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RPM Buyers Group
c/o John Levin, Esq.
Assistant Counsel
Pennsylvania Public Utility Comm.
P.O. Box 3265
Harrisburg, Pennsylvania 17105
(via e-mail and U.S. post)

Dear RPM Buyer's Group:

At the request and on behalf of the PJM Board, I am writing to respond to Monday's letter seeking an open discussion of the decision-making process surrounding the request made to the Federal Energy Regulatory Commission (FERC) by PJM this past January to modify the Cost of New Entry ("CONE") value for use in PJM's capacity market ("RPM").

Initially, we must correct one apparent misunderstanding evident from your letter. You have asked the PJM Board to "examine how PJM management reached the decision" to proceed with the requested CONE modification. The decision was not made by PJM's "management" in isolation. The matter was brought before the PJM Board to consider thoroughly all aspects of the matter, including (but, by no means limited to) the tariff, stakeholder process and reliability issues you mention. Indeed, the full Board shared its thoughts on the matter openly with PJM's membership at a Liaison Committee meeting following the Board's February meeting. In short, PJM's independent Board approved PJM management's recommendation to make the requested CONE modification filing that is the subject of your complaint. Moreover, the matter has been aired before the FERC and determined by that agency.

As an independent entity, the Board has made several decisions over the last number of months materially affecting RPM. Both the outcome and process associated with these decisions have subjected PJM to criticism as well as a complaint before FERC from customers with financial interests opposite from those of the RPM Buyer's Group. When confronted by customers' opposing financial interests that cannot be reconciled through stakeholder compromise, being an independent entity requires the Board to exercise its financially disinterested collective independent judgment in proposing a path forward.

The Board values input from interested parties such as your group before it exercises its judgment. It has taken steps to enhance this opportunity by establishing a Liaison Committee to obtain perspective directly from its stakeholders. In fact, FERC's recent Notice of Proposed Rulemaking on Wholesale Competition cited structures such as the Liaison Committee as particularly strong mechanisms for enhancing direct communication between stakeholders and Boards. We hope the RPM Buyer's Group will communicate any views it may have on any matter through the available processes and forums, including the Liaison Committee.

Respectfully,

Terry Boston
On behalf of the PJM Board of Managers

Cc: John Horstmann, Chair Liaison Committee
PJM Board of Managers
PJM Executive Council