

Principles for Regional Organization Stakeholder Process

Voltus appreciates the Launch Committee's extensive work to design an effective, forward-thinking, and inclusive Regional Organization aligned with the needs of the West. This summer's programming to engage affected parties across the region in conversation about the new RO's stakeholder process and other topics has been inclusive and generative. Thank you for this opportunity to provide comment on the first three workshops in the Stakeholder Process series.

These comments are structured as a set of five principles, as well as specific suggestions to realize each principle. We have indicated content that is responsive to the questions asked in the comment template.

1. The structure and process of RO stakeholders groups must align with the stakeholder role and authority with respect to the RO Board.

Voltus specifically supports:

- 1.1. **A shared governance role for stakeholders.**
- 1.2. **Providing stakeholders Section 205 and 206 filing rights at FERC.**

This section is responsive to questions 8 in the comment template.

Fundamental to the design of the stakeholder process for the new RO is consideration of the role that stakeholders will have vis-à-vis the RO Board of Directors. Gridworks did a great job of summarizing the differences between ISO/RTOs with advisory stakeholder groups (ISO-NE, MISO, CAISO, SPP) versus shared governance (NYISO, PJM).

Stakeholders' role and authority influences the character of stakeholder processes. An advisory role for stakeholders allows more casual structures and processes; for example, CAISO does not hold membership as a prerequisite to participation in the stakeholder process nor does its process include voting. And, ultimately, the CAISO Board retains the rights to perform Section 205 filings at FERC. On the other hand, PJM, with its shared governance role for stakeholders, has highly structured processes for voting and limits voting to market participants. Stakeholders and the board jointly retain rights to submit both Section 205 and 206 filings at FERC. It is vital that the new RO's stakeholder process be consistent with the vision of the stakeholder role and authority.

Given the wide range of states and the diverse interests to be represented in the RO, Voltus supports a *shared governance model* for the RO Board and stakeholders. Voltus believes it will

be important for stakeholders to capture, represent, and evaluate diverse views that may be difficult to capture at the Board, given the small number of people included within any board, by definition. Given the dynamics of the West and past barriers to regionalization that the Pathways Initiative seeks to resolve, multi-state ISO/RTOs should be the model for the new RO rather than single-state ISOs like CAISO (or NYISO). Voltus believes the starting point for the RO should be a hybrid of SPP and PJM. RO stakeholder structures and processes should balance the agility of SPP with the better checks and balances of PJM.

To that end, Voltus supports stakeholders retaining the complementary right to submit both Section 205 and 206 filings at FERC on equal authority with the Board. This structure allows both parties to act as counterweights and ensure that effective solutions, which fairly represent regional needs, are advanced by both the Board and stakeholders.

However, if such a shared governance structure is disapproved by the balance of parties, then Voltus' second preference is the use of stakeholder input, as reflected through voting, to place reasonable limits on Board decisions. Voltus sees this as an alternative, internal, form of checks and balances. Specifically, issues that receive low support from stakeholders (suggested 40% threshold) cannot be approved and filed at FERC by the Board. Low support should be a clear signal to the board that stakeholders are not aligned and that the RO staff may need to do more work to develop an effective solution. In parallel, issues that receive very strong support (suggested 90% threshold) should not be subject to Board veto but must be filed at FERC.

Finally, regardless of the governance model adopted, Voltus supports the Board being provided with records of majority and minority positions. If these differing positions are not resolved, any filing to FERC must acknowledge the minority position. It may be appropriate to set a minimum threshold for the consideration of a minority position by the Board (for instance, >10% support of the position), but the general point is that the Board should hold a responsibility to consider and evaluate such positions when determining which tariff changes to forward to FERC for approval. We believe this treatment of minority positions is in line with the perspective of the Launch Committee, which noted in the recent presentation for the August 15 Public Interest Workshop that "[r]eporting to the RO Board should provide for presentation of minority perspectives that were considered in the initiative process" (pg. 15).

2. Sectors should be drawn to promote internal alignment of interests, and consumers (load) need a greater role.

Voltus specifically supports:

- 2.1. Sector(s) specifically for load, distinct from their load serving entity, which as a category includes distributed energy resources and consumer advocates.**
- 2.2. A ratio of load-representing sectors to generation related sectors of one to three (i.e. one load related sector out of every four sectors).**

This section is responsive to questions 5 & 7 in the comment template.

The composition of sectors is a critical component of an effective stakeholder process. Workshop participants emphasized that sectors should be neither too internally diverse nor too granular. But, in addition to the size of the sectors, it is critical that all parties are fairly represented within the RO, and checks and balances are put in place to ensure that no one sector can artificially dominate on the basis of membership size or voting power.

