

DISCUSSION OF PROPOSED MODIFICATIONS
TO MARKET MONITORING PLAN
MMAC 12/8/05

1. Section IV A and B: Demand Letter, Referral, and the Market Behavioral Rule
 - a. There was a discussion of the purpose of removing the demand letter from the Plan. The original demand letter section and process was explained. The referral process was explained.
 - b. It was asked if the MMU would continue to discuss issues with participants before referral. It was explained that the process that could lead to a referral would include an informal discussion with the participant. It was clarified that informal communication to both the FERC and the participant occurs before formal action.
 - c. There was a discussion of the referral process within the context of the Market Behavior Rule.
 - d. It was asked if a market participant would receive a copy of the referral under IV B or informal communication under IV A. It was explained that IV A communication is informal and there would be nothing to copy. It was explained that a referral (IVB) would be confidential, so there would be no notice to participant.
 - e. A member asked for a quantification of a “significant market problem.” It was indicated that anything that affects the market and appears to be an issue can be considered a significant issue. FERC makes the decision as to whether or not an issue or event is significant.
2. MMU Independence and Authority: Filings, Reporting, MMU action outside of PJM action, Purview
 - a. Members asked if the MMU could make filings with FERC apart from PJM. Some members indicated that they consider this to be a serious issue. Some members indicated that the MMU should have the authority to make filings of various kinds.
 - b. Some members suggested that Attachment M needs to be modified to make the following clear, on a line by line basis:
 - i. MMU should be able to file comments without PJM approval
 - ii. MMU should report directly to the board
 - iii. MMU should have the ability to examine PJM market operations
 - iv. PJM should be added as a party to be explicitly monitored.
 - v. MMU should be addressing transmission market power.
 - vi. The list of documents/agreements under section I should be exhaustive.
 - vii. Members asked whether there should be two separate efforts regarding the Market Monitoring Plan: one to address changes in FERC policy and another to address other concerns.
 - c. In response to a question, it was indicated that the list of relevant documents in Section I was intended to be exhaustive. Members indicated that definition in (k) should include all the rules. Members suggested that (j) not (k) should have all the markets and rules listed.

3. Section III Comments
 - a. Members suggested that the MMU purview should clearly include PJM operations.
4. Section IVA. No Comments
5. Section IV B. No Comments
6. Section IV C. Comments
 - a. Section IV C 1:
 - i. A member indicated that the language should make it clear that any initial action be at the sole discretion of the MMU and that the MMU has discretion in whether or not to engage in discussions with market participants. Suggested language:
(1) Suggested language: “engage in discussions regarding possible rule changes to address concerns or behavior, with participants.”
 - b. Section IV C 2:
 - i. Members suggested that, like any other participant, the MMU should be able to formally propose rule changes within the PJM committee process. There was a discussion of whether or not the current rules cover this.
 - c. Section IV C 3:
 - i. There was a question about whether Demand Letters were still needed. It was suggested that referrals were a substitute for the Demand Letter. The referral is a formal process; the difference is that the market participant does not have a copy of the referral.
 - ii. Members indicated that the section does not provide for resolution where there is non-approval of an MMU suggestion by the board, and the MMU still thinks it is an important issue.
 - iii. Members raised concerns about the MMU using the same legal counsel as PJM. There were concerns that a conflict could occur and that it needed to be addressed in the Plan. Members suggested that the MMU have its own separate counsel.
 - iv. Members recommended removal of “with approval of the PJM Board” language in the section.
 - d. Section IV C5. No Comments
 - e. Section IV C6. No Comments
 - f. Section IV C7
 - i. Members suggested that authorized government agencies be added to the list.
 - ii. Member suggested that beyond C7, the MMU should be able to propose rule changes and to the extent that the members would get the report, they could send it to FERC.
 - iii. Members asked what PJM is within the context of the document. It was asked if PJM was the stakeholder body, PJM LLC, or PJM Office of Interconnection. Members indicated that stakeholders may be the more reasonable interpretation. Members asked for the definition of PJM LLC.
7. Section IV D. No Comments
8. Section V A. No Comments
9. Section V B and V C

- i. Members suggested that the language providing oversight by the President and/or reporting to the President be removed from this section.
 - ii. Members had the same comment for Section V C and D.
10. Section V D
 - i. A member suggested that D read: “MMU will have adequate resources, access to required information, and cooperation of PJM for the effective functioning of the Market Monitoring Unit.” This would replace “The President shall ensure that the Market Monitoring Unit has...”
11. Section VI A. No Comments
12. Section VI B:
 - a. Members asked about the removal of the word “investigate.” There was concern that it implied that the MMU could not investigate. It was explained that “inquiry” replaced “investigate.”
13. Section VI. C. No Comments
14. Section VI D. No Comments
15. Section VI E. No Comments
16. Section VI F. No Comments
17. Section VII A:
 - a. Members were concerned that the language in Section VII A may limit the MMU to annual reports. Members indicated that the MMU should not be limited to this annual report to interact with the board. It was indicated that the word “shall” does not limit the MMU’s ability to produce additional reports, but clarifies that the MMU will, at a minimum, provide the annual report.
18. Section VII B:
 - a. Members asked if it was inevitable that reports will include confidential information. Members indicated that government agencies would prefer less confidential information. It was suggested that the language read: “xxx to the extent necessary, XXXX subject to protection of confidential....”
19. Section VII C:
 - a. Members suggested a monthly report on the market. Other members were reluctant to compel reports since if the members want and need them they can get them from the stakeholder process.
 - b. Members suggested that stakeholders should be added to the list of informed parties.
20. Section VIII:
 - a. Members asked why the word annual was removed. It was explained that it was up to the board to determine the frequency of audit.
21. General Comments
 - a. Clarification of MMU reporting
 - i. A member raised a question about where the MMU fits within the PJM organizational structure. It was mentioned that the Board will have the final voice on the internal arrangements that would spell out the reporting/process within PJM. It was indicated that the MMU is involved; legal is involved, along with senior management
 - ii. Members asked why the process and the document are considered internal and confidential. Members indicated the document should be external and

detailed. It was indicated that the internal relationships were a matter of management policy.

- iii. Members asked if OPSI had an opinion on this. OPSI representative indicated agreement with having the document and process be made external. OPSI representative stated that PJM is the only RTO with an internal MMU and there were ongoing questions as to how effective this relationship is, and it needs to be examined from time to time. It was indicated that OPSI is looking at this issue and working on recommendations on what the MMU should do on a day to day basis, how it works with the board, and related questions.
 - b. Budget.
 - i. Members asked if there had been issues with the MMU budget. It was indicated that it had not been an issue. Some Members indicated that to the extent that the MMU reports to the board, though inside PJM, it may be appropriate to have the MMU appear as a separate line item for the budget.
 - ii. Members indicated concerns about whether the MMU is assured adequate resources to perform ongoing analyses and respond to requests.
22. Mr. Bowring requested that members submit comments in writing on any areas of concern.