

Bowring, Joseph

From: Bowring, Joseph
Sent: Wednesday, January 24, 2007 11:53 AM
To: Haas, Howard
Subject: FW: APSOUTH Unit Bidding - Markup

-----Original Message-----

From: Ott, Andy
Sent: Monday, January 22, 2007 9:24 PM
To: Bowring, Joseph
Subject: FW: APSOUTH Unit Bidding - Markup

Joe

here is the gen offer behavior from the APsouth interface analysis with the results displayed as price offer markup over cost offer.

I do not see anything significant here

-----Original Message-----

From: Hartung, Dean
Sent: Monday, January 22, 2007 3:50 PM
To: Ott, Andy
Cc: Bresler, Frederick S. (Stu) III; Marcino, Angelo N.; Carroll, Rebecca
Subject: FW: APSOUTH Unit Bidding - Markup

Andy,
Attached are the plots for the "markup" analysis. As you explained, it is the ratio of the price to cost for the units. Let me know if you want these plots included in your presentation.

-----Original Message-----

From: Marcino, Angelo N.
Sent: Monday, January 22, 2007 3:46 PM
To: Hartung, Dean
Subject: APSOUTH Unit Bidding - Markup

Dean,

Attached are the markup plots for the 7 units.

Thanks,

Angelo

Bowring, Joseph

From: Scheidecker, Paul
Sent: Wednesday, January 24, 2007 11:05 AM
To: Bowring, Joseph
Subject: W: PJMDOCS-#403102-v2-APSOUTH Interface Analysis.PPT



PJMDOCS-#403102
-v2-APSOUTH_Int..
oe,

FYI - I'm meeting with Dean tomorrow morning to discuss.

Thanks,

Paul

-----Original Message-----

From: Hartung, Dean
Sent: Wednesday, January 24, 2007 11:02 AM
To: Scheidecker, Paul
Subject: PJMDOCS-#403102-v2-APSOUTH_Interface_Analysis.PPT

Paul,
Attached is the presentation for the APSouth exempt interface evaluation. Please let me know when you have some time to discuss.

PJMDOCS-#403102-v2-APSOUTH_Interface_Analysis.PPT

Bowring, Joseph

From: Zdlo, Thomas F
Sent: Wednesday, January 24, 2007 2:3 PM
To: Bowring, Joseph; Haas, Howard; Scheidecker, Paul
Subject: apsouth.xls version 4

Includes revisions requested by Howard, specifically that once a unit is tested, it will appear on the list any time it was marginal during that day after the test hour.

Bowring, Joseph

From: Haas, Howard
Sent: Thursday, January 25, 2007 2:2 PM
To: Bowring, Joseph
Subject: APSouth Presentation

Bowring, Joseph

From: Haas, Howard
Sent: Thursday, January 25, 2007 2:47 PM
To: Haas, Howard; Bowring, Joseph
Subject: RE: APSouth Presentation

This one

-----Original Message-----

From: Haas, Howard
Sent: Thursday, January 25, 2007 2:42 PM
To: Bowring, Joseph
Subject: APSouth Presentation

Bowring, Joseph

From: Haas, Howard
Sent: Thursday, January 25, 2007 10:10 AM
To: Bowring, Joseph
Subject: RE: AP South

Working on now.

I have koonz providing LMP change (from slide 7) * zone load in the hour to put the LMPs into perspective.

Paul is still running the code to get the failing participants by test.

Tom has made the changes to his code. He has numbers based on tests with one or more failures using the SOM style mark-up. He is waiting for the data from Paul for the next run.

Howard

-----Original Message-----

From: Bowring, Joseph
Sent: Thursday, January 25, 2007 10:04 AM
To: Haas, Howard
Subject: AP South

I will need slides by late morning, as we discussed.
I have Andy very anxious about all this.

Bowring, Joseph

From: Bowring, Joseph
Sent: Thursday, January 25, 2007 6:08 PM
To: Cummings, Bridgid M.
Cc: Haas, Howard; Scheidecker, Paul
Subject: More mark up

Bridgid,

Can you do the following additional analysis of mark ups for the units in Paul's sample of units related to the AP South constraint?