In most ISO/RTOs, a stakeholder segment that is underrepresented is load.¹ Yet, by definition, load—whether residential, commercial, or industrial—foots the bill for decisions made by the ISO/RTO. Several mechanisms are used to support load interests in ISO/RTOs, but none is sufficient. First, state consumer advocates often have official roles within the organization, but frequently their voice is diluted due to voting limitations or their minority position within a sector. Second, large load users have often banded together to be represented by a coalition. But that single coalition will be completely outnumbered by the votes allocated to the parties that generate, sell, and transport power. Third, the market monitor enacts its responsibility to ensure that prices are fair, auctions are transparent and unbiased, and that no company fraudulently games the system. While these functions are critically important, the market monitor is not necessarily an advocate for consumers. Consumers pay for every decision made by an ISO/RTO, but, at best, they are given marginal representation that inadequately represents their importance.

With the rise of prosumers—consumers that both consume and produce energy—the tension between consumers and all of the parties associated with generating and transmitting energy has grown. Prosumers want options to create their own energy, while everyone else in the ISO/RTO is motivated to generate more energy. Customer desire to procure clean energy, or products created using clean energy, has also contributed to this growing tension.

For all these reasons, consumers, or load, should be given a greater seat at the table, one that represents the importance of their role and does not dilute their voice. Organizations that are aligned with giving customers more flexibility and autonomy, such as distributed energy resource (DER) providers, are a natural fit in this sector, as are consumer advocates and organizations protecting environmental rights and promoting decarbonization.

Voltus is well aware of the board-nominating sectors that have already been proposed, and applauds the governance team for giving votes to both consumer advocates and large customer advocacy. Load is represented by two votes out of a total of eight, or one quarter. On the other hand, the WEIM Regional Issues Forum offers load only a one-sixth representation (sectors are: EIM Entities; ISO's Participating TOs; Public Interest / Consumer Advocate; Consumer-Owned

¹ In the ISO/RTOs with sectors: SPP has 9 sectors, load may be bundled in with state agencies; MISO has 11 sectors and load is represented in 2 (end use customers and consumer advocates, slightly more than a 1 in 6 representation); PJM has 5 sectors with 1 allocated for end-use customers (a 1 in 5 representation); NYISO has 6 sectors with 1 allocated for end-use customers (1 in 6 representation); ISO-NE has 6 sectors with 1 allocated for end-use customers (1 in 6 representation).

Utilities Located Within an EIM BAA; Independent Power Producers and Marketers; Federal Power Marketing Administrations). Voltus and other DERs recently joined the Independent Power Producers and Marketers sector; however, this is an uneasy alignment as has been repeatedly noted in the Stakeholder Process Workshops. Voltus strongly advocates for maintaining a balance of load to all parties included in the energy generation and distribution supply chain at a one to three (1:3, or 1 out of 4) ratio.

Provided this ratio is maintained, Voltus is somewhat agnostic between having four large sectors (load, generation, transmission, and distribution) and some multiple of this number. In the former case, sectors can easily self-organize into sub-sectors, but an appropriate balance between competing interests is ensured. In the latter case, Voltus strongly advocates for a DER-specific sector.

Voltus notes that the August 15 Public Interest Workshop characterized the stakeholder process as one of several tools to protect and promote the public interest. Voltus sees the appropriate balancing of load (i.e., consumer) sectors against other sectors along a 1:3 ratio as a key mechanism to enact the public interest function of the stakeholder process.

3. Sector weighting rules for voting should ensure parity among sectors and place limits on vertically integrated and affiliate companies.

Voltus specifically supports:

- 3.1. Sector weighting rules to ensure that no one sector can dominate others simply based on the number of companies in a sector**
- 3.2. Limits on vertically integrated and affiliate company representation in more than one sector and voting**

This section is responsive to questions 5-7 in the comment template.

There will always be unevenness in the number of companies and organizations in each sector. For example, a sector of transmission owners may only have a small number of constituent companies, measured in tens. Meanwhile, a generator sector or retail electric provider sector will have hundreds of members. But these differences in membership count do not map evenly to the significance of the sector's financial or public sector interests. The RO needs to ensure that sector-weighting voting rules ensure the sector comprising ten companies has the same voting weight as one with hundreds of companies, and that sectors are formed in such ratios that load, traditionally underrepresented, has an appropriate voice, as previously discussed.

