

**APPENDIX C TO REPORT OF INVESTIGATION
BY THE SPECIAL INVESTIGATIVE COMMITTEE OF
THE PJM BOM**

TIMELINE

ATTACHMENT M - INTERNAL PJM PROCEDURES

(Bowring alleges that PJM Management drafted internal and confidential procedures that, if adopted, would have permitted them to review and modify MMU reports prior to publication. Bowring contends that the MMU opposed a number of these drafts. In March 2006, PJM Management provided a final set of confidential procedures that would require the MMU to submit all of its reports to Management prior to publication. Bowring contends that these confidential procedures effectively modify Attachment M to the Tariff.)

(PJM responds that the MMU, along with the CMC, participated in the development of the 2006 internal procedures. It notes that many of the procedures were simply a codification of long standing practices within PJM. The internal procedures specifically state that nothing in them shall be interpreted to require the MMU or PJM to take or refrain from any action inconsistent with Attachment M. PJM contends that due to the need to publicly issue only the highest quality reports, there must be some management process within PJM for internal review and comment which are what the internal procedures are designed to do.)

We are tasked to investigate the factual circumstances surrounding the development of internal procedures to implement Attachment M and the Board’s policies regarding the Market Monitoring Plan, including specifically the inclusion in the procedures of any provisions regarding submission to Management by the MMU of reports prior to publication.

NOTE: The internal procedures are also called or referred to as: (1) Procedures for Implementation of the PJM Marketing Plan; (2) EVP Administrative Protocols; (3) EVP Protocols and (4) EVP Confidential MMU Procedures.

NOTE: Although the issue we are investigating appears not to have arisen until late 2005, it is clear there were internal procedures in place long before 3/06 so the time line begins before 2006 to place the issue in context.

<u>DATE/TIME</u>	<u>DESCRIPTION OF EVENT</u>
5/5/02	<p>Memo to Laughlin, Spector & Drom from Bowring. Memo concludes that based on FERC Order provisionally approving PJM’s RTO status, the SOM is the sole responsibility of MMU and that the Board does not have the authority to edit or otherwise substantively change the report.</p> <p>Note: MMU employee resent the document to Bowring in 1/07 noting “For your amusement.”</p>

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5/31/02	Bowring sends draft 2001 SOM to Board of Managers and notes he has previously sent it to CMC for their expertise and had sections reviewed by relevant subject matter experts at PJM.
5/03	Fiona Woolf study & Report on recommendations for Market Monitoring in PJM. Concludes MMU should remain part of PJM.
6/3/03	BOM Meeting – Assigns study of MMU structure to CMC
9/8/03	CMC Position paper on MMU Organization & Accountability. Notes the tension between MMU independence and the power wielded by MMU and if left unchecked could be disruptive.
10/11/03	Bowring memo to Harris in response to CMC Position Paper. Objects to Paper’s position on: (1) MMU’s right to make data requests; (2) PJM Management having a role in evaluating the necessity of issuing a demand letter; (3) MMU having no role in market design; and (4) member’s input on plans or agenda of MMU.
11/13/03	BOM’s report on Review of the Market Monitoring Organization in PJM.
3/28/04	Hagele Memo to Harris on FERC Market Behavior Rules – Role of Market Monitor. p. 7 - References PJM’s internal process of collaboration and consultation. Notes that the independence characteristics identified in the CAISO Order could have implications for PJM’s internal process of collaboration and consultation.
5/10/04	Glazer Memo entitled MMU Related Issues. Identifies a number of MMU issues and then discusses remedies which in several instances is the development of internal protocols.
6/14/04	Hagele e-mail to Zibelman noting Harris had previously asked him to put together “10 commandments” for MMU but project had been placed on hold due to FERC announcement in May 2004 that it was going to issue a policy statement on MMU’s.

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6/27/04	Zibelman e-mail to Harris attaching MMU Role document and notes: "Got your message – I have added the procedure reference and toned down the audit issue."
6/27/04	Zibelman sends same document to Bowring noting: "This is the blue sheet for Board discussion – please get back to me with comments."
6/27/04	<p>Blue Sheet for Board discussion.</p> <p>Blue sheet notes the findings of the Board’s 2003 Review of the Market Monitor organization but indicates that the Market Monitor and PJM Management still have not yet complied with the Board’s directives. Notes that investigative guidelines and procedures are still not in place. Notes there is still lack of clear definition over role responsibility. Contends that although Market Monitor developed annual audit plan, the plan did not evidence clear prioritization or procedures for reporting progress to the Board.</p> <p>Comments on various intervening FERC rulings which have redoubled the need to develop market power screens, internal role clarity and investigative procedures that will meet the Board and FERC requirements.</p> <p>Raises the question if need for PJM to hire consultant to deal with these issues.</p>
9/24/04	<p>Bowring submits his revised Affidavit on Regulation to Hagele, Zibelman, Ott, Kirk, V. Duane and Spector & C. Burngarner.</p> <p>Hagele objects to Section 33 and alleges that it violates agreement reached among Bowring, Karl, Mike, Andy Vince Barry and Hagele that market based rates would become effective upon the later of 60 days from filing or date of integration of Dominion. Hagele claims Bowring’s section 33 reverses that decision and would defer market based rates indefinitely until MMU comes forward with further analysis justifying move to market-based rates.</p>
9/24/04	Bowring submits revised Affidavit to Harris. Notes: "I trust that you know that I do not take these positions lightly. I plan to review the technical details with the experts at PJM."

