UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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PJM Governance and Stakeholder Reforms	)	Docket No. AD26-7-000
	)	

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to the third supplemental notice issued in this proceeding, July 16, 2026, Dr. Joseph Bowring, President of Monitoring Analytics, LLC, and the Independent Market Monitor for PJM, submits this statement prior to the Technical Conference. Answers to the specific questions for Panel 2 are included at the end of this statement. A one page summary is also included at the end of this statement.

Thank you for the opportunity to participate in this Technical Conference addressing PJM governance and stakeholder processes. PJM governance and stakeholder processes directly affect the extent to which the PJM market design creates effective competitive market rules that allow PJM markets to achieve the goal of just and reasonable rates.

The Commission's stated purpose in this Technical Conference (at 1) is "to discuss PJM Interconnection, L.L.C.'s (PJM) governance and stakeholder processes, with a particular focus on identifying and evaluating concrete, actionable reforms to improve PJM's ability to address operational and market needs in a timely and efficient manner."

The underlying premise is that decisions made in the PJM process should not only be timely and efficient but also that decisions should be made with the goal of serving the public interest in providing wholesale power at the lowest possible price. The decision making process should be open and transparent to provide confidence to the customers of PJM in that decision making process. Serving the public interest means meeting the needs of PJM's customers. PJM's customers are not PJM's members. PJM's customers are all the residential, commercial and industrial users of power in the PJM footprint. The process should be evaluated primarily based on whether it facilitates achieving the goals of Order No. 2000.[1]

The PJM stakeholder process needs to be strengthened and PJM's role in that process needs to be significantly clarified in order to ensure that the process results in timely recommendations to the Commission that are consistent with providing reliability through competitive markets.

Any discussion of the PJM decision making process needs to address the underlying incentives and interests of all the stakeholders, both individually and by sector, and the underlying incentives and interests of the key decision makers including the PJM Board and PJM staff if it is to be successful in meeting the Commission's objectives.[2]

The Commission stated the "Basic Independence Principle" in Order No. 2000 (*mimeo*, at 193–194):

> In the NOPR, we repeated our earlier statement that 'the principle of independence is the bedrock upon which the ISO must be built' and emphasized that this principle must apply to all RTOs, whether they are ISOs, transcos or variants of the two. We also stated that '[a]n RTO needs to be independent in both reality and perception.' We reaffirm both principles in the Final Rule.
>
> In applying these principles in the context of ISOs, we have stressed the importance of a decision making process that is independent of control by any market participant or class of participants. This, in turn, required that we pay considerable attention to governance (e.g., voting shares and voting rules).

In order to ensure an efficient and effective decision making process, it must be ensured that the PJM Board is independent of the members of PJM and acts independently

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1 *Regional Transmission Organizations*, Order No. 2000, 89 FERC ¶ 61,285 (1999), *order on reh'g*, Order No. 2000-A, 90 FERC ¶ 61,201 (2000), *aff'd sub nom. Pub. Util. Dist. No. 1 of Snohomish County, Washington v. FERC*, 272 F.3d 607 (D.C. Cir. 2001).

2 The term PJM staff is defined here to include decision making staff at PJM.

in the interests of competitive markets, effective market power mitigation and just and reasonable rates.

In order to ensure an efficient and effective decision making process, it must be ensured that PJM staff is independent of the members of PJM and acts independently in the interests of competitive markets, effective market power mitigation and just and reasonable rates.

The current structure of incentives has affected decision making by PJM and contributed to the issues identified by Chairman Swett and the Commission.

Any analysis of decision making at PJM must directly address the fact that the Transmission Owners (TOs) have the unique ability to leave PJM and potentially bring an end to PJM as it currently exists. That reality is well known by the PJM Board and PJM staff and PJM members. That reality gives the TOs a unique ability to affect the decision making of the PJM Board and PJM staff.

That reality affects the independence of the PJM Board and PJM staff.