Let me know if you have more time critical things to do.

- ~~Start with the set of units that Paul identified (failed the TPS test for AP south)~~
- Calculate the average mark up for the summer of 2005 for each unit (area method) (June, July, August)
- Compare the mark up for each unit on each day of the summer of 2006 with the 2005 summer average and count each day for each unit for which the 2006 mark up exceeded the 2005 average markup by greater than or equal to 10% for each unit

Thanks,
Joe

Bowring, Joseph

From: Scheidecker, Paul
Sent: Thursday, January 25, 2007 11:29 AM
To: Bowring, Joseph; Haas, Howard
Cc: Cummings, Bridgid M.
Subject: FW: AP South

Joe,

Bridgid did an amazing job with this!

Attached is the mark-up analysis for AP South. The data includes units that were part of the effective supply curve for AP South as determined by the TPS test, from June 1, 2006 through August 31, 2006. It compares the price and cost offers for the units using the "area under the curve" methodology.

This clearly demonstrates the following points:

- There is a difference between the price and cost offers for units available to provide relief to AP South.
- This mark-up is often significant
- These units are eligible to be marginal resources
- Market outcomes would be effected by a decision to operate these units on cost vs. price

Paul

-----Original Message-----

From: Cummings, Bridgid M.
Sent: Thursday, January 25, 2007 11:18 AM
To: Scheidecker, Paul
Subject: RE: AP South

Paul,

Attached are the markups for the units you provided Tuesday. The markup is calculated as $(\text{Price} - \text{Cost}) / \text{Cost}$. All calculations were based on the price schedule economic max and min mws (for example, if the eco max for the cost schedule was 90 and the eco max for price schedule was 95, the markup was calculated up to the 95 MW). Some units had eco min equal to eco max, if that was the case, the markup was calculated at the economic max, and is marked such in the column Markup_Calculation. All other markups were calculated as the area under the curves and are indicated as such.

Some of the units do not have a markup, and I provided a reason as to why the unit did not have a markup for that day. That column is 'Reason_For_No_Markup'. Reasons include being exempt from offer capping, no price schedule, no cost curve, and two cases where eco min was greater than eco max.

I also included the number of hours the unit was must_run for that day.

Let me know if there are any questions.

Thanks!

B

-----Original Message-----

From: Scheidecker, Paul
Sent: Tuesday, January 23, 2007 1:53 PM
To: Cummings, Bridgid M.
Subject: AP South

Bridgid,

Attached is a list of distinct unitids tested for AP South, for each day of the period Jun 1 2006 through 31 Aug 2006. Since offers may not be changed intra-day, I simply selected each unique occurrence of a unitid for a given day. What Joe wants to do is to look at the mark-up of these units using your "area under the curve" methodology.

Thanks,



apsouth_markup_c APSouth_markup_c
calculations.sa... calculations.xl...

Paul

Bowring, Joseph

From: Ott, Andy
Sent: Friday, January 26, 2007 2:14 PM
To: Bowring, Joseph; Haas, Howard
Subject: FW: Additional APSouth analysis

Joe, Howard

I asked the guys to get me a list of the TPS results for each of the days where we had found an impact. The attached spreadsheet provides the information. I will be proposing to use this table in the presentation to illustrate that we need to look into this further before making any conclusion.

Also FYI, the four hours we discussed did not have the unit as marginal so the impact will be small because the units were CTs

-----Original Message-----

From: Hartung, Dean
Sent: Friday, January 26, 2007 1:32 PM
To: Ott, Andy; Bresler, Frederick S. (Stu) III
Cc: Marcino, Angelo N.
Subject: Additional APSouth analysis

Andy,

The attached shows the number of times the TPS failed, passed and switched for the 5 days.

We also evaluated the 4 hours necessary to determine whether the marginal unit for the APSouth constraint was need in the going forward hours.

The results are that none of the marginal units that were turned on in the UDS analysis were marginal in the future hours, therefore their impact on prices were negligible.

Bowring, Joseph

From: Cummings, Bridgid M.
Sent: Friday, January 26, 2007 1:10 PM
To: Bowring, Joseph
Cc: Haas, Howard; Scheidecker, Paul
Subject: RE: More mark up

The attached spreadsheet has the number of days a unit's 2006 markup for a specific day was greater than or equal to $|.1|$ of the 2005 markup.