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9/24/04	Ott responds with another objection and concurs with Hagele's objection.
9/26/04	Pfirrmann responds that he recalls the agreement as Hagele described it. Notes that this comes down to a difference of opinion on how to move forward with competitive markets.
9/26/04	Bowring responds to Hagele and notes does not agree with most of Hagele's comments and explains why substantively but nonetheless notes he will be sending a revised version of the Affidavit.
9/29/04	Duane sends revisions to Bowring's revised affidavit. Claims revisions reflect the internal discussion at PJM that day. Notes Zibelman will call in the AM to discuss.
10/26/04	<p>Bowring email to Harris attaching 2 memos. (1) Response to comments on MMU portions of the draft Protocol and (2) Bowring views on history of MMU issue and why should consider taking a different tack than the process in draft protocol.</p> <p>Notes "The second memo is intended for you and not wider circulation..."</p>
10/26/04	<p>Bowring memo to Harris re decision making protocol and MMU.</p> <p>Memo notes Bowring understood that Protocol was designed to replace the Policy Team. Provides positive attributes of Policy Team process but acknowledged meetings were not always managed with necessary discipline. Rather than comment on MMU portion of draft Protocol, memo outlines an alternative approach for addressing MMU proposals related to design, administration or operation of PJM markets and a positive way of handling the MMU within the PJM decision making process.</p>
10/26/04	<p>Bowring memo to Harris re Source of the MMU issue.</p> <p>Notes key issue is why the MMU is not treated like any other part of PJM in the decision making process. Notes his belief that this was the result of the LMPMWG experience. Memo goes on to raise complaint about relationship between Legal and MMU.</p>

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10/31/04	Hagele draft memo to Harris re MMU. (Handwritten note on Doc “NOT DELIVERED”). Memo reflects tension between MMU and Law Dept. References internal formal procedures for preparation of pleadings which “grew out of ComEd Pathway error”. Cites several examples of Bowring renegeing on agreements made in meetings.
11/10/04	Duane e-mail to Bowring & Ott reminding them of internal PJM Policy on Regulatory Filings which requires advance notice of any FERC filings.
11/29/04	<p>Bowring e-mail to Hagele, Duane, Zibelman, Ott, Bresler, cc: Spector noting he wants to file Document with FERC today which covers summary of results of October regulation markets.</p> <p>Zibelman responds needs to be reviewed with Cabinet on Tues so nothing should be filed before Tues.</p> <p>Bowring responds, “consistent with the draft procedures for handling issues, I assume I am to attend the Cabinet meeting to present MMU perspective” which Zibelman confirms.</p>
12/1/04	Hagele & Spector Memos that MMU does not have a role under the Plan in the monitoring of the submission of black start revenue requirements to FERC for approval.
1/3/05	Tierney Report on Principles for Market Monitoring & Mitigation in PJM.
4/7/05	<p>FERC Guidance Order on Expedited Tariff Revisions for RTOs and ISOs</p> <p>Outlines procedures for RTO or MMU identification of flawed tariff provision.</p>
5/18/05	<p>Status Report on Market Monitoring & Mitigation Plan.</p> <p>This is plan for steps needed to submit to FERC revision to Attachment M.</p>

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5/27/05	<p>FERC Policy Statement on Market Monitoring Units.</p> <p>Issued to provide guidance on the coordinated roles and responsibilities of FERC and the MMUs.</p> <p><i>See paragraph 7 for detailed description of MMU monitoring responsibility and last sentence which states: "In all instances, the MMU should be proactive in recommending changes to the ISO/RTO."</i></p>
6/7/05	<p>Kormos memo to Harris & Zibelman reporting on MMU's 5/25/05 Analysis of Exelon Merger expressing concerns with the process and suggesting the need for PJM to develop protocols for gathering information on MMU analyses and discussing the analytical focus & method of the analyses so that PJM can understand the analyses without impacting MMU independence.</p>
6/9/05	<p>Bowring presentation to MMAC. Notes expect to make FERC filing in mid July covering modifications to market monitoring plan for clarification and consistency with recent FERC orders.</p> <p>Notes clarification of MMU reporting and the roles of FERC, PJM Board and PJM Management and clarification of roles re preparation of MMU Reports for FERC, PJM Board, PJM Management and authorized government agencies.</p>
6/21/05	<p>Hagele Memo to Spector, Flynn & Duane re Revisions to Market Monitoring Plan to Reflect FERC Policy Statement.</p> <p>See p. 9 – Memo notes that the attached Marked up Attachment M does not reflect the extensive changes suggested by the MMU to elaborate on the corporate reporting and governance policies between MMU & PJM management & the Board. Hagele notes the Law Dept regards the MMU's additions as matters of internal policy not appropriately codified in a tariff schedule. The MMU believes the provisions should be included in a revised Attachment M.</p>

