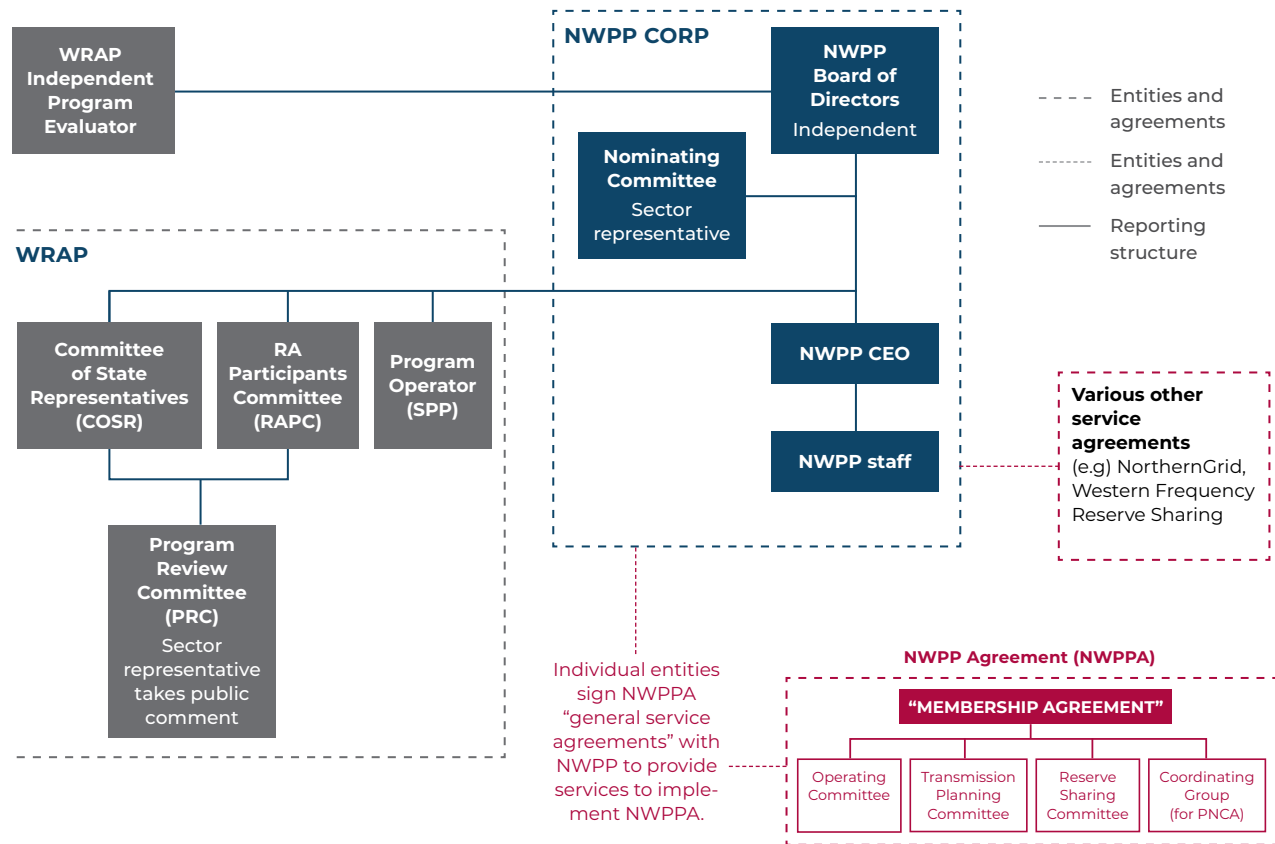


31 SPP Markets+ Phase One Update, February 2023, slide 15.

32 SPP Markets+ Phase One Update, February 2023, slide 16.

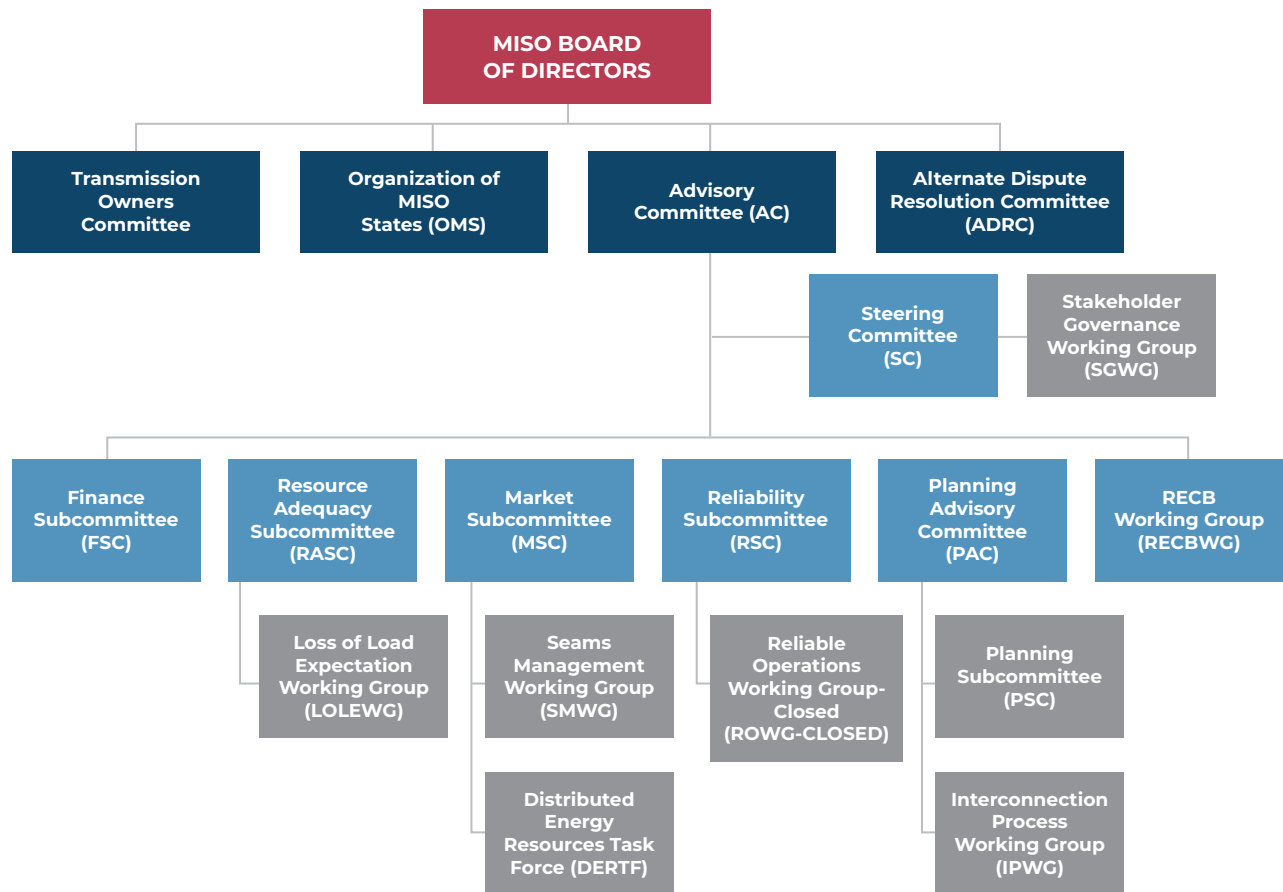
WRAP

FIGURE 7. WRAP Committee Organization Chart³³