Column Descriptions:

The NUM_POSSIBLE_OBS column is the number of possible observations for that unit - which means: the unit failed that day and had a non-null markup for both 2005 and 2006. Reasons for no markup include no data, no cost curve or cost curve of 0, no price schedule, and eco min greater than eco max.

The 'NUM OBS WITH CHANGE OF .1' column is the number of days the difference of the $|2006 \text{ markup} - 2005 \text{ markup}|$ was greater than or equal to .1.

The 'NUM OBS WHERE MARKUP2006 GT MARKUP2005' column is the number of days the 2006 markup was greater than the 2005 markup - representing an increase in the markup from 2005 to 2006.

The 'NUM OBS WHERE MARKUP2006 LT MARKUP2005' column is the number of days the 2006 markup was less than the 2005 markup - representing a decrease in the markup from 2005 to 2006.

Summary:

Of the 654 units sampled, 390 had a change from 2005 to 2006 of $|.1|$ or higher for at least one of the days for which the unit failed. It is more common that there was a decrease from the 2005 markup to the 2006 markup.

Bridgid

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Sent: Thursday, January 25, 2007 6:08 PM
To: Cummings, Bridgid M.
Cc: Haas, Howard; Scheidecker, Paul
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markup by greater than or equal to 10% for each unit

Thanks,
Joe

Bowring, Joseph

From: Zadlo, Thomas F.
Sent: Friday, January 26, 2007 8:15 AM
To: Bowring, Joseph
Subject: FW: Interface fun

-----Original Message-----

From: Haas, Howard
Sent: Thursday, January 25, 2007 6:04 PM
To: Zadlo, Thomas F.
Subject: Interface fun

I need you to rerun the analysis with another screen:

If the unit's owner failed the test, was on P, and the unit's schedule was above SMP.

Find out what it would take to see if the unit was on and running before the test as well. If committed on price before the test, we want to dump schedule switching impacts.

Call me or Joe if you have any questions.

Howard

Bowring, Joseph

From: Haas, Howard
Sent: Saturday, January 27, 2007 9:32 AM
To: Bowring, Joseph
Subject: Interface Test

In each scenario: There are three suppliers in the market: X, Y, Z. All have the same marginal cost structure. Demand is variable, but predictable. Suppliers can put in one offer for the year.

Scenario A: There is no mitigation (no TPS, no capping for constraints, etc).

Scenario B: There is a TPS test on localized markets caused by constraints. There are four constraints. When out of merit for a constraint, given the number of suppliers, the participants will fail and be capped at cost. Over the year (considering all hours) each participant faces a 15% chance of being called out of merit order for a constraint (15% of hours are capped for each participant).

Scenario C: The TPS test on localized markets is removed on one of the 4 constraints. There is now a 12% chance of being capped (12% of hours will be capped) for being called out of merit order for a constraint.

100 Point question: Are there incentives to offer energy over cost in scenario X, Y, and Z? (10 pts) Do the incentives vary over scenario X, Y, and Z for the participants? (20 pts) Will it be rational for the participants to change their bid strategy (mark-up) depending on the scenario? (50 pts) Why or why not? (20 pts).

I'll send the answer key later.

Howard

P.S. Sleep is wonderful.

-----Original Message-----

From: Bowring, Joseph
Sent: Saturday, January 27, 2007 7:31 AM
To: Haas, Howard
Subject: FW: slides

fyi

-----Original Message-----

From: Ott, Andy
Sent: Saturday, January 27, 2007 7:30 AM
To: Bowring, Joseph
Subject: RE: slides

attached are the slides I had at the meeting yesterday afternoon. I will be cleaning these up to forward to AAZ tomorrow.

I will copy you on that version also .

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From: Bowring, Joseph
Sent: Friday, January 26, 2007 4:09 PM
To: Ott, Andy
Subject: slides

Please email me your slides - thanks

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To: Bowring, Joseph
Cc: Bresler, Frederick S. (Stu) III; Hartung, Dean; Haas, Howard
Subject: RE: slides

there are no revised impact numbers because in the four hours we discussed , the CTs were not marginal so there was no price impact . The only impact would have been an OR payment to the unit but that is only a few thousand dollars

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In addition, let me know when we will get the revised dollar impact numbers.

