

**ATTACHMENT M**  
**PJM MARKET MONITORING PLAN**

**I. OBJECTIVES**

The objectives of this Market Monitoring Plan are to: (1) monitor and report on issues relating to the operation of the PJM Market, including the determination of transmission congestion costs or the potential of any Market Participant(s) to exercise market power within the PJM Region; (2) evaluate the operation of both pool and bilateral markets to detect either design flaws in the PJM Market operating rules, standards, procedures, or practices as set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement, The Reliability Assurance Agreement-South, the Reliability Assurance Agreement-West, the PJM Manuals, or PJM Regional Practices Document or to detect structural problems in the PJM Market that may need to be addressed in future filings; (3) evaluate any proposed enforcement mechanisms that are necessary to assure compliance with pool rules; and (4) ensure that the monitoring program will be conducted in an independent and objective manner. The Plan also prescribes reporting procedures that PJM will use to inform governmental agencies and others concerning its market monitoring activities.

Consistent with the PJM Operating Agreement, PJM will carry out these objectives in a manner consistent with the safe and reliable operation of the PJM Region, the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region, and the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Market.

This Plan applies to PJM, Market Participants, and all entities that take service under the PJM Tariff.

**II. DEFINITIONS**

Unless the context otherwise requires, for purposes of this Plan, capitalized terms shall have the meanings given below or in Section I of the PJM Tariff.

(a) **“Authorized Government Agency”** means a regulatory body or government agency, with jurisdiction over PJM LLC, the PJM Market, or any entity doing business in the PJM Market, including, but not limited to, the Commission, state utility commissions, and state and federal attorneys general.

(b) **“Corrective Action”** means an action set forth in section IV of this Plan.

(c) **“FERC Market Behavior Rules”** means the behavior rules adopted by FERC for holders of market-based rate authorization, as set forth in 105 FERC ¶ 61,218 (2003) and as revised or clarified by FERC from time to time.

(d) **“Market Monitoring Unit”** means the organization within PJM that is responsible for implementing this Plan.

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**DRAFT—10/7/05**

(e) **“Market Participant”** means an entity that generates, transmits, distributes, purchases, or sells electricity or provides ancillary services with respect to such services (or contracts to perform any of the foregoing activities) within, into, out of, or through the PJM Region.

**DRAFT**

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**DRAFT—10/7/05**

- (f) **“PJM”** means the Office of the Interconnection of PJM LLC.
- (g) **“PJM Board”** means the Board of Managers of PJM LLC or its designated representative.
- (h) **“PJM Entities”** means PJM, including the Market Monitoring Unit, the PJM Board, and PJM LLC’s officers, employees, representatives, advisors, contractors, and consultants.
- (h) **“PJM LLC”** means the PJM Interconnection, L.L.C.
- (i) **“PJM Manuals”** means those documents produced by PJM that describe detailed PJM operating and accounting procedures that are made publicly available in hard copy and on the Internet.
- (j) **“PJM Market”** means the PJM Interchange Energy Market together with all bilateral or other electric power and energy transactions, ancillary services transactions, and transmission transactions within the PJM Region.
- (k) **“PJM Market Rules”** mean the rules, standards, procedures, and practices of the PJM Market set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement(s), the PJM Transmission Owners Agreement(s), the PJM Manuals, the PJM Regional Practices Document and the PJM-Midwest Independent Transmission System Operator Joint Operating Agreement or any successor documents or agreements.
- (l) **“PJM Operating Agreement”** means the Amended and Restated Operating Agreement of PJM LLC on file with FERC.
- (m) **“PJM Regional Practices Document”** means the document of that title that compiles and describes the practices in the PJM Market and that is made available in hard copy and on the Internet.
- (n) **“PJM Reliability Assurance Agreement”** means the Reliability Assurance Agreement among Load Serving Entities in the PJM Control Area on file with the FERC.
- (o) **“Reliability Assurance Agreement-South”** means the “PJM South Reliability Assurance Agreement Among Load Serving Entities in the PJM South Region” on file with the Commission.
- (p) **“Reliability Assurance Agreement-West”** means the “PJM West Reliability Assurance Agreement Among Load Serving Entities in the PJM West Region” on file with the Commission.
- (q) **“PJM Tariff”** means the Open Access Transmission Tariff of PJM LLC on file with FERC.

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**DRAFT—10/7/05**

(r) **“Plan”** means the PJM market monitoring plan set forth in this Attachment M.

(s) **“President”** means the President and Chief Executive Officer of PJM LLC.