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6/22/05	<p>Duane/Hagele Memo to Harris & Zibelman, (cc: Bowring) re revisions to Market Monitoring Plan to reflect FERC Policy Statement.</p> <p>Notes the Revised Plan has been discussed with Bowring and memo summarizes concerns raised by Bowring.</p> <p>Notes MMU does not support revised Plan in two areas: (1) Issue reserving to FERC investigation and confine MMU to monitoring; (2) Legal's refusal to incorporate within Tariff established internal corporate reporting & governance policies among Market Monitor, PJM Management & PJM Board.</p>
6/28/05	<p>Bowring Memo to Participants in MMU Process re Second Draft Revised Market Monitoring Plan.</p> <p>Proposes additional changes to Revised Plan to clarify the independence of the MMU.</p>
11/16/05	<p>Handwritten notes from meeting between Zibelman, Hagele, & Swimm.</p> <p>“Balance between Joe’s Independence and Phil’s Independence.”</p> <p>“Anything published must get notice to EVP.”</p> <p>“No guidelines for decisions.”</p> <p>“Andy has problem getting data from MMU.”</p>
1/5/06	<p>Meeting between Zibelman, Ott, Hagele & Swimm re MMU Procedures.</p>
1/5/06	<p>Draft of Procedures for the Implementation of the PJM Market Monitoring Plan with handwritten comments.</p> <p>(These are the internal procedures)</p>

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2/1/06	<p>Bowring/Ott memo to Harris on Stakeholder comments on Proposed Revisions to Attachment M.</p> <p>Includes some comments re removing oversight of MMU by PJM President and making it the Board.</p>
2/13/06	<p>E-mail chain Hagele to Swimm& Lewis (cc: Ott, Bowring & Mayes) sending draft of Internal procedures. States they are largely agreed among Joe, Andy & Hagele with two or three reservations on Joe's part as to matters of substance which will be presented to CMC.</p> <p>Bowring response e-mail notes: "It should be clear when this is sent to Board that I have the following issues/concerns: the process by which this document was developed was not an open nor appropriately collegial process. It is not a model for MMU/PJM interactions. The tone of the document does not make clear that independence of the MMU is a PJM goal. The Section on "Sharing". {appears to be incomplete}. It is therefore not correct to state that we have agreed on the document subject to a couple of 'reservations'."</p>
2/13/06	<p>Ott e-mail to Zibelman (cc: Hagele). "We thought we had fairly good agreement from Joe, with some reservations... but then he sent e-mail below. Please contact me on my cell to discuss."</p>
2/21/06	<p>CMC discussed internal MMU procedures and after discussion CMC unanimously endorsed the procedures. Bowring was present at meeting.</p> <p>Minutes do not reflect any Bowring statements.</p>

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3/21/06	<p>Zibelman Memo to Bowring/Ott attaching Internal Procedures (called Procedures for Implementation of the PJM Marketing Plan) which states they became effective 2/21/06. Notes Harris delegated to Zibelman responsibility to receive information and consult with MMU on his behalf.</p> <p>Memo highlights several areas re the procedures: Communications and Sharing of Resources (Notes must be done in open and timely manner and that MMU data should routinely be made available to other Depts.); Management of MMU Staff (MMU should hold regular staff meetings and invite individuals from other Depts.); Development of Market Rules Notes that although as per Attachment M, MMU is to be involved in the development & modification of PJM market rules, the responsibility for the development of the rules and coordination of related stakeholder & FERC processes lies with the Markets division and MMU is to act in an advisory & collaborative role.</p>
3/21/06	Harris memo to Zibelman & Bowring, (cc: Ott & Hagele) delegating to Zibelman responsibility to receive information and consult with MMU on Harris' behalf.
4/27/06	PJM files Revised Attachment M – (Became effective 7/17/06).
5/15/06	Bowring appears at FERC Hearing on Role of RTO/ISO Market Monitors
6/6/06	Mannheimer Memo to Zibelman attaching summary and reference documents for Bowring Midyear Review. (We do not appear to have attachments)
6/7/06	Morais memo to Hagele re comparison of PJM Market Monitor statements at FERC Technical conference and PJM Board of Managers review of MMU.