Any analysis of decision making at PJM must directly address the fact that the current rules provide that a nominating committee, comprised of a majority of members, selects potential candidates for Board membership and that members may vote to overturn those decisions and deny Board membership. The current rules also permit a vote of the PJM members to vote out existing Board members when they are renominated for an additional term.

These facts affect the independence of the PJM Board.

Any analysis of decision making at PJM must directly address the incentives of PJM staff. Historically, the salaries of senior staff were directly linked to the results of PJM's survey of its members. PJM staff performance should not be measured based on PJM member satisfaction. Many decisions that PJM takes (both operational and market design) can have a negative impact on the profitability of PJM members that PJM perceives as customers. PJM staff must have the freedom to act independently consistent with reliability through competitive markets without concern about retaliation or impacts on compensation because their actions may not be aligned with the wishes of one or more of PJM's perceived customers.

To the extent that this, or any similar incentives are still in place, this affects the independence of PJM staff.

There are some straightforward reforms that could address these underlying structural factors that affect the independence of the PJM Board and of PJM staff and that therefore affect the decision making process.

The proposal in the Pre-Technical Conference Statement of Jacob Finkel on behalf of the PJM Governors' Collaborative would help address some of the issues related to the independence of the PJM Board. Specifically, the proposal to add three state representatives to the Nominating Committee would be an appropriate and significant change that would help support the independence of the Board. But that proposal does not go far enough.

The ability to vote out existing Board members when they are renominated should also be directly addressed. The recommendation by the PJM Governors' Collaborative to extend the tenure of Board members while restricting Board members to one term is one way to accomplish that. Another approach would be to add a requirement that a Board member cannot be voted out when renominated without the agreement of a majority of the two Board members and the three state representatives on the nominating committee.

The structural power of the TOs to leave should be addressed. When the Commission is reviewing any proposal by a TO to leave PJM, the Commission should apply the just and reasonable standard and a consistent with the public interest standard to any such decision in a manner fully consistent with the goals of the Federal Power Act. States also have the independent authority to require TOs to remain in PJM. Some states have used that authority in specific cases.

The independence of PJM management should be strengthened by a specific requirement that the sole goal of PJM management is to further the public interest regardless of the interests of any specific group of PJM members. That requirement should provide that PJM management should not support a proposal that advances the private interests of members if it is inconsistent with competitive markets and the public interest. All PJM corporate goals, including those that affect PJM staff and management compensation, should be made public, discussed publicly in the stakeholder process, and approved by the Board publicly.

PJM Board meetings and all PJM stakeholder meetings should be public with the exception of human resource and confidential security issues. Media should be permitted to observe and report without restrictions. Improved transparency is essential to the confidence of stakeholders and to the confidence of PJM customers who ultimately pay the bills. There is no reason that PJM market participants and the PJM Board should not be willing to express their opinions publicly. Transparency helps ensure accountability and confidence.

The Board's ex parte rules should remain in place. There is no reason that there should be confidential conversations in which PJM market participants attempt to influence Board decisions. All such discussions and positions should be public and transparent. The assertion that private discussions contribute to the efficiency or effectiveness of Board decision making are unsupported and inconsistent with transparency. The combination of extending Section 205 rights to the entire OATT and eliminating the ex parte rules would encourage and facilitate an inappropriate expansion of backroom influence and undermine independence when exactly the opposite is called for.

Just and reasonable rates and the public interest include a market design that results in the lowest possible costs to customers but no lower. The no lower condition requires that prices result in just compensation to investors in PJM markets. The responsibility of the PJM Board and of PJM management to promote competition based on economic fundamentals and free from the exercise of market power to produce just and reasonable rates should be clearly and concisely stated in a way that is verifiable and enforceable.

As the Commission stated in Order No. 2000 (*mimeo* at 1): "The Commission's goal is to promote efficiency in wholesale electricity markets and to ensure that electricity consumers pay the lowest price possible for reliable service." The Commission further stated (*mimeo* at

3): "Competition in wholesale electricity markets is the best way to protect the public interest and ensure that electricity consumers pay the lowest price possible for reliable service."