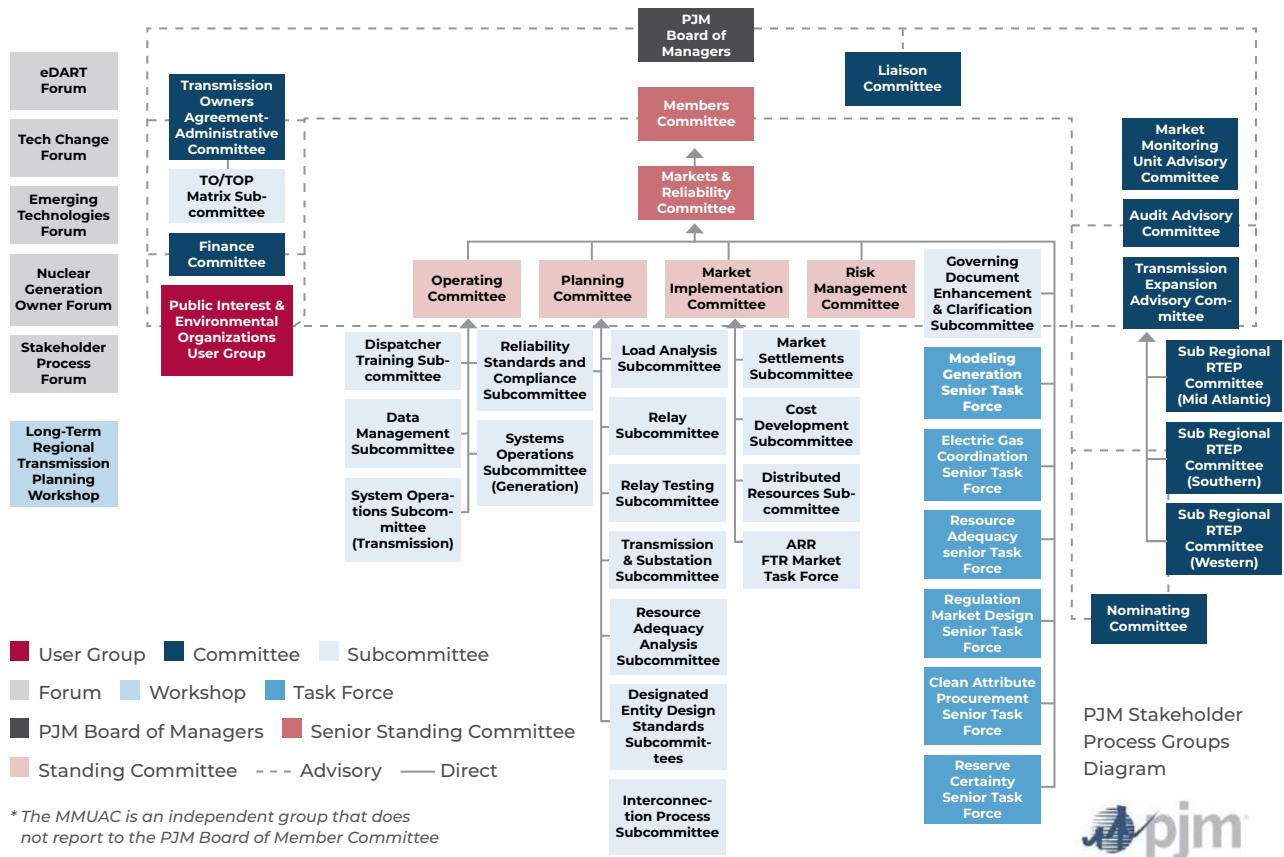


³³ Western Resource Adequacy Program - Governance Proposal, January 2022, page 7

FIGURE 8. MISO Committee Organization Chart³⁴

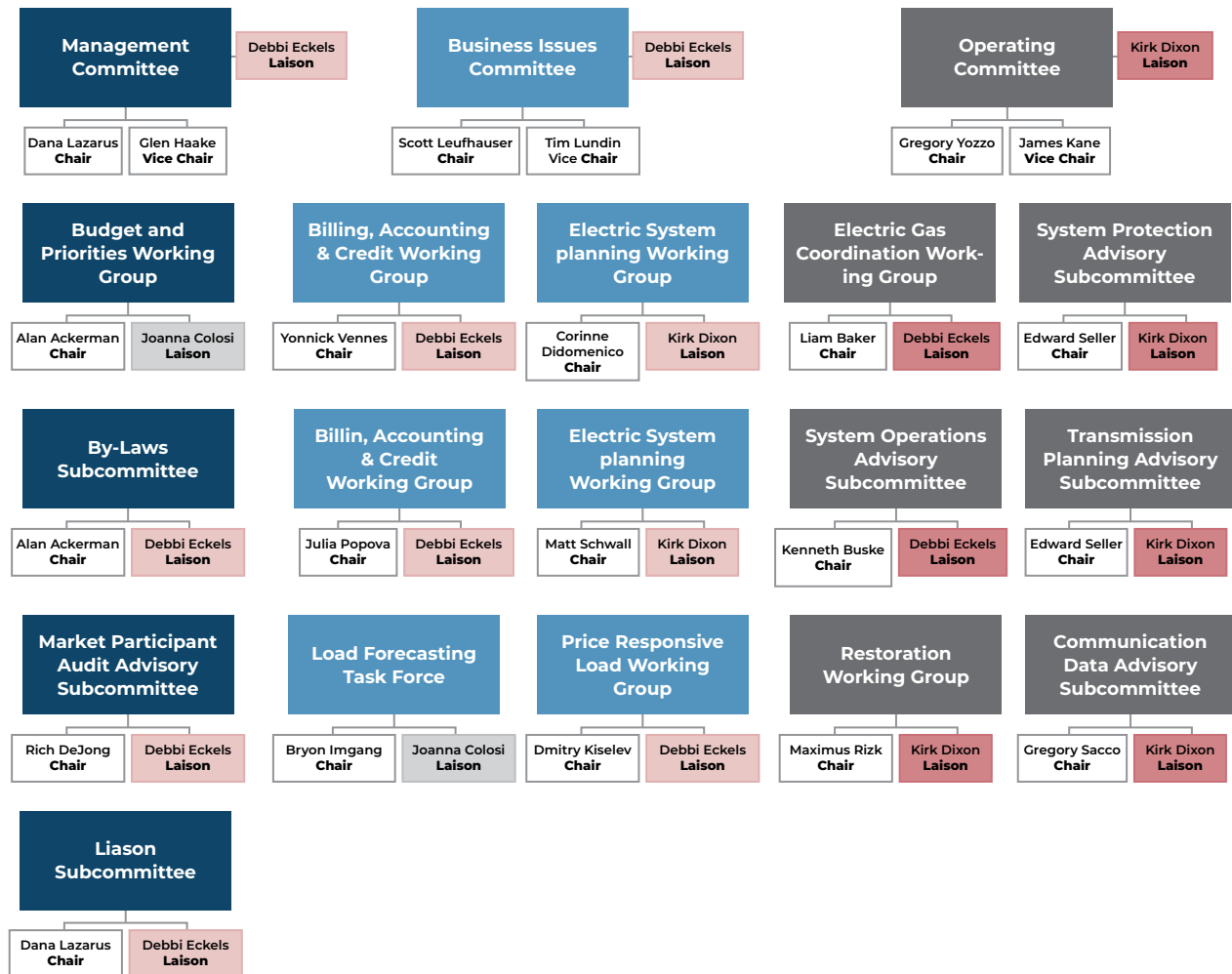


³⁴ [MISO Committee Organization Chart](#), no date, accessed June 28, 2024.

