RTOGov Webinar | July 16, 2026

Why Does Governance of Regional Transmission Organizations Matter Anyway?

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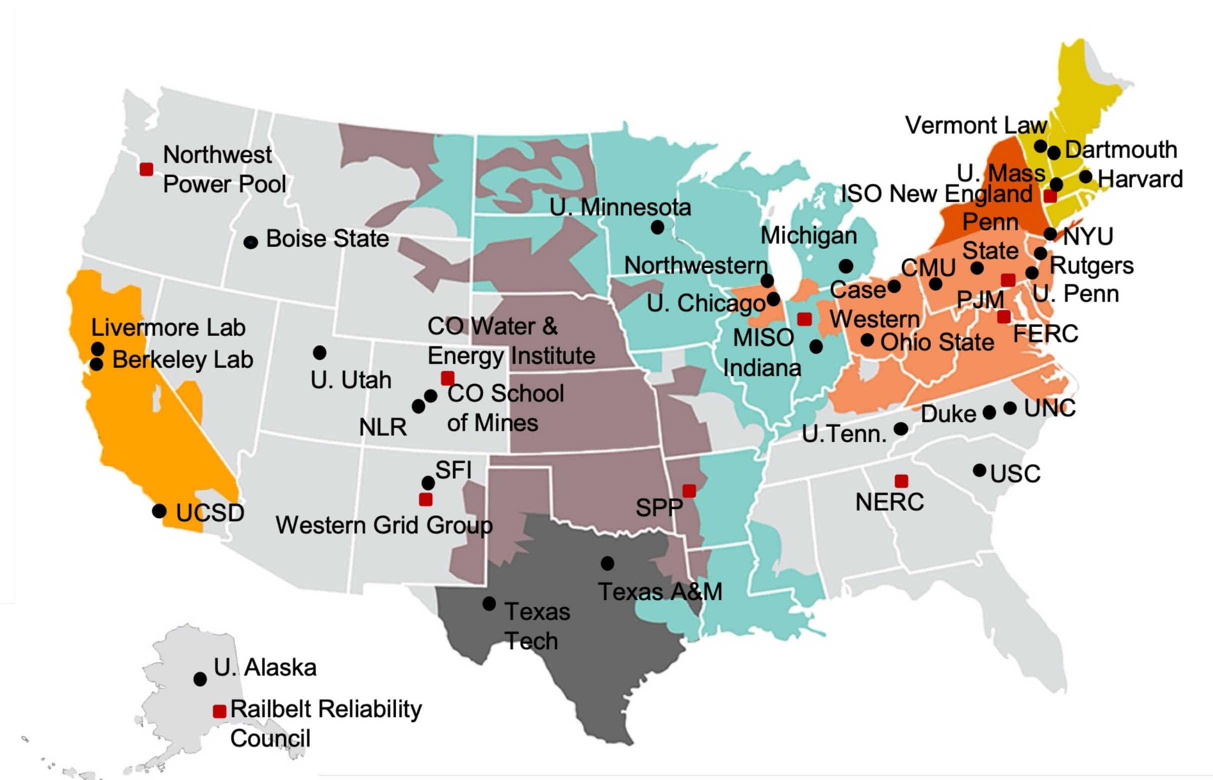
PennState

CELP | CENTER FOR ENERGY LAW AND POLICY

Welcome & Overview

Seth Blumsack | Penn State

RTOGov: The RTO Governance Research and Practice Network



- Universities, National Laboratories, practitioners
- Students from Economics, Engineering, Law, Public Policy
- Engagement with RTOs, regulators and emerging regional grid organizations
- Five-member professional advisory board
- Funded by grants from Alfred P. Sloan Foundation and Heising Simons Foundation

Regional Grid Governance Matters

Governance is how RTOs make decisions and establish organizational policies. Governance involves regulators, market participants, other stakeholders, and RTO staff and boards.