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6/12/06	Hagele Memo to Harris & Zibelman comparing Bowring 5/18/06 testimony at FERC open meeting on market monitors to 11/03 PJM Board Policy Statement on Market Monitor. Generally finds Bowring's testimony does not contradict the basic tenets but notes that discussion of MMU independence at times conflicts with the Board's policy direction.
6/13/06	Summary of positions in filings in connection with PJM Market Monitoring Plan (Docket No. ER06-826-000.) Generally opposition reflected desire for more independence of MMU.
6/21/06	PowerPoint entitled: MMU Review – Briefing Document. Notes because FERC has not defined and RTO's have not produced standard design for MMU much ambiguity and problems develop & fester. Chart compares differences between MMU perspective and RTO perspective.
10/24/06	Bowring draft memorandum to Mannheimer re Data flow and related issues. Memo notes based on series of discussions with PJM Management, a series of adjustments should be made to way MMU manages data and ways in which MMU interacts with other parts of PJM organization. MMU will: (1) increase ITS role in transfer of data; (2) MMU will transition responsibility for data posting and storage from MMU to Markets Division; (3) MMU will establish procedures for sharing data and certain analyses; (4) MMU will establish procedures for cooperation between MMU and other parts of PJM organization.
11/2/06	MMU employee e-mail to Bowring reminding him that due to EVP administrative protocols need to advise Board of modifications to various indices.
11/5/06	Bowring e-mail to MMU employee seeking all documents she has been working on including annotated Attachment M and annotated EVP Protocols (which is Internal procedures effective 2/21/06).

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12/1/06	MMU employee e-mail to Bowring attaching annotated EVP Administrative protocols and various forms to be used to comply with the EVP Protocols.
12/18/06	MMU employee e-mail to Bowring attaching revised version of annotated internal procedures and notes: "We need to discuss prior to next steps."
12/26/06	<p>Bowring email to MMU employee attaching draft memo regarding MMU review of EVP Confidential MMU Procedures.</p> <p>Raises issues that Procedures limit MMU actions under Attachment M; are in some instances inconsistent with Board's 2003 Review of Market Monitoring Organization. Also notes procedures document should be public and posted on Website; Suggests verb "consult" be changed to notify to avoid implication that MMU needs pre-approval; objects to formal requirement to provide advance copies (although notes it has always been done) because raises pre-approval issue.</p>
12/26/06	<p>MMU employee comments to Bowring Memo re review of Procedures.</p> <p>Made some edits and commented that issues about "consult" and advance copies might be deemed repetitive but likes the substance of them.</p>
12/27/06	E-mail chain between Bowring and MMU employee re issues with memo on review of procedures. Raises concern as to how to caption them due to various terms used to name them and other concerns.
12/29/06	<p>Bowring Memo to Zibelman addressing Internal Procedures.</p> <p>Notes at your request I have reviewed the internal procedures and created set of formal MMU Procedures for implementing them.</p> <p>Memo includes much of what was addressed in MMU employee's annotated version of internal procedures and what was in draft 12/26 memo.</p>

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1/22/07	<p>Bowring e-mail to Johnston attaching (1) annotated 1/12/07 Memo to Zibelman; (2) internal MMU procedures; (3) MMU accomplishments for 2005; (4) MMU accomplishments for 2006.</p> <p>Annotated comments include Bowring claim that MMU Procedures were developed during last 4 months of 2006 and provided to Zibelman on 12/29/06. Bowring's statement that he had ongoing discussions with Ott about approach to issue resolution since 7/06.</p>
1/30/07	<p>Bowring e-mail to Haymes (FERC) that he expects that PJM Management, as they have done in past, will order him to modify SOM. Seeks opinion from Commission so that he knows how to proceed.</p>
2/2/07 2/3/07	<p>Email exchange between MMU employee & Bowring where MMU employee advises on issues/concerns re the independence of the MMU in preparation for upcoming meeting with Board. P. Harris asked Bowring to prepare slides on the independence issue of the MMU to be presented to the Board.</p>
2/6/07	<p>Bowring slides to CMC on independence of the MMU.</p> <p>Recommends that Market Monitoring Plan be modified to be consistent with the need for MMU independence.</p> <p>Seeks no reporting obligation to any PJM management or staff except Board and President (but administratively only).</p>
3/20/07	<p>Zibelman email to Coughlin, Kinsey & Schneider (cc: Harris, Ott & Duane) attaching Spector Memo on FERC precedent on structure of market monitoring function & methods relative to mitigation.</p>
3/27/07	<p>Letter from various consumer advocate offices on the structure of the MMU.</p>
4/2/07	<p>PJM 2007 Strategic Report posted on Web Site.</p>