



DRAFT
Minutes
PJM Interconnection
Markets and Reliability Committee
The Chase Center, Wilmington, DE
July 30, 2009
9:30 am

Members Present:

Andy Ott, Chair
Dana E. Horton
Susan E. Bruce, Esq.
Susan E. Bruce, Esq.
Colin Mount
Susan E. Bruce, Esq.
James Jablonski
James Jablonski
James Jablonski
James Jablonski
Ronald Belbot
Gloria Godson

Jason Barker

John W. Horstmann
Bruce Campbell
Kenneth Schisler
William Berg
Donald C. Miller
Susan E. Bruce, Esq.
Dennis Sobieski
Chloe Cromarty
Robert O'Connell
Susan E. Bruce, Esq.
Susan E. Bruce, Esq.
Susan E. Bruce, Esq.

Steve, McDonald
Susan E. Bruce, Esq.
Kenneth Lotterhos
Susan E. Bruce, Esq.
Bruce Campbell

PJM Interconnection
AEP
Rep'g. Air Liquide Industrials U.S., L.P.
Rep'g. Air Products & Chemicals, Inc.
Allegheny Energy Supply Company, L.L.C.
Rep'g Borough of Ephrata
Rep'g Borough of Lavallette, New Jersey
Rep'g Borough of Park Ridge, New Jersey
Rep'g Borough of Seaside Heights
Rep'g Borough of South River, New Jersey
Castlebridge Energy Group, LLC
Conectiv Energy Supply, Inc. (voting on behalf of
Potomac Electric Power Company)
Constellation Energy Commodities Group (voting
on behalf of Baltimore Gas and Electric
Company)
Dayton Power & Light Company (The)
EnergyConnect, Inc.
EnerNOC, Inc.
Exelon
FirstEnergy Solutions Corp.
Rep'g Gerdau Ameristeel Energy, Inc.
Hess Corporation
IPA Trading LLC
JP Morgan Ventures Corporation
Rep'g Kimberly-Clark Corporation
Rep'g. Lehigh Portland Cement Company
Rep'g. Letterkenney Industrial Development
Authority – PA
Rep'g Liberty Electric Power, L.L.C..
Rep'g. Linde, Inc.
Long Island Lighting company d/b/a LIPA
Rep'g. MeadWestvaco Corporation
MidAtlantic Power Partners, L.L.C.



Hal Siegrist
David Applebaum
Diane Huis
Mark Gilrain
Susan E. Bruce, Esq.
Ed Tatum
Frank A. Rainey
David Evrard
Thomas W. Hyzinski
Susan E. Bruce, Esq.
Susan E. Bruce, Esq.

Marjorie Phillips

Deepak Ramlatchan
Neal Fitch
Barry Trayers
Ronald Belbot.
John Brodbeck
Susan E. Bruce, Esq.
Ann Scott
James Jablonski
Louis Slade
Susan E. Bruce, Esq.

Mirant Potomac River, L.L.C.
NextEra Energy Power Marketing, LLC
North Carolina Electric Membership Corporation
NRG Power Marketing, L.L.C.
Rep'g. Occidental Power Services, Inc.
Old Dominion Electric Cooperative
PEI Power Corporation
Pennsylvania Office of Consumer Advocate
PPL EnergyPlus, L.L.C.
Rep'g. Praxair, Inc.
Rep'g. Proctor and Gamble Paper Products
Company (The)
PSEG Energy Resource & Trade, L.L.C. (voting
on behalf of Public Service Electric and Gas
Company)
Rockland Electric Company
RRI Energy Services, Inc.
Sempra Energy Trading, LLC
Rep'g. SeverStal Sparrows Point, L.L.C.
Shell Energy North America (US), LP
Rep'g Sunoco, Inc. (R&M
Tenaska Power Services Company
Vineland Municipal Electric Utility
Virginia Electric and Power Company
Rep'g. Wellsboro Electric Company