FIGURE 9. PJM Organization Chart³⁵

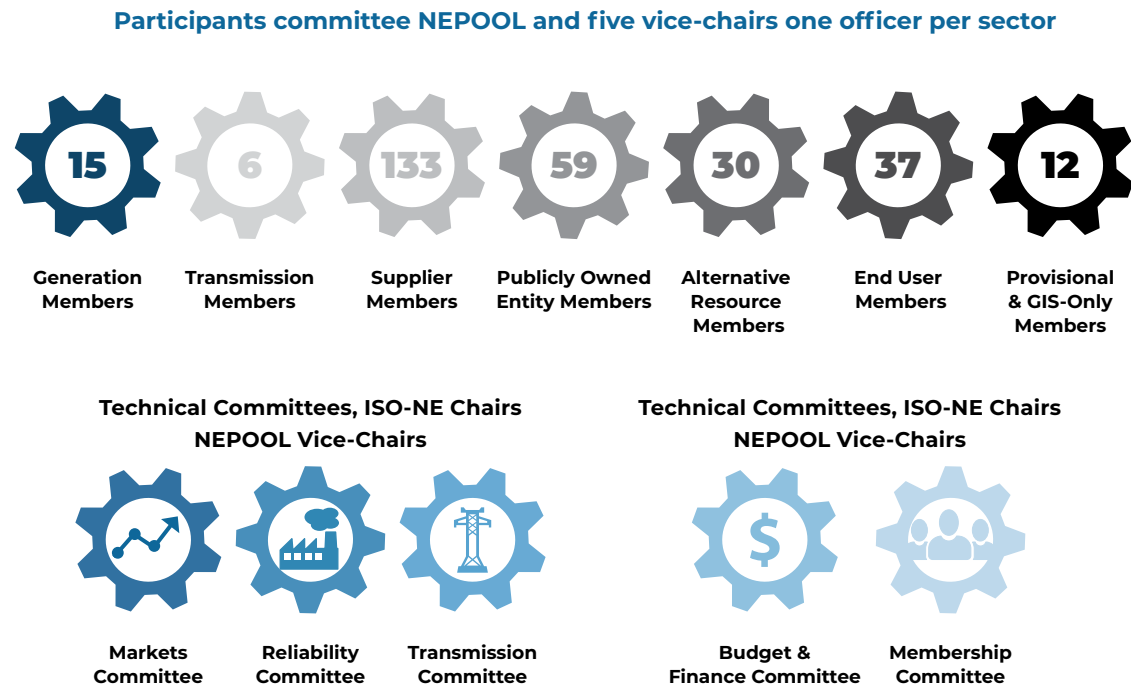
³⁵ PJM Organization Chart, no date, accessed June 28, 2024.

FIGURE 10. NYISO Committee and Working Group Organization Chart³⁶



³⁶ NYISO 2024 Committee Structure and Scope of Responsibilities, page 1.

FIGURE 11. NEPOOL Participants Committee Voting Members and Committee Structure³⁷

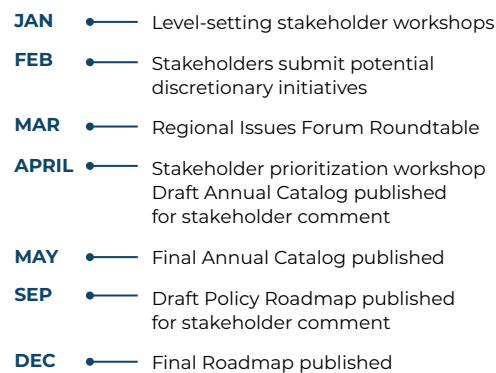


ISSUE IDENTIFICATION AND PRIORITIZATION

Each RTO and ISO develops an annual work plan to identify and prioritize issues that it will address in coordination and/or collaboration with stakeholders in the upcoming year. Where available, the process to develop the annual work plan is summarized herein.

CAISO Annual Policy Initiatives Roadmap (2024)

FIGURE 12. CAISO Annual Policy Initiative Catalog and Roadmap Process³⁸



³⁷ New England Power Pool Annual Report 2023, December 2023, page 8.

³⁸ CAISO Annual policy initiatives roadmap process stakeholder - 2024 Website, accessed June 28, 2024.

SPP Stakeholder Prioritization Process (2017)

SPP's Stakeholder Prioritization process includes seven distinct steps which provides a mechanism for stakeholders to prioritize projects, revision requests, and enhancements. Steps include:

1. Revision Request and Enhancement submission via the Request Management System;
2. Assessment of initial priority by staff and/or working group;
3. Publication of the SPP Portfolio Report;
4. Stakeholder comment period;
5. Open Stakeholder Prioritization Quarterly Meeting;
6. Post-quarterly meeting portfolio adjustments, as needed; and
7. Publication of the Adjusted Portfolio report.

To determine the priority of revision requests and enhancements, three main factors are assessed by SPP staff or in working groups:

1. Level of complexity - Staff ranking of high, medium, low, or unknown.
2. Severity - working group ranking of critical, high, medium, or low. Prioritization of defects is reflected via this factor.
3. Cost estimate - For revision requests, this is most often from an Impact Assessment; for enhancement requests, staff generate a high-level cost estimate.

Projects are prioritized according to priority rankings of high, medium, or low. The SPP Scoring Tool and the SPP Cost Estimation Tool are used to determine the priority value.³⁹

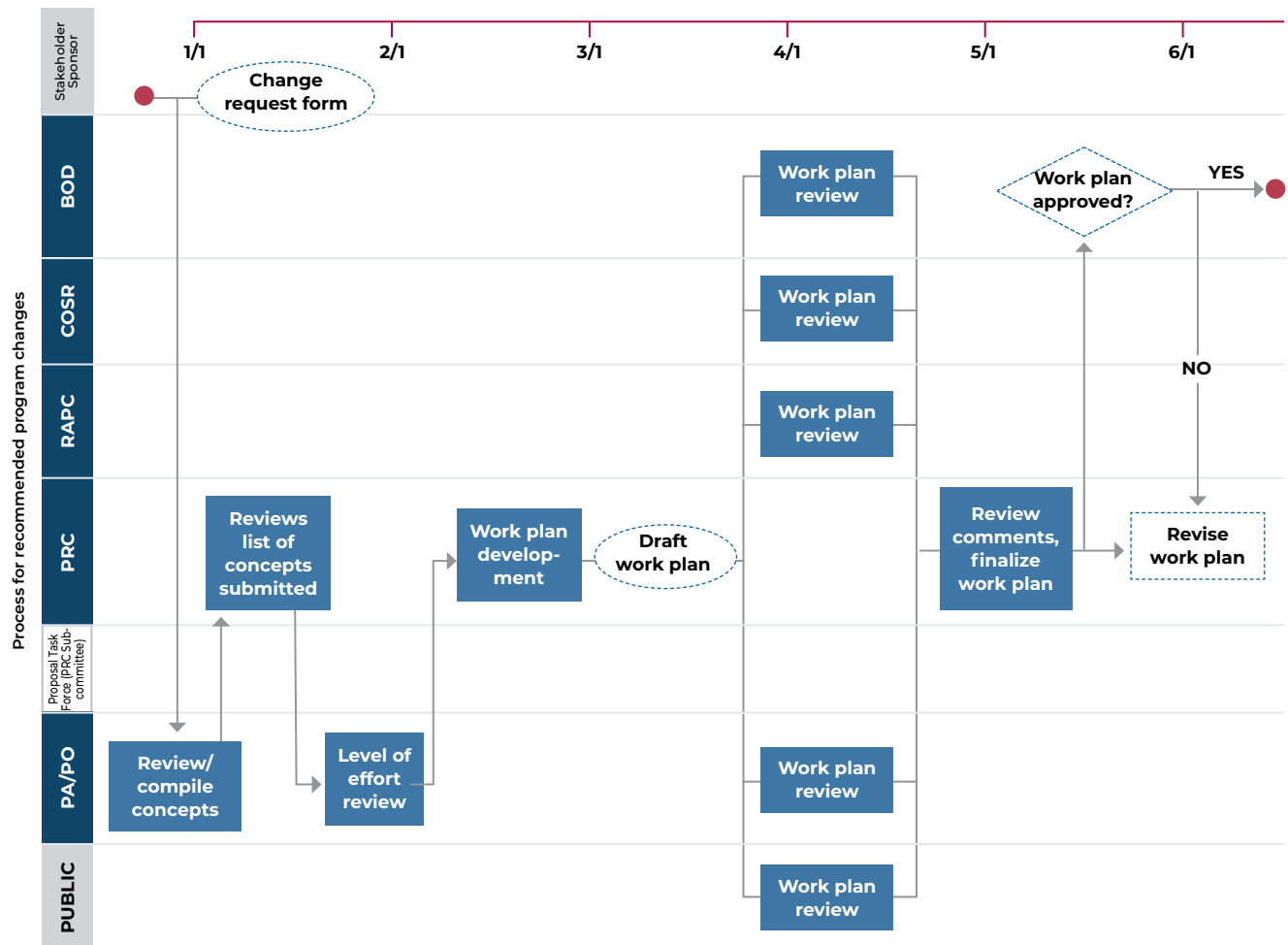
WRAP

At the beginning of each year, the Program Operator/Program Administrator will provide recommended updates to the WRAP tariff and/or business practice manuals to the WRAP Program Review Committee. The Committee reviews and prioritizes the recommendations and proposes a work plan with a schedule for developing recommendations into change proposals. Stakeholders review a draft work plan before it is approved by the Board mid-year.⁴⁰

³⁹ Southwest Power Pool Stakeholder Prioritization Process Version 7.0, January 2017.

