



955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

March 20, 2009

Members of the Organization of PJM States, Inc. (OPSI)
249 E. Main Street
Building 2 – Suite 1
Newark, DE 19711

To the Members of OPSI:

Thank you for your letter expressing your concerns about the compliance filing that PJM is preparing for FERC Order 719. We appreciate hearing your views and we believe it is appropriate for OPSI to facilitate this kind of exchange of views between PJM and state regulators.

Let me assure you that PJM and its Board of Managers wholeheartedly support your views for a strong Independent Market Monitor that has all means to perform its proper functions so as to guarantee fair and competitive market outcomes. These principles are the foundation of the settlement establishing an independent structure for effective market monitoring that OPSI and others worked so hard with PJM to establish. The Board stands by this commitment. Our interpretation is that the settlement agreement and Order 719, both say that PJM designs market rules and the Market Monitor provides independent oversight.

The Board meets regularly with Dr. Bowring and we recognize he and PJM management have a differing interpretation of what FERC wants done in one section in Order 719. This should not imply any diminution of PJM's overall support for an effective Market Monitor or suggest any change with PJM's acceptance of the 2008 MMU Settlement Order.

The differing interpretation of how Order 719 allocates functions for prospective mitigation will be resolved by FERC. Should FERC either (i) change course on this aspect of Order 719 as urged by certain pending requests for rehearing or (ii) disagree with PJM's interpretation of the Order and reject our compliance filing, PJM will conform to FERC's direction. For now, however, PJM must follow its best professional judgment on what FERC has ordered us to do.

In summary, PJM believes its view is consistent with the language FERC has stated in Order 719. The Board's direction to PJM Management is that the integrity of the markets and the MMU's independence and ability to perform its monitoring functions will be preserved.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard Schneider", written in a cursive style.

Howard Schneider, J.D.
Chair, PJM Board of Managers