Members Present Via Teleconference:

Steven Giles
Ron Ryckman
Christopher Norton
Jeffrey Whitehead
Brett Kruse
Jeffrey Whitehead
George Braulke
Jeffrey Whitehead
Ronald Carrier

Kenneth Jennings
Jeffrey Whitehead
Dale Flaherty
Jeffrey Ellis
Lydia Vollmer
Jeffrey Whitehead

Allegheny Electric Cooperative, Inc.
Ameren Energy Marketing Company
American Municipal Power – Ohio, Inc.
Rep'g. Blue Ridge Power Agency, Inc.
Calpine Energy Services, L.P.
Rep'g. Central Virginia Electric
Rep'g Covanta Energy Group, Inc
Rep'g. Delaware Municipal Electric Corporation
Direct Energy Business, LLC

Duke Energy Business Services, Inc.
Rep'g Easton Utilities Commission
Duquesne Light Company
Edison Mission Marketing & Trading, Inc.
EPIC NJ/PA, L.P.
Illinois Municipal Electric Agency



Daryn Barker

George R. Braulke
Steven T. Jeremko
Robert Coulbeck
George Braulke
Jeffrey Whitehead

Louis A. DeCicco
Richard Gill

Louisville Gas and Electric Company/Kentucky
Utilities Company
Rep'g. NAEA Rock Springs, L.L.C.
New York State Electric & Gas Corporation
RBC Energy Services, LP
Rep'g RC Cape May Holdings, L.L.C.
Rep'g. Southern Maryland Electric Membership
Corporation
South Jersey Energy Company
UGI Utilities, Inc.

Also Present Via Teleconference:

Ron Matlock
Brock Ondayko
Lawrence M. Conley
Kevin Shipp
Bill Thompson
David Bloom
Stacey Harman
Joel Bearden
Joel Benchek
Lisa Yoho
John Miller
Rehan Gilani
Brett Feldman
Stacey Harman

Guy Filomena
Andrea Maucher
Tyler Kuhn
Stephen Hirsch
Robert G. Burner
Douglas Biden
Scott Gordon
Scott Everngam
Jim Benchek
Gerald Huff
Mark Travaglianti
Glen Thomas
Robert J. Patrylo
Nick Bowden
Mark Hanson

Aces Power Marketing
AEP
Allegheny Energy Supply Company, L.L.C.
Ameren Energy Marketing Company
Appalachian Power
Baltimore Gas & Electric Company
Baltimore Gas & Electric Company
Cargill Power Markets, L.L.C.
FirstEnergy Solutions corporation
Citi Group Energy
Commonwealth Edison
ConEdison Energy, Inc.
Constellation NewEnergy, Inc.
Constellation Energy Commodities Group (voting
on behalf of Baltimore Gas and Electric
Company)
Customized Energy Solutions
Delaware Public Service Commission
DC Energy LLC
Downes Associates, Inc.
Duke Energy Business Services, Inc.
Electric Power Generation Association
EPIC NJ/PA, L.P.
Federal Energy Regulatory Commission
FirstEnergy Solutions Corp.
FirstEnergy Solutions Corp.
FirstEnergy Solutions Corp.
GT Power Group
H-P Energy Resources, L.L.C.
Illinois Commerce Commission
Illinois Commerce Commission



Randy Rismiller
Steven Lieberman
Elizabeth Kimmel
Charles Vansant
Tom Hoatson
Robert Armstrong
Miles Mitchell
Craig Taborsky
Al Freeman
Alison Johnson
Jeffrey Mays
Patricia L. Esposito
Abraham Silverman
Yohannes Mariam

Fred Heizer
Milena Kline
Richard Marinelli
Alan Alesius
Glen Boyle
Susan Covino
Paul Flynn
Adrien Ford
Susan Kenney
Sean McNamara
Jeanine Schleiden
Paul Sotkiewicz
Jeff Williams
Richard Marinelli
Chris Fan
Norman Mah
Gerry Binder
Sunny Nettle
Ayana Wood
Beth Martin

