

Interaction Among Multiple Jurisdictions With A Common Purpose: An Example In The Electricity Sector

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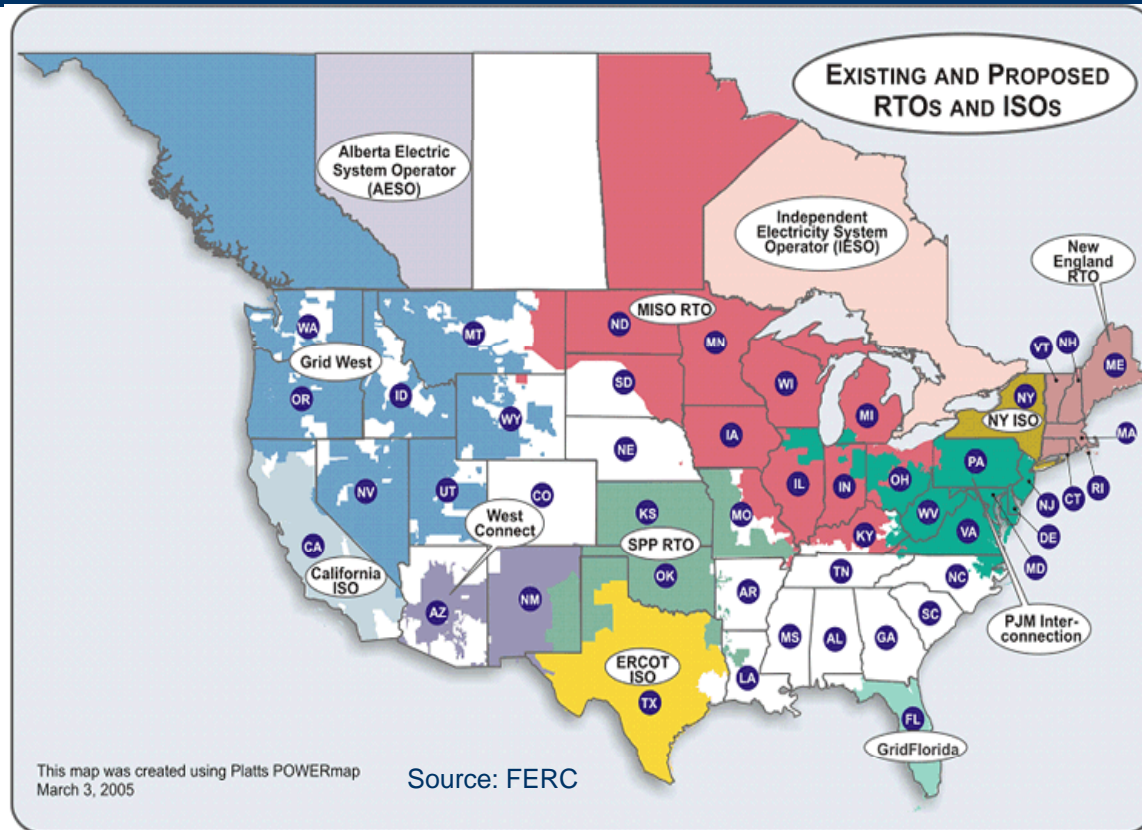
Note:

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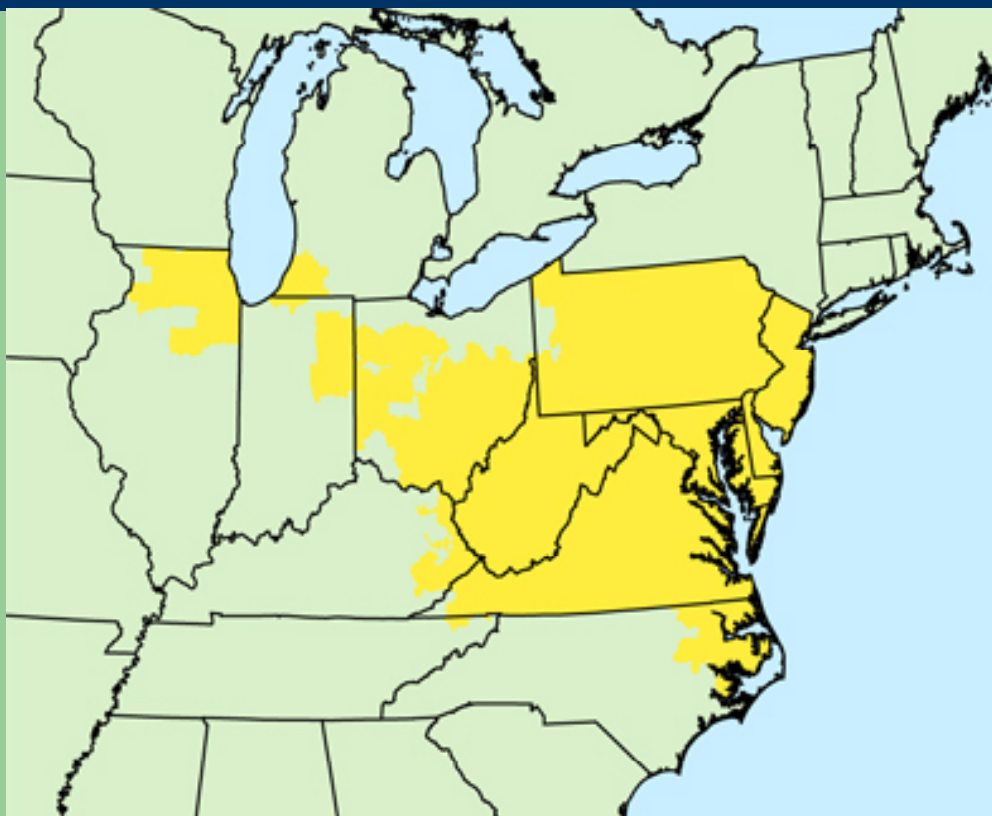
Current Issues of Interest

- End of rate caps resulting in high electricity prices: legislative and consumer reactions
- Increasing load requirements requiring new generation, transmission, demand response
- Environmental regulations conflicting with economic realities
- Regional differences

Regional Transmission Organizations



PJM Service Territory



All or parts of:

- Delaware
- District of Columbia
- Illinois
- Indiana
- Kentucky
- Maryland
- Michigan
- New Jersey
- North Carolina
- Ohio
- Pennsylvania
- Tennessee
- Virginia
- West Virginia

PJM: Regional Electricity Market

- **Population - 51 million**
- **Generating sources - 1,082 with diverse fuel types**
- **Generating capacity - 163,806 MW**
- **Peak demand - 131,330 MW**
- **Annual energy delivery - 700 million MW-hours**
- **Transmission lines - 56,070 miles**
- **Members/customers - more than 350**
- **Cumulative billing - \$28 billion since 1997**
- **PJM, acting neutrally and independently, operates the largest wholesale electricity market in the world**

Activity in States within PJM

- Almost all of the states in the PJM region have restructured their electricity utility industry and deregulated generation
- This means that, within certain regulations, generation can be built anywhere by anybody in these states

Activity in States within PJM

- The energy output is sold either as a bilateral contract or in PJM's open market
- The States' responsibility of retail rates are still in effect, and retail rates eventually are dependent on wholesale market prices

States' Relationship With PJM

- In 1998, PJM and state utility commissions in the PJM region signed a Memorandum of Understanding (MOU) to create a State Commission Liaison Committee
- The State Commission Liaison Committee is a direct channel of communication between PJM's Board of Managers and all of the state commissioners in the PJM region
- With the expansion of PJM, the Organization of PJM States, Inc. (OPSI) has been formed that includes all 14 jurisdictions

Background of OPSI

- The Organization Of PJM States, Inc. (OPSI) was established in May 2005 as a non-profit corporation
- Its primary purpose is to act as a liaison group to PJM Interconnection, LLC (PJM), its Board of Managers, and its Market Monitor
- OPSI is an NGO recognized by the FERC as a “regional state committee” and is not a member of PJM
- Funded by a FERC-approved PJM tariff as a small charge on per MWh basis
- Less than one cent per capita annually

Members of OPSI

- Delaware Public Service Commission
- District of Columbia Public Service Commission
- Illinois Commerce Commission
- Indiana Utility Regulatory Commission
- Kentucky Public Service Commission
- Maryland Public Service Commission
- Michigan Public Service Commission
- New Jersey Board of Public Utilities
- North Carolina Utilities Commission
- Public Utility Commission of Ohio
- Pennsylvania Public Utility Commission
- Tennessee Regulatory Authority
- Virginia State Corporation Commission
- West Virginia Public Service Commission