RTO governance can encourage innovation and new technology…

- Creation of the "Western Energy Imbalance Market" to address challenges with solar energy growth in California
- Establishment of the "Multi Value Projects" process for regional transmission planning in the Midcontinent ISO

…RTO governance can also thwart innovation and new technology

- Some RTOs have been challenged to successfully integrate energy storage and distributed resources
- Management and interconnection of "large commercial loads" – principally AI data centers – has been difficult, with real implications for consumer costs

Overview of Today's Event

- Joshua Macey (Yale Law School): What RTOs are, and their legal governance environment
- Stephanie Lenhart (Boise State University): How different RTOs approach governance
- Seth Blumsack (Penn State University): PJM's current governance situation and FERC's initiatives
- Discussion: Please enter questions via the Q&A button on Zoom
- We are recording the webinar, and it will be available following the event

What is a Regional Transmission Organization (RTO)?

Josh Macey | Yale Law School

Overview

1. What is an RTO — and why does one exist?
2. Where did PJM come from, and what was it built to do?
3. What are § 205 filing rights, and why do they matter so much?
4. What do the three governing documents actually govern?
5. How do PJM's rules get changed?
6. What can FERC do about RTO governance — and what can't it?

What Is an RTO?

A Regional Transmission Organization operates — but does not own — the high-voltage grid: it administers a single open-access tariff, dispatches generation in real time, and runs the region's wholesale markets.

Order No. 888 (1996) — the conduct rule

Open access: transmission owners must offer rivals comparable service under a pro forma tariff, with functional unbundling.

The catch: the owner with the incentive to discriminate still operates the system — conduct rules must be policed violation by violation.

Order No. 2000 (1999) — the structural fix

Hand operational control to an entity **independent of market participants** — discrimination becomes structurally impossible, not merely prohibited.

Critical design choice: RTO formation was voluntary. FERC invited; utilities decided whether — and on what terms — to come.

Bottom line: RTOs exist to make the open-access promise of Orders 888 and 2000 self-enforcing.

Order No. 2000: Requirements

Four minimum characteristics

1 **Independence** from market participants

2 **Scope** — appropriate regional configuration

3 **Operational authority** over all transmission facilities under its control

4 **Short-term reliability** — exclusive authority

Eight minimum functions

Tariff administration and design

Congestion management · parallel path flow

Ancillary services · OASIS / ATC & TTC

Market monitoring

Planning and expansion

Interregional coordination

Independence, defined: no financial interest in any market participant, and decision-making that no market participant — or class of participants — controls. FERC treated independence as the bedrock RTO characteristic.

PJM Began as a Power Pool

1927	1956	1997	1998	2001
PSE&G, PECO & PP&L form the PA–NJ Interconnection — pooled, centrally dispatched generation	Maryland utilities join; the pool becomes PJM	Restructured as an LLC with an independent board; FERC approves PJM as an ISO	Bid-based LMP energy market launches	PJM becomes the first fully functioning RTO

RTOs grew out of tight power pools the utilities built to trade among themselves — and the “independent” operator began life as the utilities’ joint venture.

The Original Mandate Was Narrow

1997

Operate the system

Real-time, security-constrained dispatch

Administer the open-access tariff

Run a single control area

≈ 2005

Reliability

EPAct 2005 § 215: mandatory, enforceable reliability standards

PJM's compliance and coordination role expands sharply

2007–2011

Planning

Order 890: planning must be coordinated, open, transparent

Order 1000 (2011): regional planning, cost allocation, nonincumbent competition — the RTEP becomes high-stakes

PJM mission has expanded: now steers reliability rules, a multibillion-dollar capacity market, and the regional transmission plan.

Filing Rights 101: § 205 vs. § 206

§ 205 – proposing tariff

The regulated entity proposes changes to its own rates and rules — it picks the timing and the content.

FERC's role is "passive and reactive": it must accept a filing that is just and reasonable, even if better options exist.

Fast: filed rates go into effect on a short statutory clock.

