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November 10, 2011

Douglas R. Nazarian  
Chairman  
Maryland Public Service Commission

William O'Brien  
Executive Director  
Delaware Public Service Commission

Lee A. Solomon  
President  
New Jersey Board of Public Utilities

Betty Ann Kane  
Chair  
DC Public Service Commission

To the four State Commissions:

Thank you for your November 3<sup>rd</sup> letter explaining your concerns with the *Brattle Group's* Second Performance Assessment of PJM's Reliability Pricing Model, which was posted on August 26.

The Board was somewhat surprised because we may have missed opportunities for a frank exchange of views between state commissions and PJM. Your concerns that the *Brattle* report is incomplete were not expressed during the August 29<sup>th</sup> briefing that PJM hosted for state commissions; were not raised prominently during the 20+ stakeholder meetings that PJM conducted over recent months to gather feedback on RPM; and were not clearly identified during the RPM panel discussion or informal talk at last month's OPSI Annual Meeting. Though we appreciate hearing your views now, we regret that we did not recognize them earlier.

Our engagement with outside experts like the *Brattle Group* was meant to satisfy the PJM tariff requirement to determine whether RPM was performing to meet its design objective, which is to ensure that sufficient capacity is procured to meet reliability requirements. We believe the report met this objective.

PJM also has sought to use *Brattle's* expertise to inform the stakeholder community, vet important issues and achieve consensus when possible. This was not meant to ignore recommendations previously offered by the Independent Market Monitor. In fact, PJM specifically requested that *Brattle's* staff interview the IMM, provide an early draft of the report and consider the IMM's comments for the posted report. The *Brattle* report's chief finding – that the RPM is performing well – is generally in line with the IMM's views that the capacity market is producing competitive outcomes. Several of the refinements suggested by *Brattle* reflect IMM recommendations that stakeholders have previously considered but not approved.

Please understand that the extensive discussion of the *Brattle* report does not end PJM's consideration of possible RPM refinements. PJM stakeholders have recently separated "short-term" RPM issues from "long-term" matters that need additional review. To better inform this on-going stakeholder process and to respond to your request, PJM will invite discussion of the IMM's recommendations, especially regarding the obligations of capacity resources to participate in the PJM energy market. We expect this continuing stakeholder process will directly address your issues of concern.

Like your state commissions, PJM and its members do not agree with every IMM recommendation but we do value expertise and fair review of stakeholder concerns.

Thank you again for sharing your concerns.

Sincerely,

A handwritten signature in black ink that reads "Terry Boston". The signature is written in a cursive style with a large, sweeping initial "T".

Terry Boston