There is no reason to modify the existing structure of FPA Section 205 and Section 206 filing rights. The extension of 205 filing rates to the entire OATT would make the stakeholder process purely advisory. There is nothing about the requirements related to Section 205 and Section 206 that makes filing under Section 205 more efficient. The PJM Board can make a 206 filing at its own discretion at any time, and could, along with greater clarification of its responsibilities, be encouraged by the Commission to make more use of Section 206 filings. Under Section 206 filings, the requirements for the Commission's review are stronger, including that the current tariff provision be deemed not just and reasonable and that the proposed change be not only just and reasonable but also be determined by the Commission to be the best of the proposed options. Section 206 filings appropriately put the responsibility for making significant policy decisions with the Commission.

The standards applicable to Section 205 proceedings, such as the extraordinary deference to such filings, the inability of the Commission to efficiently address deficiencies in such filings, and the ability to degrade market rules without rigorous review are significant problems and are all reasons to not further extend Section 205 rights. Section 205 was not designed to handle significant and complex market rules and their associated policy implications. Section 205 was designed to allow regulated utilities to change cost of service rates. PJM is not a utility in the sense that any regulator prior to the introduction of wholesale power markets would have recognized as a regulated utility. Rather than further extend Section 205 rights to the entire tariff, PJM should not continue to have Section 205 rights over the capacity market. There has been no demonstrated increase in efficiency or effectiveness in producing just and reasonable outcomes resulting from PJM's Section 205 rights over the capacity market.

If PJM wants to make a filing without a stakeholder supermajority, then it is reasonable to require that PJM first identify the existence of a market design flaw, as Section 206 requires.

The PJM Board has the authority to file any proposal under Section 206. There is no evidence that any good proposal failed to receive the required supermajority to file under Section 205 but was not filed under Section 206.

Rules in PJM Manuals are frequently not written or discussed until long after the tariff rules have been reviewed and approved by the Commission. When the details are finally discussed in the drafting of manuals, significant details of the rules can change and deviate from the intention or understanding of stakeholders and the Commission from the time of the stakeholder process and Commission proceedings on the tariff changes. Substantive issues should not be decided in PJM Manuals, but included in the OATT subject to Commission review.

The role of the states at PJM should be enhanced, but always based on the preferences of the states separately and jointly. Governors and public utility commissions and public advocates represent the 67 million people living in all or parts of 13 states and the District of Columbia that comprise the PJM footprint, and incorporate the technical expertise to address PJM issues. The existing authorities of the states related to transmission, generation and public policy should be recognized in the PJM decision making process. Recognizing those authorities, the states should be incorporated into PJM policy formation at the early stages so that states can clarify their objectives for PJM and PJM can recognize those objectives. This enhancement includes funding the Governors' Collaborative for the reasons stated in Jacob Finkel's Statement.

I. PANEL 2

Answers to the Potential Questions:

1. **Do sector-weighted voting and existing voting thresholds strike the right balance between achieving consensus and taking timely action?**

   Answer: There is no reason to change the current sector weighted voting structure. The voting structure does not limit taking timely action. The voting structure does not allow any single sector to unduly affect the outcome of votes. Speed to voting is not the goal. Speed to good decisions is the goal.

Evaluated solely as a process, the PJM stakeholder process is, with the exception of the Liaison Committee, an open, transparent process that permits open and substantive debate on key policy issues facing the PJM markets without permitting any one sector to dominate voting. There is no reason to change the current sector weighted voting structure. The voting structure does not limit taking timely action. The voting structure does not allow any single sector to unduly affect the outcome of votes. Speed to voting is not the goal. Speed to good decisions is the goal.

2. **What transparency reforms would improve the quality of PJM's stakeholder process and increase stakeholder confidence in its decision-making?**

   Answer: PJM Board meetings and all PJM stakeholder meetings should be public with the exception of human resource and confidential security issues. Media should be permitted to observe and report without restrictions. Improved transparency is essential to the confidence of stakeholders and to the confidence of PJM customers who ultimately pay the bills. There is no reason that PJM market participants and the PJM Board should not be willing to express their opinions publicly. Transparency helps ensure accountability and confidence.