§ 206 — challenging tariff

FERC or a complainant must prove two things: the existing rate or rule is unjust and unreasonable, **and** the replacement is just and reasonable.

Slow and prospective — relief runs from the refund effective date, not from the harm.

The default tool for anyone who does not hold the pen.

Agenda control: whoever holds the § 205 rights determines who proposes tariffs.

§ 205 Meant the Utilities Designed RTO Governance

1999

RTO Formation

Order 2000 made RTO formation **voluntary**, and § 205 hands the pen to the regulated entity — so the founding utilities proposed the governance designs. FERC could accept, reject, or condition. It could not draft.

1997–2003

Compliance fights

FERC repeatedly rejected or conditioned filings whose governance failed to preserve independence — PJM's own 1997 restructuring drew dueling member filings, and other proposed RTOs collapsed over independence objections.

2026

Déjà vu

The July 23 technical conference (Docket AD26-7-000) returns to those fights: FERC is again asking whether PJM's governance preserves independence — and expressly, how the division of § 205 rights among PJM, the TOs, and the Members Committee affects PJM's ability to act.

PJM Governing Documents

Document	What it governs	Who files tariffs
Operating Agreement (OA)	Membership · stakeholder process · Board of Managers · energy-market schedules · RTEP protocol (Sch. 6)	**The Members.** Amendments require MC approval — the Board cannot amend unilaterally; its recourse is § 206.
Open Access Transmission Tariff (OATT)	Transmission service · interconnection · capacity market	**PJM.** The Board directs § 205 filings after consulting the MC and TOs (Tariff § 9.2(b)).
Consolidated Transmission Owners Agreement (CTOA)	TOs transfer operational control of their facilities to PJM; terms of TO participation	**The Transmission Owners.** TOs keep exclusive § 205 rights over transmission revenue requirements and rate design.

How the Rules Get Changed

Task forces & subcommittees → **Standing cmtes** OC · PC · MIC · RMC → **Markets &** Reliability Cmte → **Members** Committee → **PJM Board** → **FERC** § 205 filing

Sector-weighted voting: five sectors, 20% each — Generation Owners · Other Suppliers · Transmission Owners · Electric Distributors · End-Use Customers.

Changing the rules of the game: amendments to the Operating Agreement require Members Committee approval by a two-thirds sector-weighted vote (OA §§ 8.4, 18.6).

Who can go to FERC without whom: the MC can direct a § 205 filing by a 2/3 vote even without Board approval — but the Board cannot amend the OA without the MC. Its only unilateral path is § 206.

Escape valve: the Critical Issue Fast Path (Manual 34) — initiated by the Board, or on request by a 2/3 MC vote.

FERC Clearly Has Authority Over Governance…

Order No. 2000 (1999)

Independence, scope, operational authority, and reliability as minimum characteristics — FERC conditioned RTO approval on governance from the start.

Order No. 719 (2008)

Required RTOs to make boards more responsive to customers and stakeholders — direct regulation of governance practice.

Order No. 890 (2007)

Transmission planning must be coordinated, open, and transparent — process requirements that are governance requirements.

Order No. 1000 (2011)

Regional planning and cost allocation; competition from nonincumbent developers — still more governance features, imposed on planning.

Governance has been reviewable — and required — under the just-and-reasonable standard for a quarter century.

…But That Authority Has Limits

Atlantic City Electric Co. v. FERC (D.C. Cir. 2002)

FERC cannot require utilities to surrender their § 205 filing rights as the price of RTO participation. Under § 205, FERC's role is "passive and reactive."

→ Filing rights can only be transferred by consent.

CAISO v. FERC (D.C. Cir. 2004)

§ 206 authority over "practices" affecting rates does not reach the selection or composition of an ISO's governing board — FERC could not reconstitute CAISO's board.

→ FERC cannot simply redraw RTO governance.