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Bowring, Joseph

From: Haas, Howard
Sent: Saturday, January 27, 2007 1:18 PM
To: Haas, Howard; Bowring, Joseph
Subject: Interface Test: The answer key

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From: Haas, Howard
Sent: Saturday, January 27, 2007 9:32 AM
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Bowring, Joseph

From: Haas, Howard
Sent: Sunday, January 28, 2007 5:07 PM
To: Bowring, Joseph
Subject: RE: next iteration

I've reviewed the attached document. Some minor tweaks...should be highlighted (typos). Looks good.

Howard

Bowring, Joseph

From: Haas, Howard
Sent: Sunday, January 28, 2007 7:58 PM
To: Bowring, Joseph
Subject: RE: Please review 'MMU response to Markets APSouth1'

I've reviewed the attached document. Chart has been corrected (the failed flag got tripped on one of the generator types when I was merging data). Sorry about that.

Howard

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Bowring, Joseph

From: Bowring, Joseph
Sent: Saturday, January 27, 2007 3:50 PM
To: Haas, Howard
Subject: RE: Interface Test: The answer key

I will probably not look until tomorrow.
Let me know when you are available - I expect to get an early start if you are up, but anytime is fine.

-----Original Message-----

From: Haas, Howard
Sent: Saturday, January 27, 2007 1:27 PM
To: Haas, Howard; Bowring, Joseph
Subject: RE: Interface Test: The answer key

I countered the oscillation "observation"
The mark-up figures provide a LOT of information. We should discuss.
The behavioral arguments outline the discussion from my original e-mail below.
The LMP impact page was adjusted as well. We may need to adjust it more.

I will be available tomorrow. If you want to talk tonight, e-mail me. I will make arrangements.

Have a good day!

Howard

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Bowring, Joseph

From: Haas, Howard
Sent: Sunday, January 28, 2007 8:00 PM
To: Bowring, Joseph
Subject: RE: RE: next iteration

Given the odds of seeing that market, it would depend on being able to predict its occurrence. If there were very low odds of predicting it, I do not think we would see changes in behavior.

-----Original Message-----

From: Bowring, Joseph
Sent: Sunday, January 28, 2007 7:51 PM
To: Haas, Howard
Subject: RE: RE: next iteration

I agree. But one question is - if the market were competitive everywhere but for APSouth and we exempted the interface, would we see a change in offer behavior?

Are you sure that the two graphs are different - they look identical based on a quick flip.

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From: Haas, Howard
Sent: Sunday, January 28, 2007 7:45 PM
To: Bowring, Joseph
Subject: RE: RE: next iteration

9 looks right. I'd posit that, in the context of competitive markets, the possibility of mitigation will not affect offer strategies either (P will equal MC regardless).

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From: Bowring, Joseph
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Bowring, Joseph

From: Bowring, Joseph
Sent: Sunday, January 28, 2007 8:15PM
To: Ott, Andy; Kormos, M.J.; Zibelman, Audrey A.
Cc: Haas, Howard; Bresler, Frederick S. (Stu) III
Subject: APSOUTH Interface Analysis

I have attached the draft MMU slides for the discussion at the MIC.

Bowring, Joseph

From: Ott, Andy

Sent: Sunday, January 28, 2007 8:11 PM

To: Kormos, M.J.; Zibelman, Audrey A.; Bresler, Frederick S. (Stu) III; Bowring, Joseph

Subject: APSOUTH Interface Analysis

As we discussed on Friday afternoon, I have created a draft version of the slides that I propose to post tomorrow for the MIC discussion of this topic on Wednesday . These slides are similar to those we reviewed on Friday but I removed the specific dates/hours and revised the comments in prep. for public posting

I would like to have any comments of discussion on these completed by noon tomorrow

Joe, please forward any slides you may have as soon as you can

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Subject: RE: Interface Test: The answer key

Take a look at revised slides and let me know if you think need modification. If so, send details in email.

