February 6, 2015

Re: February 18, 2015 Liaison Committee Final Agenda

Dear PJM Board of Managers:

Thank you for your February 3, 2015 letter responding to the Liaison Committee’s (“LC”) proposed agenda for the February 18, 2015 meeting. We concur with your assessments, including both the expansion of the first topic, as well the need to defer some discussion to future meetings, and have amended the agenda in accordance with your input. We note also that given the importance and scope of what remains on the agenda, some items may warrant further discussion at a future meeting as well.

1. Opening Remarks (5 minutes)

2. Order No. 1000 Implementation - Transmission Build and Planning, Including Open Window Processes (20 minutes) – A discussion of the status and challenges of PJM’s implementation of Order No. 1000, relative to local, regional and inter-regional planning. Discussion will gather perspective on challenges faced, successes accomplished, and whether it is working as intended, including implementation of open windows by PJM in response to Order No. 1000. Discussion will cover near and long term thoughts for planning process, additional issues or planning approaches that should be considered, and expectations for outstanding open window decisions.

3. Board Decision Making Process and Stakeholder Consensus Building (50 Minutes) – A discussion regarding the factors that impact and result in rule and program changes.

Prompted by the recent and numerous decisions of the Board initiating FERC filings, all with varying levels of stakeholder support and contribution, the LC will discuss how the Board generally considers matters in front of it for decision, including factors that contribute to the decision making process. Intended as a high level discussion to provide insight on what influences the Board decisions with the objective of learning, in order to inform discussion of future matters. Items to help guide the conversation include:

- How does the Board weigh cost versus reliability in decisions? What other factors influence decisions; e.g. political or policy influences, and how do they play a role?
- When actions are taken in response to extraneous factors, such as last year’s Polar Vortex, changes in upstream market dynamics, and court activity impacting demand response, how does the Board prioritize and assess decisions relative to such external factors?
- Does the Board feel there are remaining actions on topics related to recent decisions?

Prompted by the multiple instances where stakeholder were unable to reach consensus, the LC will discuss views on the benefits of stakeholder consensus, factors impacting ability or inability to achieve consensus, as well as thoughts on changes to facilitate consensus. Items to help guide the discussion include:

- How do sectors and member companies develop consensus, and what factors may be preventing consensus?
- Is it reasonable to expect that consensus can be reached on pocketbook issues?
- In the absence of stakeholder consensus, what information do stakeholders believe is important for the Board to consider?
4. **Regulatory Stability and the Role of Wholesale Markets (35 Minutes)** – A discussion regarding the lack of stability in the PJM markets engendered by the many significant rule changes proposed by PJM this year, as highlighted by multiple changes impacting RPM and the energy and ancillary services markets, including but not limited to changes impacting cleared auctions. Given the importance of stability in properly functioning wholesale competitive markets, the LC will discuss the balance between regulatory stability, competitive market outcomes, and maintaining a reliable system, addressing the current state of that balance and where we go from here.

5. **Proposed General Session Topic (5 Minutes)** – A brief introduction of a General Session topic as proposed by the members of the LC.

6. **Closing (5 Minutes)**

We look forward to a productive discussion at the February 18th meeting and greatly appreciate the Board’s time and consideration of matters important to the members.

Yours truly,
Katie Guerry, Liaison Committee Chair