The Box the Case Law Builds

What FERC can do (ex ante)

Demand independence and governance features as the **price of approval** (Order 2000 conditions; Orders 719, 890, 1000).

Accept, reject, or condition what the § 205 holders file.

What FERC cannot do (ex post)

Redraw an RTO's governance under § 206 **(CAISO)**.

Reassign the § 205 pen without consent **(Atlantic City)**.

So reform runs through the pen: proposals from those who hold § 205 rights today — the Members for the OA, the TOs for the CTOA, PJM for the Tariff — or a full § 206 showing that existing governance is unjust and unreasonable.

How Decisions Are Made in RTOs

Stephanie Lenhart | Boise State

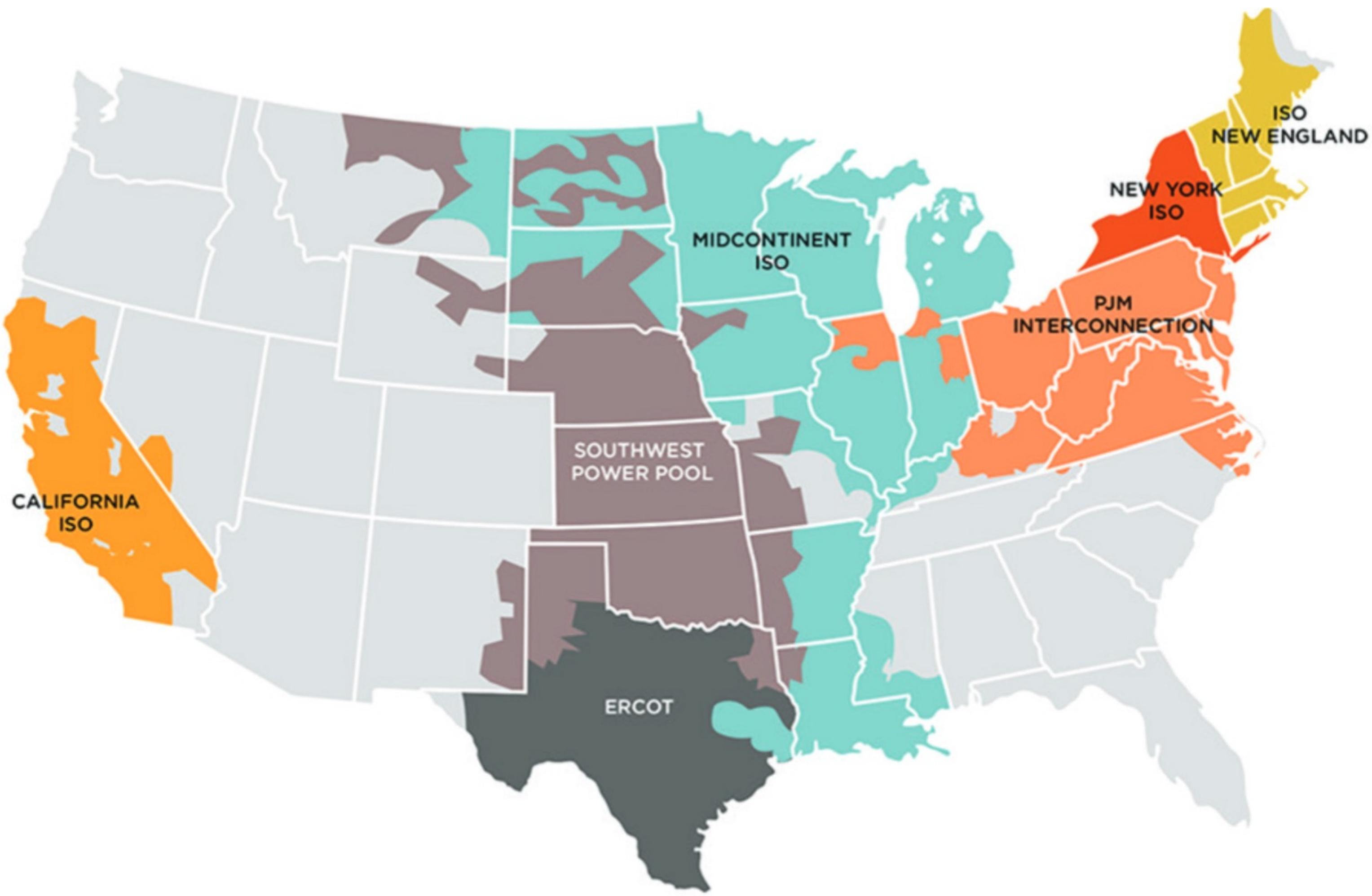
PennState CELP | CENTER FOR ENERGY LAW AND POLICY