Also Present:

Craig Galligan
Paul Williams
Daniel Patt
Patricia Hervochon
Hertzel Shamash
Mark Volpe
Dave Weaver
Herbert Yan

Illinois Commerce Commission
International Power
Kimmel Energy Association
Longview Power, L.L.C.
LS Power Development, LLC
Maryland Public Service Commission
Maryland Public Service Commission
Maryland Public Service Commission
Michigan Public Service Commission
Midwest ISO
Monitoring Analytics
NRG Power Marketing, L.L.C.
NRG Power Marketing, L.L.C.
Office of the People's Counsel for the District of
Columbia
Ohio Public Utilities Commission
Platts
Public Service Electric & Gas Company
PJM Interconnection
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PJM Interconnection
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PJM Interconnection
PSE&G
Rockland Electric Company
Rockland Electric Company
Sempra Energy Trading, L.L.C.
Tenaska Power Services Company
UGI Utilities, Inc.
Wisconsin Electric Power Company

Allegheny Energy Supply Company, L.L.C.
ArcelorMittal USA, Inc.
Areva T&D
PSEG Energy Resources and Trade LLC
Dayton Power & Light company (The)
Dynergy Power Marketing, Inc.
Exelon
JP Morgan Ventures Corporation



2. PJM MANUALS

- A. Ms. Horning reviewed proposed revisions to manual M11: Scheduling Operations and M28: Operating Agreement Accounting to reflect Balancing Operating Reserve Construct changes as approved by FERC (ER08-1569). Mr. Seigrist proposed a friendly amendment to remove the highlighted bullet on page 28 of the proposed draft (regarding Parameter Limited Schedules) pending additional analysis to be presented to a future Markets and Reliability (MRC) meeting. There was no objection to the friendly amendment. Following discussion, the proposed revisions were approved with one objection and three abstentions.

- B. Ms. Horning reviewed proposed revisions to manual M11: Scheduling Operations to incorporate revisions to allow generators with negative offers to set price in the Day-ahead Market during a Minimum Generation event. Following discussion, the proposed revisions were approved with five objections and four abstentions.

- C. Ms. Horning reviewed proposed revisions to M11: Scheduling Operations to incorporate enhancement to DSR economic aggregation rules for resources providing Ancillary Services which were discussed and approved at TF719. Following discussion, the proposed revisions were approved with six objections and seven abstentions.

- D. Mr. Williams reviewed proposed revisions to manual 15: Cost Development Guidelines, Section 9 - Regulation Cost Guidelines. Following discussion, the proposed revisions were endorsed with no objections and no abstentions.

- E. Mr. Dessender reviewed proposed revisions to M27: Open Access Transmission Tariff Accounting to remove Network Integration Transmission Service Rates and Annual Black Start



Revenue Requirements for inclusion on the PJM website. Following discussion, the proposed revisions were approved with no objections and no abstentions.

F. Mr. Dessender reviewed proposed revisions to M28: Operating Agreement Accounting to incorporate rules as approved by FERC on March 29, 2009 (Docket No. ER09-789) to allow for the recovery of lost opportunity costs incurred by generating market buyers and market sellers during the hour preceding the initial regulating hour and the hour following the final regulation hour. Following discussion, the proposed revisions were approved with no objections and no abstentions.

G. Mr. Dessender reviewed proposed revisions to M29: Billing required as a result of FERC Order ER09-650 approved on April 3, 2009 to implement weekly billing and payment. Following discussion, the proposed revisions were approved with no objections and no abstentions.

