



LMPMWG Update

Members Committee
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Joseph E. Bowring
Manager
PJM Market Monitoring Unit



LMPMWG

- Local Market Power Mitigation Working Group (LMPMWG)
 - Meeting since September 2002
 - Evolution of proposals
 - FERC required a filing by September 30, 2003
 - Order on Reliant complaint
 - MMU detailed proposal
 - Based on LMPMWG discussions

- Local market power mitigation rules per current Operating Agreement continue unless certain conditions are met

- Implement operational test to determine whether adequate structural conditions for competition exist
 - More than three pivotal suppliers
 - Automatic mitigation could be suspended subject to ongoing review

- Implement test for retirements in load pockets
 - Ensure economic viability of units needed for reliability
 - Ensure that retirements are not used to exercise market power

- Implement a competitive auction to solve scarcity in load pockets
 - Auction would be market mechanism to determine the most efficient solution
 - Scarcity is identified looking forward
 - Auction includes transmission, generation, DSM
 - Lowest cost alternative selected
 - Result would be long term agreement



- Post 1996 units will be covered by local market power mitigation rules