**DRAFT**

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**DRAFT—10/7/05**

### III. MONITORED ACTIVITIES

The Market Monitoring Unit shall be responsible for monitoring the following:

- A. Compliance with the PJM Market Rules,
- B. Actual or potential design flaws in the PJM Market Rules,
- C. Structural problems in the PJM Market that may inhibit a robust and competitive market.
- D. The potential for a Market Participant to exercise undue market power or violate any of FERC's Market Behavior Rules.

### IV. CORRECTIVE ACTIONS

A. **Required Reporting to Commission:** Immediately upon determining that it has identified a significant market problem or a potential violation by a Market Participant of the PJM Market Rules or any of FERC's Market Behavior Rules that may require (a) a change in the PJM Market Rules, (b) further inquiry by the Market Monitoring Unit, (c) referral for investigation by the Commission and/or (d) action by the Commission or one or more state commissions, the Market Monitoring Unit shall report to the Commission, either orally or in writing.

B. **Required Referral to Commission:** In addition to the notification provided in section IV.A. above, where the Market Monitoring Unit has reason to believe, based on sufficient credible information, that a Market Participant has either violated (a) a PJM Market Rule, or (b) any of FERC's Market Behavior Rules, the Market Monitoring Unit will refer the matter to the Commission in the manner described below. The foregoing notwithstanding, a clear, objectively identifiable violation of a PJM Market Rule, where such rule provides for an explicit remedy that has been accepted by the Commission and can be administered by PJM, shall not be subject to the provisions of this section IV.B.

Such a referral to the Commission shall be in writing and should include, but need not be not limited to, the following information:

1. The name(s) of and, if possible, the contact information for, the market participants that allegedly took the action(s) that constitute that alleged Market Violation(s);
2. The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
3. The specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;
4. The specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;

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**DRAFT—10/7/05**

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5. The consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;

6. If the Market Monitoring Unit believes that the act(s) or conduct constituted manipulative behavior in violation of the FERC Market Behavior Rules, a description of the alleged manipulative effect on market prices, market conditions, or market rules; and

7. Any other information that the Market Monitoring Unit believes is relevant and may be helpful to the Commission.

Following the submission of such a referral, the Market Monitoring Unit will continue to inform the Commission of any information relating to the referral that it discovers within the scope of its regular monitoring function, but it shall not directly question any Market Participant with regard to the specific occurrence or activity that was the subject matter of the referral except at the express direction of the Commission's staff.

**C. Additional Market Monitoring Unit Authority:** In addition to notifications and referrals under sections IV.A and B, respectively, the Market Monitoring Unit may take the following actions, to the extent it deems necessary, as a result of its monitoring activities:

1. Engage in discussions with Market Participants regarding issues relating to their possible violations of PJM Market Rules or FERC Market Behavior Rules, in order to understand such issues and to attempt to resolve informally such issues, or other issues with Market Participants.

2. Recommend to the appropriate entity (including, if and as appropriate, PJM committees, the PJM Board, or the Commission) modifications to the PJM Market Rules. This recommendation may be made in the form of a written or oral report to the appropriate entity.

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Issued By: Craig Glazer  
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**DRAFT—10/7/05**

3. With the approval of the PJM Board, file reports or complaints with Authorized Government Agencies or make other appropriate regulatory filings to address design flaws, structural problems, compliance, market power, or other issues, and seek such remedial measures or make such recommendations as the Market Monitoring Unit shall deem appropriate.

4. Consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities.

5. Consider and evaluate a broad range of additional enforcement mechanisms that may be necessary to assure compliance with the PJM Market Rules. As part of this evaluation process, the Market Monitoring Unit shall consult with Authorized Government Agencies and other interested parties.

6. Report directly to the Commission on any matter.

7. If PJM does not follow the Market Monitoring Unit's recommendations by filing requested rule changes or complaints with the Commission, the Market Monitoring Unit shall make its views known to the Commission and the PJM Members, which may be by written report.

**D. Confidentiality:**

1. All discussions between the Market Monitoring Unit and Market Participants concerning the informal resolution of compliance issues initially shall remain confidential, subject to the provisions in subsection IV D 3.

2. Except as provided in subsection IV D 3, in exercising its authority to take Corrective Actions, the Market Monitoring Unit shall observe the confidentiality provisions of the PJM Operating Agreement.