H. Mr. Boyle reviewed proposed revisions to Manual M40: Certification and Training Requirements to modify certification requirement for LCC operators to require certification prior to operator taking shift as of 7/1/2010, to add description of Systematic Approach to Training (SAT) method utilized by PJM to Section 4, and to perform annual review of the manual. Mr. Scarpignato proposed a friendly amendment to section 4.2.1 to modify language in the second paragraph of page 22 or the proposed revisions to add the phrase "(or more frequently)". There were no objections to the friendly amendment. Following discussion, the proposed revisions were approved with no objections and one abstention.

3. PROPOSED UNIT SPECIFIC OPPORTUNITY COST CALCULATION

Mr. Williams presented the recommendation developed by the Cost Development Task Force to address the opportunity cost compliance obligation for the FERC TPS Order EL08-47-000. Dr.



Bowring noted that there may be a need for future revisions to provide certain corrections to calculations. Following discussion, the proposed revisions were endorsed with no objections and no abstentions. Mr. Ott noted the potential need to clarify the Market Monitor's approval rights described in the Manual contingent on FERC disposition of PJM's pending compliance filing on Order 719.

4. INCREMENTAL ARRS FOR RTEP UPGRADES

Mr. Bastian presented proposal Tariff revisions for the allocation of Incremental ARRs for RTEP upgrades below 500 kV. Following discussion, the proposed revisions were endorsed with no objections and six abstentions.

5. PROPOSED ENHANCEMENTS TO LONG TERM FTR AUCTION

Mr. Horger presented proposed Operating Agreement and Tariff revisions to enhancement to the current PJM market structure for Long Term FTR Auctions. Following discussion, the proposed revisions were approved/endorsed with no objections and five abstentions.

6. MARKET SETTLEMENTS CHANGES

A. Mr. Dessender presented the proposal developed by the Market Settlement Working Group (MSWG) to allow an additional load reconciliation settlement for a given quarter on a 7-month lag. Members discussed benefits and concerns regarding the proposal. The proposal will be brought to the MRC at its September 23, 2009 meeting for approval.

B. Mr. Dessender presented proposed Tariff updates for the proposal developed by the MSWG to change the Meter Error Correction charge allocation. These proposed Tariff revisions will be brought to the September 23, 2009 MRC for endorsement.



7. CREDIT RISK MANAGEMENT STEERING COMMITTEE (CRMSC)

- A. Ms. Daugherty presented recommendations from the CRMSC related to Discretion for Loss of Short-term Load Contracts, Reinstatement Limitations of Defaulting Members, and Early Payments for Members with Unsecured Credit. She reported that these recommendations will be brought to the September 23, 2009 MRC meeting for endorsement. She also presented CRMSC recommendations regarding FTR Activity Removal in Peak Market Activity Credit Calculations, and Financing of Monthly Payments by Municipalities. Following discussion, the recommendation regarding FTR Activity Removal in Peak Market Activity Credit Calculations was endorsed with no objections and one abstention. The recommendation regarding Financing of Monthly Payments by Municipalities was endorsed in a sector-weighted vote with 3.72 in favor.
- B. Mr. Million presented a proposal to change the credit requirements for participation in capacity auctions. Following discussion, he reported that this proposal will be brought to the September 23, 2009 MRC meeting for endorsement.

8. PRELIMINARY PJM 2010 PROJECTS

Ms. Daugherty presented the preliminary 2010 project portfolio. She discussed the preliminary project areas of Application Replacements/Retrofits, Current Applications and System Reliability, Facilities and Technology Infrastructure, Interregional Coordination and New Products/Services.

9. HOLISTIC REVIEW OF GENERATION COMPENSATION

Mr. Krauthamer, Maryland Public Service Commission, presented on behalf of a number of stakeholders a request for information and for PJM and the Independent Market Monitor to perform a holistic review of generation compensation. The members discussed the specifics of the request, the purpose of the proposed study, and how the results of any such study would be used.



Following discussion, Mr. Ott and Dr. Bowring determined to review the request and report to the September 23, 2009 MRC meeting with additional information and a potential path forward.

Determination of the future actions in this regard will be made following Mr. Ott's and Dr. Bowring's discussion at that meeting.