⁴⁰ Western Resource Adequacy Program Business Practice Manual 301, December 2023, page 5.

FIGURE 13. WRAP Program Review Committee Work Plan Development Process⁴¹

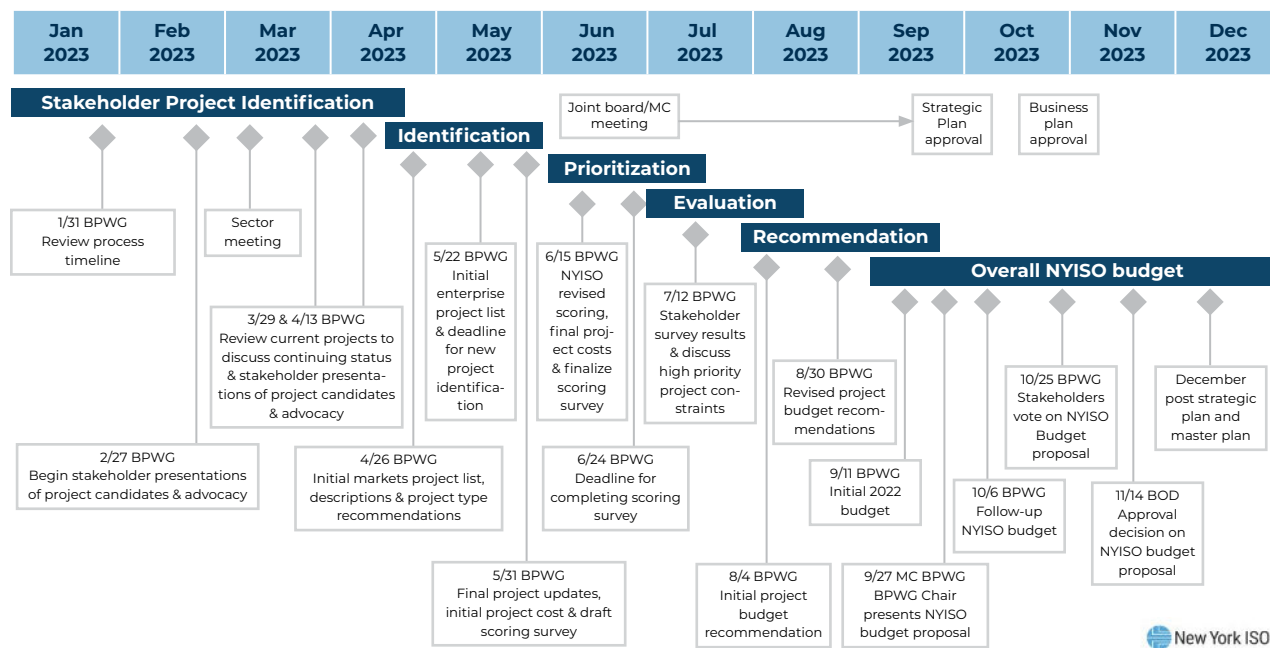


⁴¹ Western Resource Adequacy Program Detailed Design, March 2023, page 41.

NYISO

The NYISO Budget and Priorities Working Group provides guidance on the development and management of the NYISO budget, monitors progress on current project initiatives and prioritizes future projects. Figure 14 shows the 2024 Project Prioritization timeline.

FIGURE 14. NYISO 2024 Project Prioritization Timeline⁴²



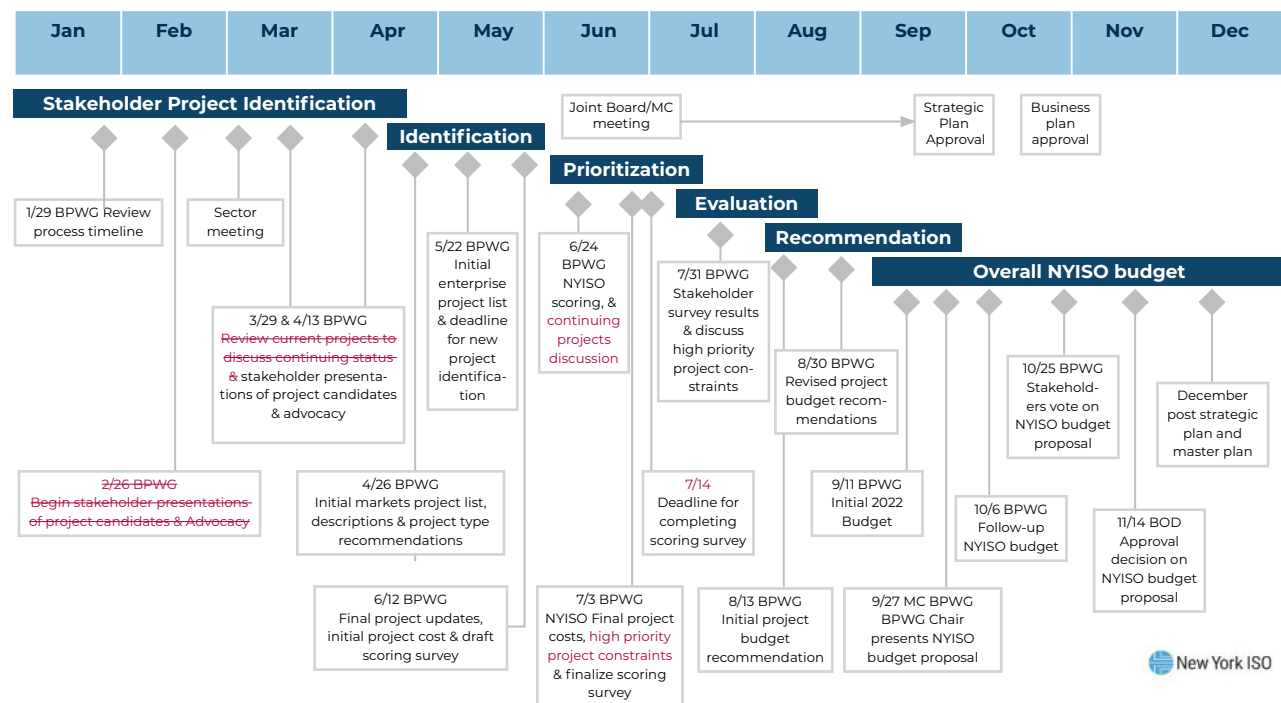
Following the 2024 Project Prioritization process, stakeholders provided feedback on possible improvements to the Annual Project Prioritization Process. For 2025, NYISO intends to make the following changes:

- Change “Continuing Project” definition
- Shift continuing project discussion from March to June
- Shift scoring survey from June to July⁴³

⁴² Pytel, Kevin, January 2023, 2024 Project Prioritization presentation, slide 4.