-----Original Message-----

From: Haas, Howard
Sent: Sunday, January 28, 2007 3:35 PM
To: Haas, Howard; Bowring, Joseph
Subject: RE: Interface Test: The answer key

New figures.

Howard

-----Original Message-----

From: Haas, Howard
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New figures. Edited the slides a bit.

Howard

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To: Haas, Howard; Bowring, Joseph
Subject: RE: Interface Test: The answer key

I countered the oscillation "observation"
The mark-up figures provide a LOT of information. We should discuss.
The behavioral arguments outline the discussion from my original e-mail below.
The LMP impact page was adjusted as well. We may need to adjust it more.

I will be available tomorrow. If you want to talk tonight, e-mail me. I will make arrangements.

Have a good day!

Howard

-----Original Message-----

From: Haas, Howard
Sent: Saturday, January 27, 2007 1:18 PM
To: Haas, Howard; Bowring, Joseph
Subject: Interface Test: The answer key

-----Original Message-----

From: Haas, Howard
Sent: Saturday, January 27, 2007 9:32 AM
To: Bowring, Joseph
Subject: Interface Test

In each scenario: There are three suppliers in the market: X, Y, Z. All have the same marginal cost structure. Demand is variable, but predictable. Suppliers can put in one offer for the year.

Scenario A: There is no mitigation (no TPS, no capping for constraints, etc).

Scenario B: There is a TPS test on localized markets caused by constraints. There are four constraints. When out of merit for a constraint, given the number of suppliers, the participants will fail and be capped at cost. Over the year (considering all hours) each participant faces a 15% chance of being called out of merit order for a constraint (15% of hours are capped for each participant).

Scenario C: The TPS test on localized markets is removed on one of the 4 constraints. There is now a 12% chance of being capped (12% of hours will be capped) for being called out of merit order for a constraint.

100 Point question: Are there incentives to offer energy over cost in scenario X, Y, and Z? (10 pts) Do the incentives vary over scenario X, Y, and Z for the participants? (20 pts) Will it be rational for the participants to change their bid strategy (mark-up) depending on the scenario? (50 pts) Why or why not? (20 pts).

I'll send the answer key later.

Howard

P.S. Sleep is wonderful.

-----Original Message-----

From: Bowring, Joseph
Sent: Saturday, January 27, 2007 7:31 AM
To: Haas, Howard
Subject: FW: slides

fyi

-----Original Message-----

From: Ott, Andy
Sent: Saturday, January 27, 2007 7:30 AM
To: Bowring, Joseph
Subject: RE: slides

attached are the slides I had at the meeting yesterday afternoon. I will be cleaning these up to forward to AAZ tomorrow.

I will copy you on that version also .

-----Original Message-----

From: Bowring, Joseph

Sent: Friday, January 26, 2007 4:09 PM

To: Ott, Andy

Subject: slides

Please email me your slides - thanks

Bowring, Joseph

From: Haas, Howard
Sent: Monday, January 29, 2007 10:19 AM
To: Bowring, Joseph
Subject: Data Files

Fix the files and graphs are correct based on the data we have.

Note the mark-ups are limited to those units within the PEO, Dominion and BQnes.
Exempt units are not included (no mark-up was calculated for exempt units).
Units missing a cost curve, or with a zero cost curve, etc did not have a mark up calculated.

Bridgid is still examining the data for outliers. Once complete, we will send the data data behind the figures to markets.

Howard

Bowring, Joseph

From: Bowring, Joseph
Sent: Monday, January 29, 2007 8:12 AM
To: Haas, Howard
Cc: Ommings, Bridgid M.
Subject: Mark up

Howard,
Can you provide Bridgid the spreadsheets you used to develop the mark up graphs for APSouth?
The location of the points on the x axis is by day?
Each day is one on which a unit was tested or failed a test?
thanks,
Joe

Bowring, Joseph

From: Bresler, Frederick S. (Stu) III
Sent: Monday, January 29, 2007 8:19 AM
To: Bowring, Joseph; Haas, Howard
Cc: Hartung, Dean
Subject: BAPSOUTH Interface Analysis

Joe, Howard - could one of you send Dean and I the data behind the scatter plots on slides 11 and 12?