3. Notwithstanding anything to the contrary in this Plan or the PJM Operating Agreement, the Market Monitoring Unit: (a) may disclose any information to the Commission in connection with the reporting required under sections IV A and IV B of the Plan, provided that any written submission to

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<#>If unable to achieve sufficient correction action on matters through informal discussions or demand letter, and if and as appropriate and necessary, bring matters to the attention of, and make appropriate recommendations for action to, the Members Committee, other PJM Committees, or the PJM Board.¶

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Issued By: Craig Glazer  
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**DRAFT—10/7/05**

the Commission that includes information that is confidential under the PJM Operating Agreement shall be accompanied by a request that the information be maintained as confidential, and (b) may make reports, complaints, or other regulatory filings pursuant to section IV, C or VII of this Plan if accompanied by a request that information that is confidential under the PJM Operating Agreement be maintained as confidential.

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## V. MARKET MONITORING UNIT

**A. Establishment:** PJM shall establish, and provide appropriate staffing and resources to, the Marketing Monitoring Unit, an organization within PJM that shall be responsible for implementing this Plan.

**B. Composition:** The Market Monitoring Unit shall be comprised of full-time employees of PJM LLC having the experience and qualifications necessary to implement this Plan. In carrying out its responsibilities, the Market Monitoring Unit may retain such consultants and experts as it deems necessary, subject to the oversight of the President and/or the PJM Board.

**C. Accountability and Responsibilities:** The Market Monitoring Unit shall be accountable to the President and the PJM Board regarding the implementation of this Plan.

**D. Resources:** The President shall ensure that the Market Monitoring Unit has adequate resources, access to required information, and cooperation of PJM for the effective functioning of the Market Monitoring Unit.

**E. Referral by President and Market Monitoring Unit:** To the extent that they deem desirable, the President and Market Monitoring Unit shall each have independent authority to refer any matters governed by this Plan to the PJM Board for review or approval.

## VI. SPECIFIC MONITORING FUNCTIONS

**A. Primary Information Sources:** The Market Monitoring Unit shall rely primarily upon data and information that is customarily gathered in the normal course of business of PJM along with such publicly available data and information that may be helpful to accomplish the objectives of the Plan. The data and information available to the Market Monitoring Unit shall include, but not be limited to, information gathered or generated by PJM in connection with its scheduling and dispatch functions, its operation of the transmission grid in the PJM Region, its determination of Locational Marginal Prices, information required to be provided to PJM in accordance with the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement, the Reliability Assurance Agreement-South and the Reliability Assurance Agreement-West and any other information that is in the possession of PJM.

**B. Other Information Requests:** If other information is required, the Market Monitoring Unit shall comply with the following procedures:

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**DRAFT—10/7/05**

1. **Request for Additional Data:** If the Market Monitoring Unit determines that additional information is required to accomplish the objectives of the Plan, the Market Monitoring Unit may request the entities possessing such information to provide the information on a voluntary basis. Any such request for additional information will be accompanied by an explanation of the need for the information and the Market Monitoring Unit's inability to acquire the information from alternate sources.

2. **Failure to Comply with Request:** The information request recipient shall provide the Market Monitoring Unit with all information that is reasonably requested. If an information request recipient does not provide requested information within a reasonable time, the Market Monitoring Unit may initiate such regulatory or judicial proceedings to compel the production of such information as may be available and deemed appropriate by the Market Monitoring Unit, including petitioning the Commission for an order that the information is necessary and directing its production. An information request recipient shall have the right to respond to any such petitions and participate in the proceedings thereon.

3. **Information Concerning Possible Undue Preference:** Notwithstanding subsection B.1, if the Market Monitoring Unit requests information relating to possible undue preference between Transmission Owners and their affiliates, Transmission Owners and their affiliates must provide requested information to the Market Monitoring Unit within a reasonable time, as specified by the Market Monitoring Unit; provided, however, that an information request recipient may petition the Commission for an order limiting all or part of the information request, in which event the Commission's order on the petition shall determine the extent of the information request recipient's obligation to comply with the disputed portion of the information request.

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4. **Confidentiality:** Except as provided in section IV.D.3 of this Plan, the Market Monitoring Unit shall observe the confidentiality provisions of the PJM Operating Agreement with respect to information provided under this section if an entity providing the information designates it as confidential.

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C. **Complaints:** Any Market Participant or other interested entity may at any time submit information to the Market Monitoring Unit concerning any matter relevant to the Market Monitoring Unit's responsibilities under the Plan, or may request the Market Monitoring Unit to make inquiry or take any action contemplated by the Plan. Such submissions or requests may be made on a confidential basis. The Market Monitoring Unit may request further information from such Market Participant or other entity and make such inquiry that the Market Monitoring Unit considers appropriate. Neither the Market Monitoring Unit nor PJM Board shall be required to act with respect to any specific complaint unless the Market Monitoring Unit or, if appropriate, the PJM Board, determines action to be warranted.