⁴³ Pytel, Kevin, January 2024, 2025 Project Prioritization presentation, slides 9-11.

FIGURE 15. NYISO 2025 Proposed Project Prioritization Timeline⁴⁴



NEPOOL Annual Report 2023 and ISO-NE 2024 Annual Work Plan

In late spring to early summer 2023, NEPOOL leadership worked with members across the six sectors to identify NEPOOL's key priority items. The identified NEPOOL-wide priorities were considered in parallel with NEPOOL's and the States' review and consideration of the 2024 ISO-NE budget, permitting ISO-NE to take into account NEPOOL-identified priorities in its proposed allocation of resources for the next calendar year. Ultimately, ISO-NE included each of NEPOOL's high priority items in its 2024 Annual Work Plan. ISO-NE's 2024 Annual Work Plan was reviewed and discussed with NEPOOL and State officials in late summer/early fall and finalized in October in parallel with NEPOOL's consideration of and action on the ISO's proposed 2024 budgets.⁴⁵

MOVING AN ISSUE FROM CONCEPT TO CONCLUSION

All of the RTOs and ISOs apply their own stakeholder engagement practices when working with or delegating authority to stakeholders to move an issue from concept to conclusion; however, only a few are explained in detail in publicly-available materials and graphics. CAISO's staff-driven approach is relatively informal compared to other RTOs, given that any interested entity can participate and there usually is no required working group process. Stakeholders can follow an issue through the publicly-accessible stakeholder engagement website for the CAISO initiative. As staff-developed analyses and draft documents are posted for feedback, any stakeholder can provide comments. CAISO staff make

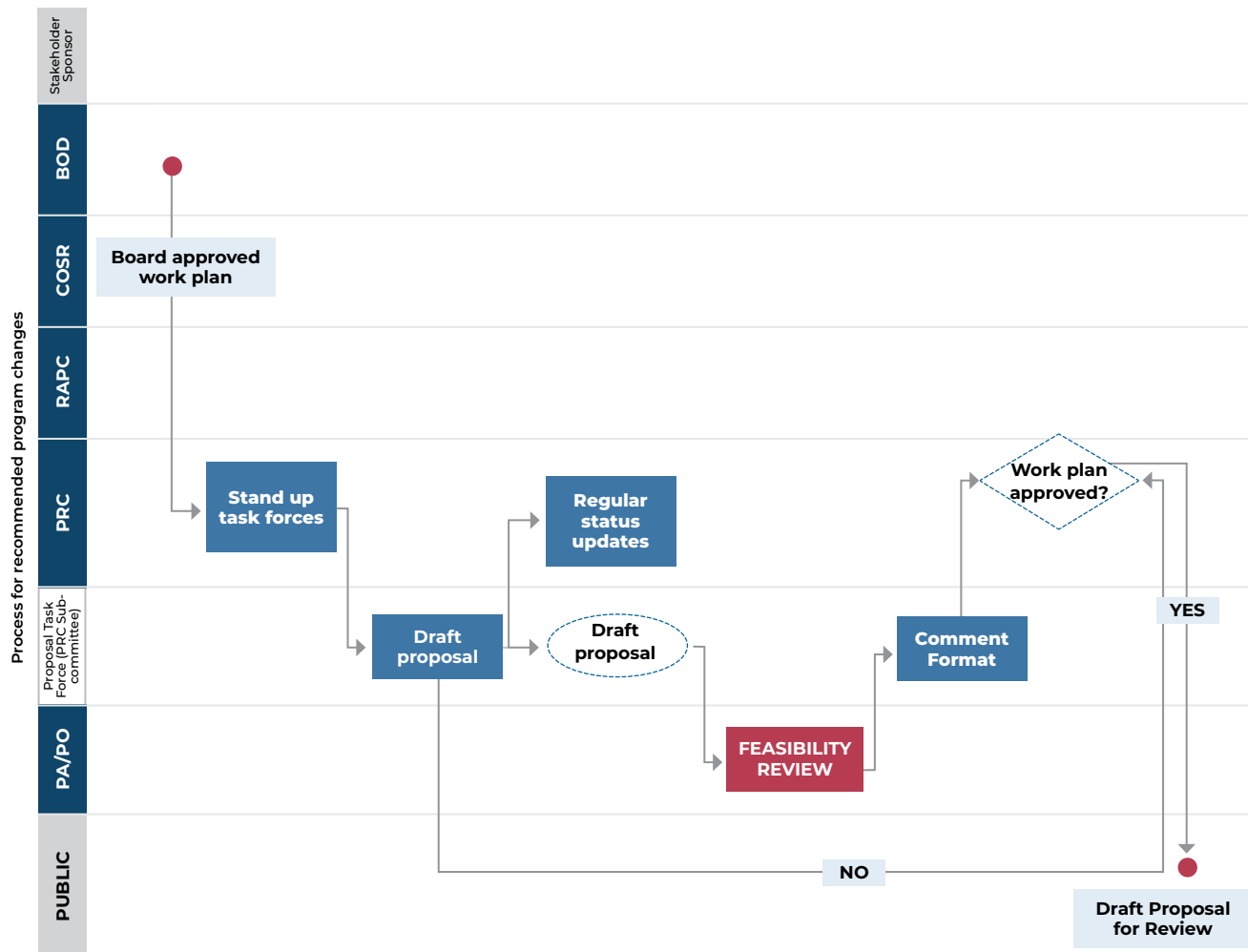
⁴⁴ Pytel, Kevin, January 2024, [2025 Project Prioritization presentation](#), slide 13.

⁴⁵ [New England Power Pool Annual Report 2023](#), page 31.

determinations about which stakeholder comments to incorporate into its final proposal and, in some cases, have directly responded to stakeholders' comments to indicate how it was considered.⁴⁶ The final staff proposal is forward to the Governor-appointed CAISO board for vote. The board's vote typically concludes the issue.

Figures 16 and 17 show the proposal development and review applied in the WRAP. The blue boxes on the left side of the figure indicate the expected actor. Additionally, Figures 17, 18, and 19 show PJM's process to initiate and address a new issue. Section 6.0 of PJM's Manual 34: Stakeholder Process explains PJM's process to identify issues and move them from concept to conclusion in detail.

FIGURE 16. WRAP Program Review Committee Proposal Development Process⁴⁷



⁴⁶ See *ISO Responses to Comments - 2022-2023 Transmission Planning Process - Nov 17, 2022* posted under the November 17, 2022 meeting, available on the 2022-2023 Transmission Planning Process website.

⁴⁷ *Western Resource Adequacy Program - Design Document*, March 2023, page 42.