Thanks,

- Stu

-----Original Message-----

From: Bowring, Joseph
Sent: Sunday, January 28, 2007 8:15 PM
To: Ott, Andy; Kormos, M.J.; Zibelman, Audrey A.
Cc: Haas, Howard; Bresler, Frederick S. (Stu) III
Subject: APSOUTH Interface Analysis

I have attached the draft MMU slides for the discussion at the MIC

Bowring, Joseph

From: Haas, Howard
Sent: Monday, January 29, 2007 2:31 PM
To: Bresler, Frederick S. (Stu) III; Bowring, Joseph; Ott, Andy
Cc: Hartung, Dean
Subject: APSOUTH Interface Analysis

All,

Here are the data sets used to produce the two scatter plots of mark up used in the presentation. The xxx TPS units.xls provides the "tested" mark up plot. The xxx TPS failed-ii.xls provides the "tested and failed" mark up plot.

~~If you have any questions, please give Joe or me a call.~~

Howard

Bowring, Joseph

From: Bowring, Joseph
Sent: Monday, January 29, 2007 8:19 AM
To: Haas, Howard
Subject: RE: APSOUTH Interface Analysis

Please review the graphs with Bridgid and then forward the relevant data.

Thanks

Give me a call to discuss when ready.

-----Original Message-----

From: Bresler, Frederick S. (Stu) III
Sent: Monday, January 29, 2007 8:19 AM
To: Bowring, Joseph; Haas, Howard
Cc: Hartung, Dean
Subject: RE: APSOUTH Interface Analysis

Joe, Howard - could one of you send Dean and I the data behind the scatter plots on slides 1 and 2?

Thanks,

- Stu

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Bowring, Joseph

From: Haas, Howard
Sent: Monday, January 29, 2007 9:09 AM
To: Bowring, Joseph
Cc: Cummings, Bridgid M.
Subject: Mark up

Mark-up was not calculated for exempt units and mark up was not calculated for units without a valid cost offer.

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Bowring, Joseph

From: Haas, Howard
Sent: Monday, January 29, 2007 9:2 AM
To: Bowring, Joseph
Cc: Cummings, Bridgid M.
Subject: Mark up

The data indicates a test of APSouth on:

6
8
8
20
22
24
25
29
72
71
78
721
722
724
78
8
8
8

The line up with the graphs...

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Bowring, Joseph

From: Bowring, Joseph
Sent: Monday, January 29, 2007 2:27 PM
To: alan.haymes@ferc.gov
Subject: MMU issue

Alan,

Just a heads up that the MMU prepared slides for the MIC meeting on Wednesday on the issue of the application of the TPS test to exempt interfaces. Andy and I both prepared slides over the weekend and exchanged them Sunday evening. Audrey told me this morning that she would not permit the MMU slides to be posted. One of the areas that she deemed "inflammatory" is that we prepared two graphs showing the mark up of units that were included in the supply stack for the APSouth interface. This seems to me to be a clear infringement of MMU independence and a violation of the tariff Attachment M. Nonetheless, Andy Ott has posted his slides presenting what to me is a misleading analysis of our results and the application of the TPS test.

- Joe

Bowring, Joseph

From: Bowring, Joseph
Sent: Wednesday, January 31, 2007 4:48 PM
To: Ott, Andy; Delman, Audrey A.
Subject: MIC slides

With regard to the quarterly review of PPS:

- I would like to post our proposed slides, leaving out, for now, the mark up slides to which you objected.
- I would also like to have the discussion about the markup graphs as soon as Andy's folks have had a chance to look at the data.
- I would also like to start a group process to analyze the application of the PPS test as soon as possible.

Thanks,
Joe

Bowring, Joseph

From: Ott, Andy
Sent: Monday, February 12, 2007 12:23 PM
To: Bowring, Joseph
Subject: RE: MIC slides

I have big problems with the markup slides that were not resolved. the other slides were fine I think but I question the value at this point of just posting them w/o a meeting scheduled to discuss them. Logistically what are you suggesting we do ?

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Have your folks looked at the mark up data?
Do you have any other concerns about the slides.