https://rtogov.org

Overview

1. Why does RTO governance vary?
2. What are the common governance structures?
3. Who participates in RTO governance?
4. How the rules get changed?
5. How are RTO boards selected?
6. How do states engage in RTO processes?

Wide Variations in RTO Governance



Common Governance Structures

Independent Board

Unaffiliated with market participants and not selected to represent stakeholder positions.

Membership and Member Committees

Distinction between market participants, members, and broader group of stakeholders — members have positional authority, voting rights, and responsibilities.

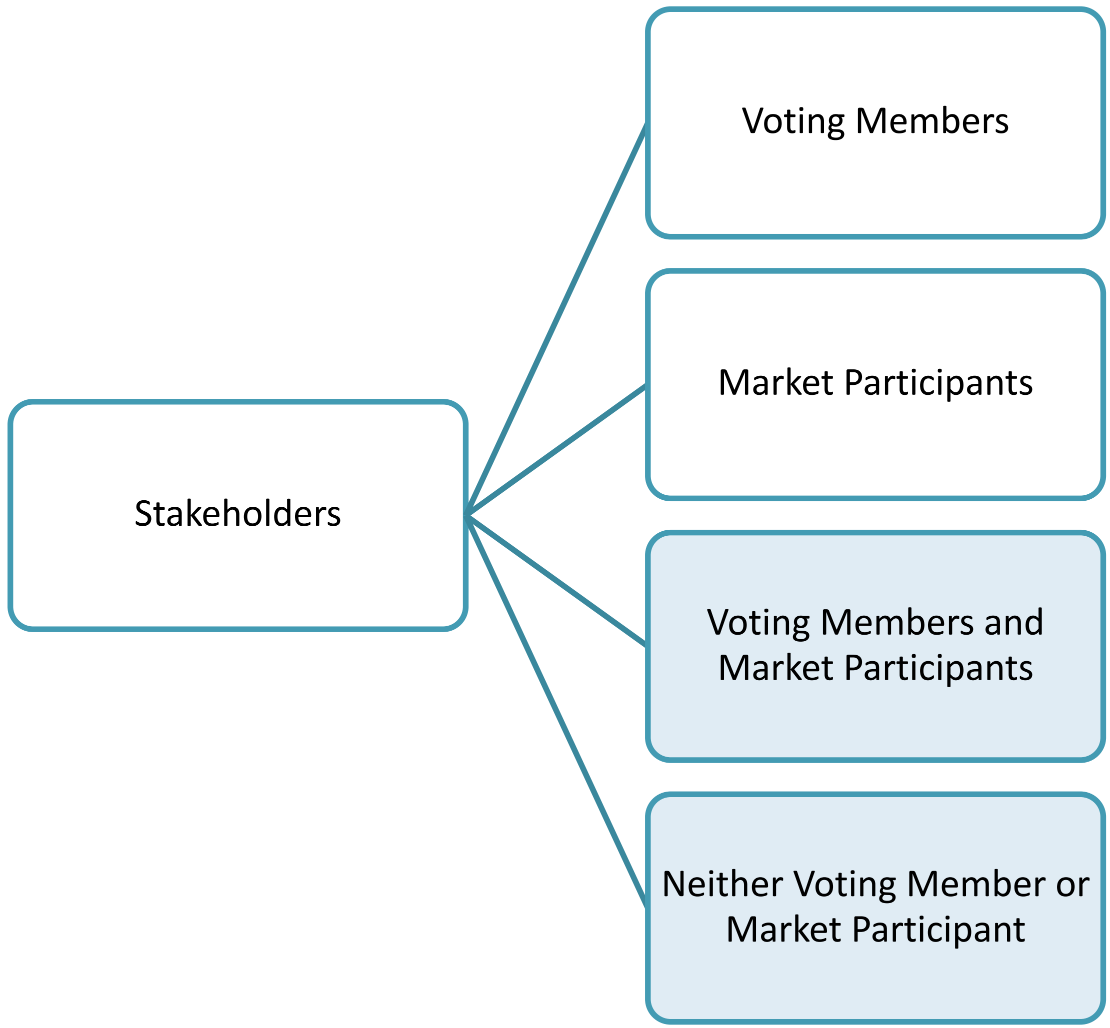
Non-Member Stakeholder Committees

Membership and participation opportunities vary. In most RTOs public interest groups can participate in one or more membership sector. In PJM, these interests are represented in a non-voting user group.

Regional States Committees

The multi-state RTOs have a body representing state regulators and, in some RTOs, state policy makers.

Participation in RTO Governance



Participation in RTO Governance

PJM	MISO	CAISO
Five Sectors	**Eleven Sectors**	**Six Sectors**
Transmission owners	Transmission owners	Transmission owners
Generation owner	Transmission developers	Generators and marketers
Other supplier	Independent power producers/ exempt wholesale generators	Publicly owned utilities
Electric distributer	Power marketers	End users
End use customers	Transmission dependent utilities	**Public interest groups**
	End use customers	Entities outside the ISO
	Public consumer advocates	
	State regulatory authorities	
	Environmental groups	
	Coordinating members	
	Affiliates	

Sectors are used to organize interests within member committees, some lower-level committees or groups, and voting process. The definition of sectors varies widely across RTOs.

How the Rules Get Changed

PJM	Task forces & subcommittees	→	Standing Committees	→	**Members Committee**	→	Board	→	FERC § 205 filing