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**DRAFT—10/7/05**

**D. Collection and Availability of Information:** The Market Monitoring Unit shall regularly collect and maintain the information that it deems necessary for implementing the Plan. The Market Monitoring Unit shall make publicly available a detailed description of the categories of data collected by the Market Monitoring Unit. To the extent it deems appropriate and upon specific request, the Market Monitoring Unit may release other data to the public, consistent with PJM's obligations to protect confidential, proprietary, or commercially sensitive information.

**E. Market Monitoring Indices:** The Market Monitoring Unit shall develop, and shall refine on the basis of experience, indices or other standards to evaluate the information that it collects and maintains. Prior to using any such index or standard, the Market Monitoring Unit shall provide PJM Members, Authorized Government Agencies, and other interested parties an opportunity to comment on the appropriateness of such index or standard. Following such opportunity for comments, the decision to use any index or standard shall be solely that of the Market Monitoring Unit.

**F. Evaluation of Information:** The Market Monitoring Unit shall evaluate, and shall refine on the basis of experience, the information it collects and maintains, or that it receives from other sources, regarding the operation of the PJM Market or other matters relevant to the Plan. As so evaluated, such information shall provide the basis for reports or other actions of the Market Monitoring Unit under this Plan.

## VII. REPORTS

**A. Reports to the PJM Board:** The Market Monitoring Unit shall prepare and submit to the PJM Board and to the PJM Members Committee annual state-of-the-market reports on the state of competition within, and the efficiency of, the PJM Market. In such reports, the Market Monitoring Unit may make recommendations regarding any matter within its purview. The reports to the PJM Board shall include recommendations as to whether changes to the Market Monitoring Unit or the Plan are required. In addition, the Market Monitoring Unit shall provide to the PJM Board, in a timely manner, copies of any reports submitted to Authorized Government Agencies pursuant to Section VII.B.

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**B. Reports to Government Agencies:** The Marketing Monitoring Unit shall contemporaneously submit to the Authorized Government Agencies the reports provided to the PJM Board pursuant to Section VII.A. Subject to applicable law and regulation and any other applicable provisions of the PJM Operating Agreement or PJM Tariff, the Market Monitoring Unit shall, to the extent practicable, respond to reasonable requests by Authorized Government Agencies other than the Commission for reports other than those provided to the PJM Board pursuant to Section VII.A. All submissions to Authorized Government Agencies shall be subject to protection of confidential, proprietary and commercially sensitive information and to the protection of the confidentiality of ongoing inquiries and monitoring activities.

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**C. Public Reports:** The Market Monitoring Unit shall prepare a detailed public annual report about the Market Monitoring Unit's activities, subject to protection of confidential,

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**DRAFT—10/7/05**

proprietary, and commercially sensitive information and the protection of the confidentiality of ongoing investigations and monitoring activities.

**VIII. AUDIT**

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The activities of the Market Monitoring Unit shall be audited in accordance with procedures adopted from time to time by the PJM Board.

**DRAFT**

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**DRAFT—10/7/05**

**IX. LIABILITY**

Any liability of PJM arising under or in relation to this Plan shall be subject to this Section IX. The PJM Entities shall not be liable to any Market Participant, any party to the PJM Operating Agreement, any customer under the PJM Tariff, or any other person subject to this Plan in respect of any matter described in or contemplated by this Plan, as the same may be amended or supplemented from time to time, including but not limited to liability for any financial loss, loss of economic advantage, opportunity cost, or actual or consequential damages of any kind resulting from or attributable to any act or omission of any of the PJM Entities under this Plan.

**X. OTHER RELIEF NOT FORECLOSED**

**A. Preservation of Rights:** Nothing herein shall prevent PJM or any other person from asserting any rights it may have under the Federal Power Act or any other applicable law, statute, or regulation, including the filing of a petition with or otherwise initiating a proceeding before the Commission regarding any matter which is the subject of this Plan.

**B. Alternate Dispute Resolution:** Notwithstanding any provision of the PJM Tariff or the PJM Operating Agreement, PJM and the Market Monitoring Unit shall not be required to use the dispute resolution procedures in the PJM Tariff or the PJM Operating Agreement in carrying out its duties and responsibilities under this Plan. However, nothing herein shall prevent PJM or any other person from requesting the use of the dispute resolution procedure set forth in the PJM Tariff or the PJM Operating Agreement, as applicable.

**XI. EFFECTIVE DATE**

This Plan shall be effective as of the date it is accepted for filing by the Commission.

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**DRAFT—10/7/05**