   The Board's ex parte rules should remain in place. There is no reason that there should be confidential conversations in which PJM market participants attempt to influence Board decisions. All such discussions and positions should be public and transparent. The assertion that private discussions contribute to the efficiency or effectiveness of Board decision making are unsupported and inconsistent with transparency. The combination of extending Section 205 rights to the entire OATT and eliminating the ex parte rules would encourage and facilitate an inappropriate expansion of backroom influence and undermine independence when exactly the opposite is called for.

3. **Are there structured opportunities in the stakeholder process for state participation (e.g., defined consultation windows, joint technical sessions) to provide input on topics that are of interest to the states?**

   Answer: Yes. In addition to the identified processes which are important opportunities to express input, the states should also have identified voting rights on the nominating committee for the PJM Board and on a committee to review Board member retention. In addition, more formal input from states, consistent with the comments of the Governors' Collaborative and the comments on that topic by Pat Wood, would be a positive addition.

4. **Do existing governing document provisions (e.g., Operating Agreement, Manuals) impede stakeholder decision-making and what changes could be made to address them?**

   Answer: No. The PJM Board has the authority to file any proposal under Section 206. There is no evidence that any good proposal failed to receive the required supermajority to file under Section 205 but was not filed under Section 206.

   Rules in PJM Manuals are frequently not written or discussed until long after the tariff rules have been reviewed and approved by the Commission. When the details are finally discussed in the drafting of manuals, significant details of the rules can change and deviate from the intention or understanding of stakeholders and the Commission from the time of the stakeholder process and Commission proceedings on the tariff changes. Substantive issues should not be decided in PJM Manuals, but included in the OATT subject to Commission review.

5. **What reforms to the stakeholder process could ensure PJM can meet the region's challenges?**

   Answer: Voting in the stakeholder process should include sector weighted voting at all committee and subcommittee levels. There is no reason to permit those members with multiple affiliates to serve as a filter for items that can be voted at the higher level committees.

6. **What near-term reforms to stakeholder representation could PJM and its Members take to improve speed in decision-making while preserving stakeholder input?**

   Answer: PJM could implement a process that includes representatives of each sector who are authorized to discuss and develop proposals to bring to the broader stakeholder committees.

   PJM staff could take input and hear presentations from all sectors in public sessions prior to developing proposals and positions on a question.

7. **Are there elements of PJM's committee structure that routinely contribute to delays? Are there stakeholder processes or issues that could be expedited or changed to provide greater focus on key issues and allow faster or more unilateral action on others?**

   Answer: PJM could implement a process that includes representatives of each sector who are authorized to review and prioritize issues to bring to the broader stakeholder committees. Speed to action and unilateral action are not the goals. More efficient management of priorities and more efficient management of the process with the goal of speed to good decisions is the goal.

8. **Should PJM increase the use of fast-path or time-bound review procedures to expedite committee action on high-importance topics?**

   Answer: No. Stakeholders generally, and correctly, oppose fast path proposals because there is not adequate time to explain and understand the proposals. Some proposals that have been brought as fast path items turn out to have much broader implications than represented by those bringing the fast path items.

9. **Recognizing regional differences, are there lessons from other RTO/ISO stakeholder processes that PJM could reasonably adopt to improve speed in voting processes and stakeholder representation?**

   Answer: The temptation to move to the lowest common denominator rules across RTOs and ISOs should be resisted. The goal should be to use the best practices as widely as possible. PJM is closer to realizing the Commission's goals in Order No. 2000 than most or all other RTOs/ISOs.

The Market Monitor respectfully requests that the Commission afford due consideration to this statement as the Commission resolves the issues raised in the technical conference to convene on July 23, 2026.

Respectfully submitted,

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SUMMARY OF STATEMENT OF JOSEPH BOWRING PRIOR TO TECHNICAL CONFERENCE IN AD26-7

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