Highest-level committee in the stakeholder process: Members Committee includes all market participants distributed across 5 sectors

Mechanism for collective decisions: sector weighted voting allocated at 20% per sector

Translating decisions into filings: amendments to the market rules, stakeholder process, and membership require a 2/3 majority voting in the Members Committee

Filing rule changes with FERC: the Members Committee can direct a § 205 filing without Board approval

How the Rules Get Changed

CAISO

Task forces & subcommittees → **Stakeholder Initiatives** → **Board** → **FERC** § 205 filing

Highest-level committee in the stakeholder process: no formal differentiation across participants in discussions to modify rules; sectors only used for board nomination process

Mechanism for collective decisions: no voting, staff move issues forward in consensus-based process

Translating decisions into filings: amendments to the market rules, stakeholder process, and membership require a simple majority vote of the board

Filing rule changes with FERC: the Board directs § 205 filings

How the Rules Get Changed

MISO

Task forces & subcommittees → Standing Committees → Advisory Committee → Board → FERC § 205 filing

Highest-level committee in the stakeholder process: Advisory Committee includes 26 seats across 11 sectors with both market and non-market participants

Mechanism for collective decisions: sector weighted voting between 4% - 15% based on seat allocation

Translating decisions into filings: a simple majority is required for an amendment to pass, votes are used to provide information and advice to the ISO management and ISO Board

Filing rule changes with FERC: the ISO Board directs § 205 filings

Structural Challenges with How Decisions are Made in PJM

Vote Dilution

Membership in the generation owner and other supplier sectors has grown significantly. These sectors include new market interest that often have different interest than incumbents.