Board and Voting Structure

- OPSI has 14 members as its Board of Directors with one from each jurisdiction
- Each have an equal vote on all issues
- Other commissioners and staff members of 14 states are members of OPSI
- Budget for its 2-person staff, funds for all its members to travel to OPSI-related meetings and conferences, and organizes its annual meeting in September
- Most of OPSI's other meetings are held via teleconferences.
- Elections are held every year for a president, vice-president, secretary, treasurer, and three regional representatives

Regular Activities

- Monthly meeting of OPSI Board to discuss issues, resolutions, budget updates, etc.
- Some issues and resolutions require voting by the Board members
- These meetings are usually held via teleconference except during the Annual Meeting in September
- Board of Directors vote but other commissioners and staff members participate in discussions
- Participation in various PJM member committees and workgroups (with non-voting status)

Regular Activities

- Monthly meeting is held via teleconference between OPSI members and PJM's technical staff
- OPSI members identifies to PJM relevant issues to discuss that month and PJM makes technical staff for those issues available to respond
- No votes are taken in these meetings and these are informational meetings
- OPSI also organizes workgroups based on current issues

Resolving Issues

- When an important issue needs background information and deliberation, a working group (WG) is formed
- Chaired or co-chaired by commissioner(s)
- Other commissioners and staff from all member state commissions who are interested in that issue join that WG
- OPSI Board directs the WG to deliberate on the issue and recommend a position to the OPSI Board for further deliberation and/or vote for an official OPSI position

Resolving Issues

- Member jurisdictions diverse in geography and type of regulation
- There may be diverse positions on any given issue
- Three geographical regions: the Mid-Atlantic, the South, and the West
- Some members have retail choice and some have traditional regulation of the electricity distribution industry
- Wholesale generation is not under the purview of the state regulators.
- Some states are net exporters of electricity and some states are net importers of electricity
- Dominant resources for electricity generation vary by state, such as, nuclear, coal, natural gas, oil, etc.

Recent Examples

- Recent examples of how OPSI decides on issues of importance
(without divulging any confidential OPSI discussions):
 - a) Market monitoring in PJM
 - b) Transmission cost allocation in PJM
 - c) Response to PJM's proposed Strategic Plan

Market Monitoring in PJM

- When OPSI believed that PJM's market monitoring process was not effective, OPSI assigned it to a working group
- This WG deliberated on the issue and came with a consensus recommendation for the OPSI Board
- OPSI Board unanimously approved the recommendation and sent its position to the PJM Board of Managers and PJM's senior executives
- OPSI also presented the same position before FERC at a FERC technical conference on the same issue
- OPSI filed a complaint before FERC on the same issue and is awaiting the next steps in the process

Transmission Cost Allocation in PJM

- When OPSI believed that there was a problem with the allocation of costs for transmission construction and improvement, OPSI assigned it to a working group
- PJM suggested that OPSI file a position before the FERC because the FERC would pay attention to position put forth by 14 jurisdictions
- Two possible positions possible:
 - to socialize all transmission costs, or
 - to assign such costs to beneficiaries of the transmission projects
- Certain action by the FERC kept the issue on hold
- Important to note that the deliberation process in OPSI ensured that all OPSI members understood the issue from each member's perspective
- Result is members becoming well informed for any future actions

Response to PJM's Strategic Plan

- PJM issued its new Strategic Plan
- OPSI members discussed it in broad terms
- Certain positions were articulated for further deliberation
- Some OPSI members have to deliberate within their states to decide on a vote
- Sometimes this creates time constraints
- With time for responding being of essence, the OPSI Board decided that it would not have an official OPSI response
- Encouraged each state to file their individual response

Summary

- Three examples show different results for the same organization: consensus position, diverse positions, and individual positions.
- Differences of positions are acceptable in a multi-jurisdictional organization
- Important that each member of the organization respect the position of the others
- Members become well-informed about the issues
- Each member jurisdiction has its own laws and regulations on arriving at its individual position
- Time constraints sometimes for filing consensus positions
- Most valuable result:
 - All members become well informed by learning about each other's positions on any given issue
 - Helps in the final action of each member being effective regulators whose main focus is to serve the public