FIGURE 17. WRAP Program Review Committee Proposal Review Process⁴⁸

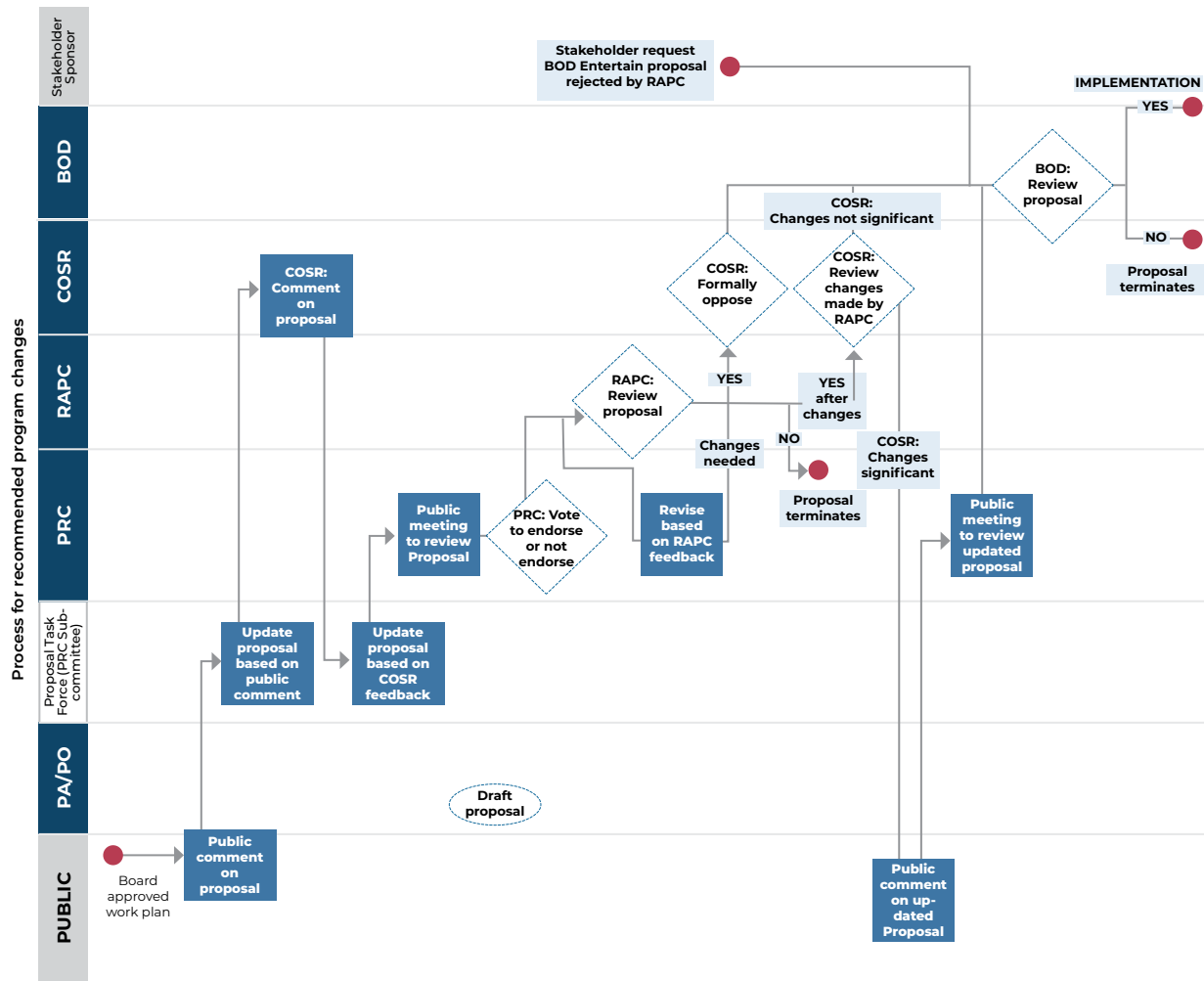
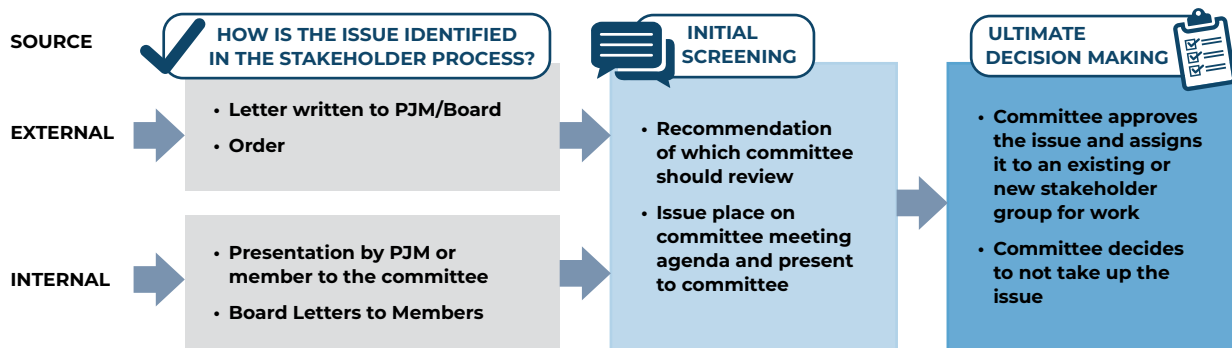


FIGURE 18. PJM Issue Initiation Process⁴⁹



⁴⁸ Western Resource Adequacy Program - Design Document, March 2023, page 43.

⁴⁹ PJM Stakeholder Process Training, May 31, 2024, slide 26.

FIGURE 19. *PJM Key Issue Initiating Documents*⁵⁰

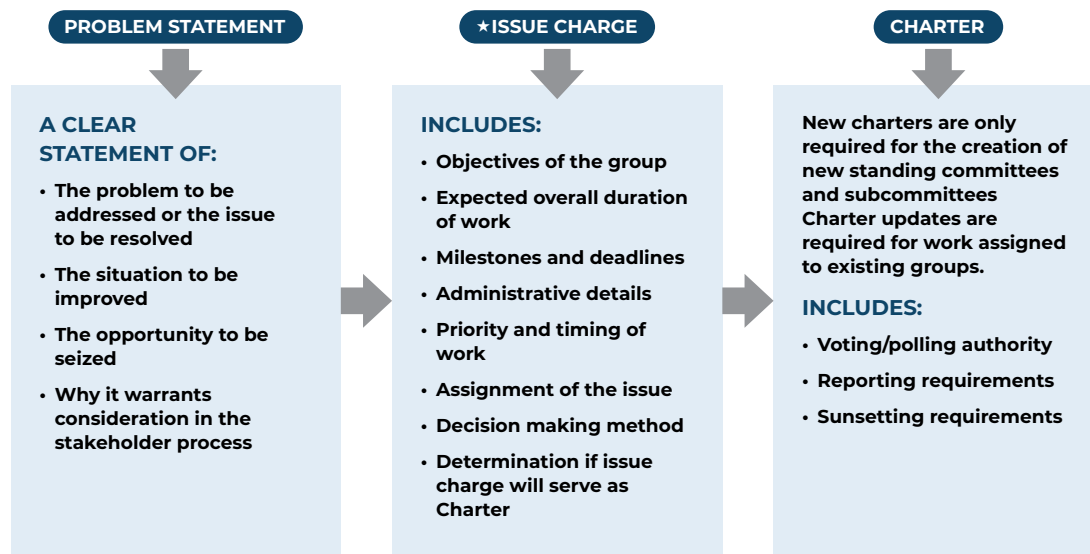
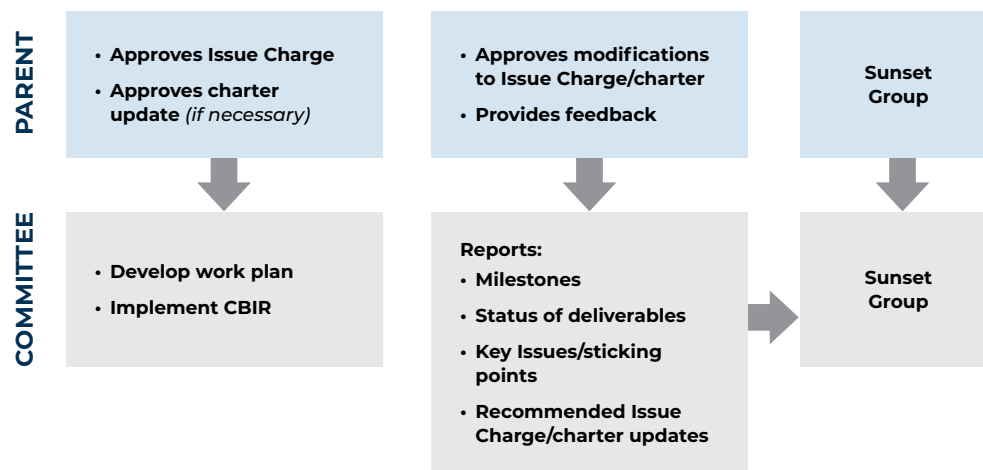


FIGURE 20. *PJM Issue Lifecycle*⁵¹



⁵⁰ PJM Manual 34: PJM Stakeholder Process, November 2023, page 35.

