



Market Implementation Committee Report
PJM Interconnection
Operating Committee / Markets and Reliability Committee / Members Committee
PJM Conference & Training Center
Norristown, PA
September 2012

The Market Implementation Committee met on September 12, 2012 at the PJM Conference and Training Center in Norristown, PA. The following topics were discussed in the meeting:

Topics for Endorsement

A) Demand Response Manual Revisions

Mr. Langbein reviewed conforming changes to Manual 11 and Manual 28 to support changes implemented in response to FERC Order 745, the FERC order to eliminate economic demand response compensation under the Net Benefit Threshold and the recent demand response regulation FERC order. Mr. Campbell from EnergyConnect reviewed a presentation backed by DR supporters highlighting concerns with the process for allowing an alternative customer baseline (CBL). The committee decided to move forward with a vote on the manual language and suggested that the DR supporters' technical concerns around using an alternative CBL be raised through a separate stakeholder process. **The committee approved the proposed manual changes with 1 objection and 0 abstentions.**

B) Financial Transmission Rights

Mr. Canter from AEP presented an issue charge to review Day-Ahead, Real-Time and Financial Transmission Rights (FTR) modeling that may result in FTR underfunding through work under the FTR task force. After discussion suggesting that the key work activities for this issue need to be further refined to avoid duplication of efforts already completed while compiling PJM's FTR Revenue Stakeholder Report, **the committee approved the issue charge with 1 objection and 0 abstentions.**

C) Transactions Task Force Update

Mr. Ott reiterated previously presented concerns about the stagnation of the Transactions Task Force (TTF). Ms. Sidhom from Pierce Atwood followed Mr. Ott's presentation with a motion to sunset the TTF. An alternate motion was made with the support of Monitoring Analytics to suspend the TTF pending further analysis to be conducted by Monitoring Analytics with a clause to immediately sunset the group if the proposed analysis was not completed by the end of the year. **The committee voted on the motion to suspend the TTF with 91 in favor, 109 opposed and 0 absentions (45.5% in favor). The committee voted on the motion to sunset the TTF with 116 in favor, 78 opposed and 6 abstentions (59.8% in favor).** Based on voting, the TTF will sunset immediately.

Other Topics

D) Make Whole Payments to Black Start Support Units

Ms. Walter reviewed the proposed work plan for the make whole payments for black start support units issue. Webinars will be held on a monthly basis with the goal of returning to the MIC with a proposal by no later than March 2013.

E) Avoidable Cost Rate (ACR) Triennial Review

Ms. Walter reviewed PJM's analysis and recommendations for the Avoidable Cost Rate triennial review as required by the tariff. PJM's recommendations include a) consolidation of default ACR categories b) adjustment for actual Handy-Whitman Index values when escalating future ACR values and c) updating the



default ACR values to reflect updated information. Based on stakeholder requests, an MIC working session was scheduled for September 19th to discuss the ACR review and recommendations in further details.

F) Inter-regional Coordination Update

Mr. Williams provided an update on inter-regional coordination efforts. The FERC hearings on Michigan-Ontario PARs cost allocation resumed the week of September 10. PJM and MISO are continuing efforts through joint stakeholder meetings to improve coordination and reduce seams issues between the two RTOs.

G) Price Responsive Demand Compliance Filing

Ms. Horning presented a proposal for a process to facilitate coordination and information sharing between non-LSE Price Responsive Demand providers and LSEs, as per the compliance directive from FERC in Docket No. ER11-4628-000. This item will be brought back to the October MIC meeting to solicit further feedback on the direction to be taken.

H) Balancing Congestion Allocation

Mr. Horger continued the discussion on potential alternative methods for allocating balancing congestion. Participants were asked to submit any additional options they would like to be considered to Tim Horger by September 19, after which a poll will be sent to participants in order to winnow the potential set of allocation methods and gauge the level of support for pursuing an alternative allocation of balancing congestion. Discussion will then continue at the October MIC.

I) Analysis of Summer 2012 Balancing Operating Reserve Cost Allocation

Mr. Keech reviewed PJM analysis on drivers behind abnormally high balancing operating reserve rates during July 2012. The analysis revealed CT lost opportunity cost payments as the main driver behind the high rates. PJM is continuing analysis to identify any additional causes and to identify remedies.

J) Calculation of Lost Opportunity Cost for CT Shoulder Hours

Mr. Slade from Dominion reviewed an issue charge addressing the calculation of lost opportunity cost for combustion turbines during shoulder hours. The committee will be asked to approve the issue charge at the October meeting.

K) Intermittent Resources Task Force Charter Revision

Mr. Schuyler reviewed updates to the Intermittent Resources Task Force charter which were unanimously endorsed by the task force. The updates simply denote work that has been completed by the task force.

L) Churchtown Special Protection Scheme

Ms. Garbini from PHI reviewed the retirement of the Churchtown special protection scheme. The retirement is slated for the end of the month.

M) Demand Response Participation in the Synchronized Reserve Market

Mr. Langbein reviewed an Operating Committee proposal addressing increasing the limit on demand response participation in the synchronized reserve market from 25% to 33%. This proposal will be voted on via the Operating Committee and Markets and Reliability Committee.

The next MIC meeting is scheduled for Wednesday, October 10, 2012 at the PJM Conference and Training Center.