Affiliate Voting

In lower-level subcommittees, voting members and affiliate members from the same corporate family of companies can vote and there is no weighting of votes. This increases the generator and other supplier voting power.

Blocked Proposals

Proposals supported by the supply side are moved forward from lower committees only to be blocked by load side interests in higher level committee votes

See: Simeone, 2021; Yoo and Blumsack 2018

How RTO Boards are Selected

RTO Members

MISO, NYISO, PJM, SPP

Nomination by existing board members (MISO & PJM) or stakeholders (SPP & NYISO)

Selection by existing board members

Election by RTO members (MISO & PJM)

Joint Selection

ISO-NE

Nomination by existing board members, representatives of stakeholder sectors, and states

Election by stakeholders and existing board

Liaisons to state PUCs

State Officials

ERCOT & CAISO

CAISO: nomination by representatives of stakeholder sectors and appointment by Gov*

ERCOT: appointed by a state board selection committee and ex-officio members from state public utility regulators (new process from SB2 2021)

* AB825 begins transfer of governance

How States Engage in RTO Processes

Regional States Committees	**ISO-NE, MISO & PJM** — formal outside of RTO **SPP —**within the overall committee structure
Delegated § 205 Rights	**MISO & SPP** –- RSC is delegated authority for transmission cost allocation (MISO) and resource adequacy and transmission cost allocation (SPP)
Stakeholder Sector	**MISO** — separate stakeholder sector and a non-voting member of highest-level members committee
Board/Committee Participation	**SPP** — non-voting representative at board meetings, strategic initiatives
Board Nominations	**CAISO, ERCOT, & ISO-NE** — role in board nominations

Current Issues in PJM & FERC's Upcoming Technical Conference

Seth Blumsack | Penn State

PJM's Governance Woes

Every RTO has its own governance challenges. PJM's challenges have become particularly acute and high-profile.

Large Commercial Loads, Interconnection and Markets

- § 206 Complaint from the Pennsylvania governor's office regarding capacity market outcomes.
- November 2025 – PJM stakeholders fail to support any of twelve proposals for large load interconnection.

Capacity market design

- Fifteen years ago, PJM stakeholders also had a "stalemate" over capacity market design where Members failed to support any of six design proposals.
- Since then, capacity market design has continued to be a difficult issue for PJM's governance model.

FERC's July 23 Technical Conference

DIVE BRIEF

PJM may be 'too big to function': FERC Chairman Swett

Each of the 13 states in PJM, and the District of Columbia, have "fundamentally different regulatory structures, resource portfolios and politics," said FERC Chairman Laura Swett.

Published May 13, 2026

Ethan Howland
Senior Reporter

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Federal Energy Regulatory Commission Chairman Laura Swett speaks during a media briefing on April 16, 2026. The PJM Interconnection may be "too big to function," Swett said on on May 12, 2026, at the grid operator's annual meeting in Baltimore. Retrieved from Federal Energy Regulatory Commission.

Utility Dive, May 13, 2026

- May 2026: FERC initiates docket AD26-7-000 focused on PJM's governance and scheduled a technical conference for July 23.
- What can FERC do about PJM's governance structure?
- Are there changes to the structure or conduct of PJM's stakeholder process which would help avoid deadlock or avoid capture of the stakeholder process by specific Member interests?

Potential Solutions

Our work suggests several solutions – implementation in PJM may be its own governance challenge

RTO Governance Structure

- Changes in the structure of § 205 filing rights, especially over the Operating Agreement
- Expanding and formalizing a role for PJM states in the governance of the RTO
- Make stakeholder voting more advisory (strengthening the Board)

Stakeholder Process

- Changes to the stakeholder sector structure
- Changes to voting procedures, especially for Member affiliates
- Reducing participation costs or expanding proxies for Members that aren't well resourced
- Voting structures designed to avoid deadlock

Q&A and Discussion

Enter questions via the Q&A button on Zoom

Thank you for joining us!

For more information, visit
https://rtogov.org
using the QR code to the right.

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