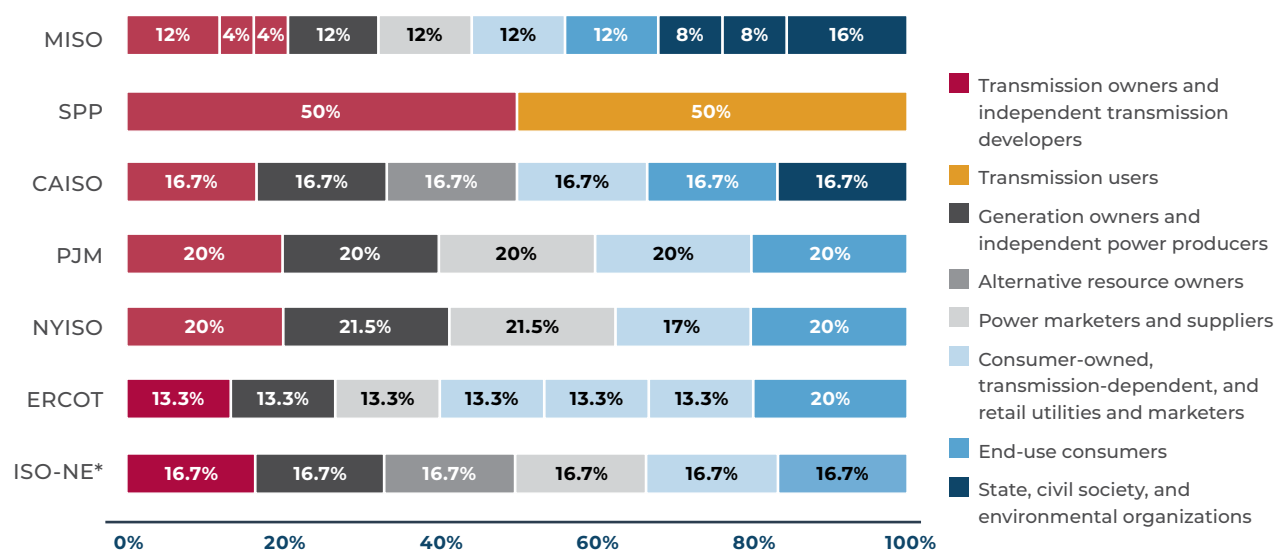
⁵¹ PJM Stakeholder Process Training, May 31, 2024, slide 28.

REACHING CONCLUSION ON AN ISSUE BY VOTE

Almost all RTOs use sector-weighted voting to determine collective decisions (See Column H of Appendix B.1). “The weighting of sectors is not based on the numbers of members within a sector, but rather reflects negotiated decisions about the balance of power.”⁵² For SPP, PJM, and ISO-NE, sectors are allocated equal proportions of a vote (Figure 5). NYISO subdivides sector-level votes to subsectors. The Western Resource Adequacy Program (WRAP) in the Western Power Pool is unique in its process. According to its Charter, the WRAP Program Review Committee “will strive for and will act on the consensus of its members, where consensus means that all participants can ‘live with’ the decision.” However, if consensus cannot be obtained, sector-based voting procedures will be used. For any vote to move forward, the following applies:

- At least six of the 10 sectors must approve for the PRC to be considered in favor of the action.
- For sectors with four seats, three out of four representatives must approve in order for the sector to be considered in favor of the action.
- For sectors with two seats, two out of two representatives must approve in order for the sector to be considered in favor of the action.
- If a vote is taken during the design revision process trial run (i.e., consensus is not reached) and an item is passed, the PRC will write up a minority position to accompany the approved item.⁵³

FIGURE 21. Weighted-voting Allocation by Generalized Sector Category in Each RTO⁵⁴



Notes: Within seven sector categories, individual sectors are identified as separate segments and by percentage. Blue shades represent supplier interests. Red, orange and black represent supplier interests. Grey shades represent sectors with mixed interests. Blue shades represent consumer interests. SPP uses transmission-owning vs. transmission-using before issues reach the concurrent board and members meeting. In the concurrent meetings, votes are based on 11 sectors and weighted. CAISO only used sectors in the board member nomination process.

⁵² Lenhart and Fox, December 2021, page 8.

⁵³ WRAP Interim Program Review Committee Charter, page 3.

⁵⁴ Lenhart and Fox, December 2021, Figure 7, page 10.

COMMON CONCERNS WITH STAKEHOLDER ENGAGEMENT PROCESSES

Through stakeholder interviews, the R Street Policy Study identifies barriers faced in stakeholder engagement practices, summarized below.

LACK OF TRANSPARENCY AT ALL LEVELS OF THE STAKEHOLDER PROCESS, LEADING TO A LACK OF ACCOUNTABILITY

Lack of transparency may be a bigger concern for stakeholders whose interests are not “seated at the table,” meaning their interests are not represented in stakeholder engagement processes.⁵⁵ Related to lack of transparency is the lack of understanding about how stakeholder feedback is considered and incorporated into proposals submitted to FERC.⁵⁶ Stakeholders spend significant time and resources to participate in meetings and develop and respond to proposals; however, RTO and ISO staff are not required to respond to each piece of feedback, leaving stakeholders unsure if their input has been heard or will be considered or acted upon.

SIGNIFICANT TIME AND MONEY REQUIRED TO PARTICIPATE EFFECTIVELY IN RTO STAKEHOLDER PROCESSES

In the R Street Policy Study, interviewees commonly noted that stakeholder processes educate stakeholders and help build consensus on proposed market rule and design changes, thereby reducing litigation in FERC proceedings. However, the burden of participation was also commonly noted as a barrier and source of inequality.⁵⁷

INCUMBENT UTILITY POWER DOMINATES MEETING SPACES AND COMMENTARY, PARTICULARLY WHEN COMPARED TO NEW MARKET PARTICIPANTS

Incumbents in RTO stakeholder processes are able to hold and retain power due to their access to resources (e.g., market knowledge, funding, time), existing and ongoing relationships with RTO staff, and from participation rules that are often defined to include only those with assets in the market. New market participants are challenged to participate in stakeholder engagement processes, including in helping to develop and approve market rule and tariff changes that would benefit new participants, given the resources and knowledge required to develop an effective proposal. Further, new market participants may be concentrated in specific sectors, which could dilute votes in sector-weighted voting.⁵⁸

⁵⁵ R Street Policy Study, October 2017, page 1.

⁵⁶ Western Resource Advocates, March 2019, RTO Stakeholder Processes: Principles & Best Practices presentation, presented to the Regional Issues Forum - Albuquerque, NM, slide 6.

⁵⁷ R Street Policy Study, October 2017, page 14.

⁵⁸ R Street Policy Study, October 2017, page 15.

COALITION/BLOCK VOTING CAN BE USED TO SERVE MARKET PARTICIPANTS' INTERESTS RATHER THAN ENHANCE MARKET EFFICIENCY

Sector-weighted voting has been a primary mechanism to produce outcomes that reflect the diverse interests of market participants. However, coalition or block voting can prevent changes to market rules that would improve market efficiency. It is unclear how voting processes might be adapted to address this issue.⁵⁹

TENDENCY TOWARDS “SECOND BEST” SOLUTIONS

Consensus can be difficult to achieve among stakeholders with diverse and possibly conflicting interests. While interests are commonly grouped and represented by sector, within sectors, individual entities may still have divergent values and interests that are difficult to satisfy in one proposal. This can have a tendency to result in “second best” solutions that are less-than-optimal to promote economically efficient market design, but are agreed upon by stakeholders, thereby allowing some progress to be made.⁶⁰

PRINCIPAL-AGENT PROBLEM

A principal-agent problem occurs when the interests of the agency (i.e., the group working for the principal) do not align with the interests of the principal (i.e., decision-maker) and the agent works to advance their own vision rather than the interests they are tasked to represent. Additionally, a principal-agent problem can occur if the agent has more information than the principal, as can occur given the complex nature of RTOs and requirements for independent/unaffiliated RTO board members.⁶¹ In these cases, RTO staff may advance positions that don't always serve the public interest purposes of the RTO's board.

