

Mr. Ake Almgren  
Vice Chair, PJM Board of Managers  
PJM Interconnection, LLC  
2750 Monroe Boulevard,  
Valley Forge Corporate Center  
Audubon, Pennsylvania 19403

February 2, 2018

Re: February 13, 2018 Liaison Committee Meeting Final Agenda

Dear Mr. Almgren:

The members of the Liaison Committee (“LC”) and I greatly appreciate the Board of Managers’ (“Board”) January 19, 2018 correspondence offering support for the agenda topics provided. We agree as you noted that each were topics of discussion at LC meetings with the Board during 2017 and developments indicate that each of the topics are timely for discussion. Upon consideration of the Board’s much welcomed feedback, the February 13, 2018 LC meeting agenda follows:

**1. Opening Remarks (10 minutes)**

**2. Resiliency/DOE NOPR aftermath and related FERC order directive to the RTOs (35 minutes)**

On January 8, the FERC issued an order initiating a new proceeding to evaluate the resilience of the bulk power system in regions operated by RTOs and ISOs. The Order contemplates that each RTO will respond, within 60 days from the date of the Order, to certain specific questions so that FERC can holistically examine system resilience. The FERC notes that the “resilience of the bulk power system will remain a priority of this Commission.” In this regard, the FERC seeks to elicit thoughts on how to “modify existing market-based constructs, operating procedures, NERC Standards, or planning processes” to better address resilience.

Given the issuance of this order, and the importance of this topic to PJM’s members, the sectors wish to discuss with the Board some of the fundamental issues raised by the FERC in its order. The issues include sector views on the definition of resilience, risks to resilience and how to best address high-impact, low-frequency events, and what changes should be made to existing market operations and planning constructs to ensure future system resilience.

**3. Price Formation/Fast Start (35 minutes)**

PJM has promoted price formation as one of the keys to the future of PJM’s resilience plan. It seems likely that PJM will continue with this emphasis in its initial responses to the January 8 FERC Order on grid resilience. The PJM stakeholders agree with the significance of energy price formation to the future of the PJM grid, and we want to share our initial views with the Board at this time, before PJM files their initial comments to the FERC.

- In a related matter, we would like to discuss the separate FERC docket on fast-start resources, because this was part of PJM’s overall price formation whitepaper, and we would like to share our thoughts on the inter-related nature of the two dockets.

### 3. Capacity Markets and Public Policy (35 minutes)

The Stakeholder process at the Capacity Construct/Public Policy Senior Task Force (CCPPSTF) (hereafter the "Task Force") addressing ways to accommodate state public policy in the PJM capacity market, has reached a conclusion. The only Task Force proposal to reach a simple majority at the Task Force was the IMM's MOPR-Ex proposal with 63% in favor (status quo received 64% support). PJM senior staff has indicated it is not supportive of the MOPR-Ex proposal and confirmed that the PJM staff sponsored two-step capacity repricing construct (PJM Proposal) is the staff preferred solution. Indeed, staff has indicated that their recommendation to the Board will be to file the PJM Proposal under section 205 although the IMM proposal received majority support at the Task Force.

There is disagreement among PJM Members as to next steps, given the MOPR-Ex proposal and PJM's lack of support for the same. The sectors wish to offer their views to the Board of Directors on the future of RPM and how they believe PJM should proceed.

### 4. Closing Remarks (5 minutes)

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The LC members and I greatly appreciate the Board's consideration of these important issues and look forward an engaging discussion during our February 13, 2018 meeting at the Willard InterContinental Hotel in Washington DC.

Very truly yours,



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Chuck Dugan  
East Kentucky Power Cooperative, Inc.  
*Liaison Committee Chair*

CC: Mr. Howard Schneider, PJM Interconnection, LLC  
Mr. Andy Ott, PJM Interconnection, LLC  
Mr. Dave Anders, PJM Interconnection, LLC