10. CAPACITY MARKET EVOLUTION COMMITTEE (CMEC)

Mr. Bastian reviewed the posted matrix of CMEC developed proposals for filing on September 1, 2009. He discussed which of these proposals were associated with compliance filing requirements. Information regarding each of the proposals was posted, and an opportunity for review of each proposal was provided. No specific discussion occurred regarding the following topics:

- RPM Auction Business Rules
- New Entry Pricing
- Incremental Auctions:
 - allocation of the Short Term Resource Procurement Target in the Incremental Auctions
 - clarification of how & when PJM will procure or sell back capacity in Incremental Auctions
 - allocation of excess capacity due to a reduction in Reliability Requirement to Zonal LSEs for use as replacement capacity under certain circumstances
 - Incremental Auction Avoidable Cost Rate (ACR) values
- Demand Response Participation in RPM:
 - elimination of Offer Caps for Demand Resources, including revisions to the Three Pivotal Supplier Test to only include physical generation assets



- revisions to modify the notification for Planned Demand Resources from 45 days to 15 business days
- modifying the Load Management Test Failure Charge Allocation
- FRR Load Forecast Changes

Specific discussion followed on the following proposals:

- Automated Adjustment to Net CONE, including presentation of the four alternate proposals
- Alternative proposal provided by Mr. Bowden, Illinois Commerce Commission regarding the design of the Incremental Auctions
- A proposal by Mr. Conley, Allegheny Energy Supply to eliminate the 2.5% Holdback in the RPM Base Residual Auction

The MRC will be asked to endorse these proposals at a special conference call meeting to be held on August 18, 2009.

11. MRC ANNUAL PLAN

Mr. Anders reviewed the 2010 MRC Annual Plan. The Plan was accepted as presented

12. MARKET IMPLEMENTATION (MIC) REPORT

Mr. Dessender provided an update on the committee's activities, including proposed revisions to manuals, an update of the work and charter of the Scarcity Pricing Working Group, discussion of gas pipeline data availability, a discussion of proposals from the Marginal Losses Users' Group regarding standardizing losses calculations, discussion of the Board of Managers' statement regarding demand response and price responsive demand, and a discussion of the 2011/12 delivery year incremental auction results.



13. ORDER 890 COMPLIANCE FILING

Mr. McGlynn presented proposed Operating Agreement revisions required pursuant to FERC's May 21, 2009 order regarding Transmission Owners' Local Plans. Following discussion, he reported that the proposed Operating Agreement revisions will be brought to the September 23, 2009 MRC meeting for endorsement. The compliance filing is required to be made no later than September 28, 2009.

14. OPERATING COMMITTEE (OC) REPORT

Mr. Souder provided an update on recent OC activities including updates on standards development, development of the new Manual 39 - Nuclear Plant Interface Coordination, modification to critical asset guidelines, and discussion of voltage schedule and topology information sharing.

15. TRANSMISSION EXPANSION PROJECTS

Mr. McGlynn provided an update on the status of transmission expansion projects. He reported that there was no change in the status of the major backbone transmission projects. He also reported that PJM was working with the Planning Committee on enhancements to PJM.com regarding information available on the transmission expansion projects.

16. PLANNING COMMITTEE (PC) REPORT

Mr. McGlynn provided an update on recent PC activities, including the previously discussed Order 890 compliance filing, NERC Transmission Planning Standards under review, an update regarding Installed Reserve Margin development, and development of manual updates regarding Local Deliverability Area definitions.



17. FUTURE AGENDA ITEMS

No new future agenda items were identified.

18. FUTURE MEETINGS

2009

August 18, 2009	2:00 PM	Conference Call
September 23, 2009	9:30 AM	Baltimore, MD
October 28, 2009	9:30 AM	Wilmington, DE
November 18, 2009	9:30 AM	Wilmington, DE

Author: D.A. Anders
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