⁵⁹ R Street Policy Study, October 2017, page 16.

⁶⁰ R Street Policy Study, October 2017, page 16.

⁶¹ R Street Policy Study, October 2017, page 17.

NEXT STEPS — QUESTIONS FOR STAKEHOLDERS TO CONSIDER

1. What are the priority interests that must be represented in the Regional Organization's stakeholder engagement process? What actions can the Regional Organization take to ensure that these interests are appropriately included and considered?
2. What actions are stakeholders expected to engage in to contribute to the development of regional market rules? What resources (e.g., seniority of personnel, time, funding) should stakeholders commit to engage?
3. When are more open processes appropriate instead of staff-driven processes? What are the tradeoffs, advantages, and disadvantages in relationship to the time, people, and administration necessary?
4. Within the Regional Organization, should there be different processes for different decisions? If so, what types of decisions might need a different process? What are the advantages and disadvantages of having different processes for different decisions?
5. What power does a facilitator have in stakeholder engagement processes? How should a facilitator address concerns of bias?
6. What observations can be made when comparing Figure 4: Share of Members in Sector to Figure 21: Weighted-voting Allocation by Generalized Sector across RTOs? What could this indicate about individual- and sector-level voting power? What values may be represented in that distribution of voting power?
7. What are the advantages and disadvantages of a sector-weighted voting process?

APPENDIX A

STAKEHOLDER ENGAGEMENT BEST PRACTICES AND QUESTIONS FOR CONSIDERATION

A. SCOPE

Emerging Best Practices

- Clearly define the scope of the proceeding early in the process.
- Communicate the purpose and goals to stakeholder early in the process.
- Assess commission capacity and identify where capacity may be limited. Consider the possibility of needing to invest in increased staffing and/or additional resources to accommodate needs.

Key Questions for Commissions

- What is the purpose of the process?
- Who is determining the focus of the process?
- Has the focus been explicitly defined prior to beginning stakeholder engagement? Or, will the stakeholder engagement process help define the focus?
- How does this process meet the commission's need in a way that could not be met in a litigated proceeding?
- Are there priority issues that must be addressed?
- How and when will the scope of the process be communicated to stakeholders?
- What is the capacity of the commission's staff, and what resources are available? Is there a need for additional resources?

B. FACILITATION APPROACH

Emerging Best Practices

- Commissions select a neutral facilitator who is familiar with the regulatory process. Facilitators can be prequalified, and RFPs issued on a case-by-case basis to facilitators with demonstrated requisite expertise.
- Commissions prioritize receiving actionable input from stakeholders to make a decision and clearly communicate this priority to the facilitator.
- Some facilitators may not be aware of the historical relationships between stakeholders; in these instances, commission staff will need to bring the facilitator up to speed to understand how stakeholder relationships may have an impact on the current process.
- The role of the facilitator is clearly defined.
- Frequent communication between the facilitator and the commission can ensure alignment with commission objectives and allow the commission to adjust or incorporate process developments into its plans.
- Facilitators establish clear boundaries, goals, and ground rules with participants.

Key Questions for Commissions

- How will the facilitator address concerns of bias?
- What is the intended role of the facilitator?
- How much technical knowledge should the facilitator have for their role in this process?
- Does the facilitator need to be aware of any historical relationships between stakeholders?
- Does the facilitator have experience building consensus or productive collaboration among diverse stakeholders?

C. ENGAGEMENT APPROACH

Emerging Best Practices

- Engage stakeholders early and often throughout the process.
- If relevant to the proceeding, recruit stakeholders through a well-publicized process.
- Ensure trust and respect are built through clear communications and development of ground rules to support meaningful engagement.
- To accommodate stakeholders with a wide range of background knowledge, include tools for stakeholder education early in the process to establish general knowledge.
- For consensus-building activities, maintain detailed meeting minutes.
- Reach consensus in small increments throughout the process, rather than on all matters at the end.
- Facilitate informal discussions to negotiate or mediate outside of the larger group.

Key Questions for Commissions

- Is broad participation important to this proceeding?
- Which mediums are available for reaching potential stakeholders?
- Should stakeholders have a level of background knowledge prior to participating? If so, what is this level, and how will this be evaluated?
- What approach should be used to educate stakeholders?

D. MEETING FORMAT

Emerging Best Practices

- Consider a multi-tier organizational approach for engagement.
- Evaluate barriers to access that potential stakeholders may face and outline steps for eliminating or reducing these barriers to participation.
- Set limits to the number of participants per meeting.
- Offer virtual options to enable increased participation.
- Consider meeting times outside of traditional business hours.
- Distribute meeting materials in advance.
- Take meeting minutes and distribute notes after meeting, with extra attention paid to any matters that reached consensus so that stakeholders can review the outcome.
- Consider the role of commissioners and commission staff in meetings.

Key Questions for Commissioners

- What venues of participation are most appropriate for this type of engagement?
- What steps are being taken to ensure that the process is accessible to all potential participants'?
- How many stakeholders is the commission anticipating will be involved in the process?
- What is the maximum number of participants that can participate in any meeting? Does this number change for in-person versus virtual meetings?
- Are there any logistical constraints limiting the size of stakeholder groups/meetings?
- What overall organization structure should be employed? Should the process consist of an advisory board?
- Are stakeholders expected to come to consensus? If so, what steps will be taken if consensus is not able to be reached?
- Is virtual participation an option? What platforms are available'?
- What online platforms are available for sharing meeting documents?
- Will commissioners or staff participate in meetings? If so, how?

E. TIMELINE

Emerging Best Practices

- When final product due dates have been decided, consider setting the timeline by working backward from these dates.
- Design timelines to accommodate flexibility.
- Clearly communicate the timeline to stakeholders early in the engagement process. Include who will be engaged at each step, relevant outputs, and milestones.

Key Questions for Commissioners

- Can the process be divided into phases? If so, how?
- What are the interim milestones that indicate the process can move toward the next phase?
- When are the due dates of final products'?
- What resources are needed at each step?
- Which stakeholders will be involved at each step?
- Which staff members or facilitators will be involved at each step?
- What are the relevant activities for each step?

F. ENGAGEMENT OUTCOMES AND FOLLOW-UP ACTIONS

Emerging Best Practices

- Set clear intentions for how stakeholder will contribute and give input to the development of interim and final process products.
- During the planning process, consider and set resources aside to continue follow-up discussions and activities.
- Solicit input from stakeholders on the engagement process and use feedback to incorporate and demonstrate process improvements.

Key Questions for Commissions

- How and to what extent will stakeholder inputs be incorporated into process products?
- What opportunities are there to follow up on proceeding outputs'? Does die commission have resources ready to utilize if the opportunity arises?
- What type off feedback from stakeholders could he p to improve future processes?
- Given the structure of the process, can feedback be gathered at regular intervals?

APPENDIX B.1

COMPARISON MATRIX OF RTO STAKEHOLDER ENGAGEMENT PRACTICES

APPENDIX B.2

TOOLKIT FOR STAKEHOLDER ENGAGEMENT

Different elements from each of the RTO stakeholder engagement practices summarized in Appendix A.1 are collected here as an initial toolkit for consideration. Additional items may be added to this toolkit through the Pathways Initiative's Stakeholder Engagement workstream.

- Formation of an Advisory Committee
- Formation of a Regional State Committee
- Use of independent facilitators
- Implementation of a "Jump ball" provision for competing proposals
- Development of a Stakeholder Process Manual
- Development of an Annual Plan to highlight priority issues that members will address