Additionally, just as "one person, one vote" is an important tenet of American democracy, vertically integrated companies and parent companies with numerous affiliates should not be given multiple votes. Appropriate rules should ensure that a single underlying financial interest does not receive artificially inflated influence in the new RO.

Voltus supports strong advisory voting for which the Board is required to take seriously and respond concretely to outcomes of the stakeholder process. Advisory voting can live alongside shared governance, with 205 filings a rarely-used backstop exercised by stakeholders only when strong disagreements with the Board persist.

4. Stakeholder forums and structure should allow the RO to be nimble, while also providing market surety.

Voltus specifically supports:

- 4.1. A RIF-like forum to quickly socialize and prioritize issues before they are nominated to the stakeholder process.**
- 4.2. A stakeholder committee structure that is as flat as possible.**
- 4.3. Tiers or categories for both fast and slow decision-making processes.**

This section is responsive to questions 1-4 in the comment template.

During the workshops, several parties spoke in favor of maintaining the Regional Issues Forum (RIF) under the new RO. Voltus agrees: provided the sectors are well-designed, the RIF allows for socialization of issues in a more informal setting to educate, compromise, and build support. The RIF, as it does currently, can refer well-articulated initiatives to the stakeholder process.

Most ISO/RTOs use either dedicated or ad-hoc, topic-specific workgroups to determine the details of an issue and develop solutions. In shared governance ISOs, such as PJM, solutions developed in a workgroup must be reviewed and approved at various standing committees prior to being reviewed and approved by the board and filed at FERC. PJM uses five levels of committee structures, as described in the Gridworks paper. With multiple readings at each level, it can take as long as ten months for a solution to work its way through the voting process. This is simply too long and Voltus urges the new RO to adopt a flatter structure for its stakeholder committees.

For issues that are less complex, or have significant support, there should be the option to “fast track” an issue, avoiding a prolonged voting process. Software “quick-fixes” may also fall into this category and should not be unduly delayed by a formal initiative cataloging process. On the other hand, complex issues, or ones that are controversial, should be developed through a more extensive and thus longer stakeholder process, with options developed and voted on. Voltus supports at least two distinct decision-making tracks—one fast, one slow—and guidelines to determine the appropriate track. There may be utility in considering additional tracks; for instance, stakeholder versus staff-driven initiatives. In general, Voltus supports optionality in the treatment of diverse issues according to their complexity, urgency, effect, and controversy.

5. The new RO should encourage stakeholders to be both informed and engaged.

Voltus specifically supports:

- 5.1. Limiting voting rights to RO members, paired with low membership fees.**
- 5.2. Within lower tiered working groups, enabling members to engage only on issues important to them.**
- 5.3. Using indicative voting to help members educate each other on issues and avoid gridlock.**

This section is responsive to questions 1-4 & 7 in the comment template.

Any ISO/RTO should want its stakeholders to be informed and engaged. Voltus suggests that treating RO membership as a requirement for voting is a simple way to ensure that those who extensively participate in the stakeholder process are committed to the relevant issues and educated on market fundamentals. Membership fees should be set at a reasonable level (e.g., <\$5,000 per year), and membership should be at the company level, allowing many parties from a company, and their consultants, to participate. Voltus does *not* believe that participating (member) stakeholders must be market participants as this would limit participation by NGOs and other key public interest groups with critical interests affected by RO decisions. (To the contrary, environmental groups and other public interest constituents must be adequately represented through appropriate sector design.)

Transparency and convenience is critical to robust stakeholder engagement. During the workshops, participants frequently mentioned stakeholder fatigue, for instance in the Markets+ process. For smaller companies, it is often impossible for staff to cover all issues the RO is working on. Thus, members should be empowered to engage on only those issues that are important to their organizations. Agendas shared well in advance of committee meetings and clear, thorough documentation of meeting notes and related materials can help member companies with limited resources to effectively engage. Agendas, notes, and related documents should be directly viewable on the RO website rather than requiring download.²

Finally, it is important for stakeholders to educate each other on issues. With large workgroups, it can be difficult to canvas each member to identify misunderstandings or concerns prior to a final vote. Voltus supports the use of multiple rounds of voting as well as non-binding, indicative voting. Indicative voting can make use of, for instance, a zero to five scale to capture more complete information than a simple up-down vote and to indicate directions for further discussion. This use of voting promotes momentum and transparency prior to a final vote to determine the sector or committee's formal decision (which, as discussed in a previous section, may be advisory in nature vis-à-vis the Board).

² SPP posts meeting materials as ZIP files. It is impossible to determine the documents within the ZIP before downloading and unzipping the file, and thus it is challenging to efficiently search for relevant documents. This set-up should be particularly avoided.