



Market Implementation Committee Report
PJM Interconnection
Markets and Reliability Committee
The Chase Center on the Riverfront
Wilmington, DE
December 21, 2011

The Market Implementation Committee met on December 13, 2011 at The Chase Center in Wilmington, DE. The following topics were discussed in the meeting:

Topics for Endorsement

A) Demand Response Regulation issues

Mr. Langbein reviewed proposals developed by the Demand Response Subcommittee to address demand response regulation issues. The first two proposals addressed the expansion of opportunities to have multiple CSPs to facilitate DR regulation market participation. Proposal 1 proposed the split of responsibilities between separate economic and emergency CSPs. Proposal 2 proposed the split of responsibilities between separate 'regulation only' and 'economic and emergency' CSPs. The committee voted on each proposal with the following results: Proposal 1: 13 in favor, 90 opposed, 13 abstentions (13% in favor); Proposal 2: 83 in favor, 21 opposed, 7 abstentions (80% in favor). A third proposal addressed allowing PJM to use equipment-specific load data instead of location-specific load data for regulation compliance verification plus changes to regulation aggregation rules for regulation market participation, bids, AGC signal and compliance. The committee voted on that additional proposal with the following result: 70 in favor, 28 opposed, 13 abstentions (71% in favor).

B) FTR Revenue Adequacy

Mr. Horger reviewed the FTR Revenue Adequacy proposals developed by the FTR Task Force. Alternate 1 included no change, aside from some process improvements. Alternate 2 included the process improvements in Alternate 1, plus more significant auction modeling changes. Alternate 3 included the process improvements in Alternate 1, plus FTR funding changes. During the meeting, motions were made to vote on two additional proposals: Alternate 4 – removing balancing congestion from the FTR funding pool, effective for the 2012/2013 planning period, and Alternate 5, which is the same as Alternate 4, with the exception of a 2013/2014 effective date. The committee voted on each proposal with the following results: Alternate 1: 88 in favor, 28 opposed, 12 abstentions (76% in favor); Alternate 2: 74 in favor, 43 opposed, 23 abstentions (63% in favor); Alternate 3: 38 in favor, 89 opposed, 17 abstentions (30 % in favor); Alternate 4: 59 in favor, 69 opposed, 17 abstentions (46% in favor); Alternate 5 – 48 in favor, 72 opposed, 11 abstentions (40% in favor).

Other Topics

C) Incremental ARR RTEP analysis for 2012/13 Planning period

Mr. Horger presented results from the Incremental ARR RTEP Analysis for the 2012/2013 Planning Period. This analysis determined that eligible RTEP upgrades provided no incremental ARR capability.

D) Residual Zone Pricing

Ms. Morelli presented the results of the recent residual zone pricing polls and reviewed the resulting packages which are being put forth for the Committee's consideration. The committee will vote on 5 residual zone pricing packages at the January MIC meeting.

E) Black Start Refurbishment process

Mr. Schweizer reviewed the Black Start Refurbishment Process developed by the Black Start Service Task Force. The task force has developed two proposals, which are similar in most aspects, except the



treatment of RPM revenues in certain scenarios for black start units that clear in the capacity market. The committee will vote on these proposals at the January MIC meeting.

F) Auction Specific Capacity transactions

Mr. Trayers of Citigroup Energy presented an issue regarding the timing with which auction specific capacity transactions must currently be submitted in eRPM. The ability to monetize future RPM payments through bilateral transactions that can be settled in the current delivery year is desired. A formal problem statement will be developed and brought back to the January MIC meeting.

G) Broader Regional Markets Solutions

Mr. Williams provided an update on ongoing efforts to develop solutions addressing seams issues with MISO and NYISO. The compliance filing regarding the PJM/NYISO Joint Operating Agreement is scheduled to be filed with FERC this month. A MISO-PJM problem statement on Interchange Scheduling Optimization will be brought to the January MIC meeting.

H) 2011 Final Emergency Load Management and Economic Demand Response Summary Report

Mr. Langbein reviewed the 2011 Final Emergency Load Management (ILR/DR) and Economic Demand Response Summary report. Participants focused the discussion on the actual demand response reductions, which on the whole were lower than the expected reductions during events in the summer of 2011.

I) 60 day compliance filing for Demand Response Capacity Measurement and Verification changes

Mr. Langbein reviewed the order on demand response capacity measurement and verification and outlined the areas PJM will need to address in the 60 day compliance due on January 5, 2012.

J) Tariff and Operating Agreement Credit Revisions

Mr. Loomis presented credit-related draft Tariff and Operating Agreement changes identified through the PJM Quality Project and other internal reviews. It was also noted that the Credit Subcommittee will begin discussions around addressing the credit exposure resulting from to up to congestion transactions at a January Credit Subcommittee meeting.

K) AC2 Implementation

Mr. David Souder provided a review of the migration activities surrounding the AC2 migration that occurred in early November.

L) Duke Integration

Mr. David Souder provided an overview of the integration of Duke Energy Ohio and Kentucky, which is scheduled for January 1, 2012. Significant coordination activities that have taken place over the last few weeks and which will occur during the cutover were highlighted.

M) Web Browser Compatibility Assessment

Mr. Fernandez provided an update on eTool changes being made as a result of the web browser compatibility assessment conducted by PJM. The majority of the identified browser incompatibility issues should be resolved by the end of Q1 2012.

The next MIC meeting is scheduled for Tuesday, January 11, 2012 at The Chase Center in Wilmington, DE.