Bowring, Joseph

From: Bowring, Joseph
Sent: Monday, February 12, 2007 6:03 PM
To: Ott, Andy
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- On posting. I would like them posted to the MIC page, as an after the fact item for last meeting. No email is necessary. If that is too awkward, we can post them to the MMU web page.
- I need to know whether you disagree with the way in which we actually calculated the mark ups or whether it is a philosophical issue, or both.
- We don't agree that the method needs to be refined. (Although everything can be improved.)

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From: Ott, Andy
Sent: Monday, February 12, 2007 5:54 PM
To: Bowring, Joseph
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From: Bowring, Joseph
Sent: Monday, February 12, 2007 7:58 PM
To: Ott, Andy
Subject: RE: MIC slides

Tell me how and why you disagree so that I can understand and discuss.

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From: Ott, Andy
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OK, if you want to send me the slides w/o the markup stuff I can get them posted

I do disagree with the way you actually calculated markups

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To: Bowring, Joseph
Subject: RE: MIC slides

You misunderstood my question, I know you want to post slides, what I want to know is how do you want to post them, I don't know how we should go about posting slide related to a past agenda item. Do you want to blast an email to the world stating they are posted so that we need to deal with many questions about what they are ? Do you want to post them on the mmu site as a response to the MIC presentation that was covered? or do you want to post them related to a future agenda item in response to the MIC item

In response to your question, No I do not agree that the markups were correctly calculated , I think your slides overstated the issue. Also, I thought Howard had admitted the analysis method needed to be refined

-----Original Message-----

From: Bowring, Joseph

Sent: Monday, February 12, 2007 1:01 PM

To: Ott, Andy

Subject: RE: MIC slides

I am proposing to post the slides as a written record of my side of the discussion.

I don't understand what your problems are with the markup slides? Do you not agree that we calculated it correctly?

-----Original Message-----

From: Ott, Andy

Sent: Monday, February 12, 2007 12:23 PM

To: Bowring, Joseph

Subject: RE: MIC slides

I have big problems with the markup slides that were not resolved: the other slides were fine I think but I question the value at this point of just posting them w/o a meeting scheduled to discuss them. Logistically what are you suggesting we do ?

-----Original Message-----

From: Bowring, Joseph

Sent: Monday, February 12, 2007 9:32 AM

To: Ott, Andy

Subject: MIC slides

Audrey indicated that she is ok with posting my slides, perhaps excluding the mark up slides.

Have your folks looked at the mark up data?

Do you have any other concerns about the slides.

Date: December 29, 2006
To: Audrey Zibelman
From: Joe Bowring
Re: PJM's Attachment M Internal Procedures

Per your request, I have reviewed PJM's Attachment M Internal Procedures (Internal Procedures) and created a set of formal MMU Procedures for implementing those Internal Procedures. The MMU Procedures are a separate set of documents. Consistent with your request, I have indicated where there appear to be questions and/or suggested points of clarification with the Internal Procedures. The questions I have noted are generally based on potential differences between the Internal Procedures, and the Market Monitoring Plan which is Attachment M to the Tariff (Attachment M, Plan or Tariff) and/or the Board of Managers Review of the Market Monitoring Organization of PJM, L.L.C., dated November 13, 2003 (Board of Managers Review). In general, the questions are whether clarification of portions of the Internal Procedures may be appropriate. Following the list of questions and clarifications is a list of minor suggestions regarding portions of the Internal Procedures that appear to reflect an earlier version of the Tariff or have incorrect Tariff references.

In addition to this memo, I am providing the MMU Procedure documents. The eleven (11) MMU Procedures were created in checklist format in order to provide both the procedure to be followed and an auditable record indicating when the actions were performed and by whom.

The following are general questions about details of the Internal Procedures and suggestions for clarification:

1. As a general matter, it appears that the Internal Procedures could be interpreted to limit actions that the MMU is otherwise authorized to take under the PJM Tariff, Attachment M, by making MMU actions contingent on following specific internal procedures. Nonetheless, the Internal Procedures state in Section I. Objective: "Nothing stated in these procedures shall be interpreted to require the Market Monitoring Unit or PJM to take or refrain from any action inconsistent with the provisions of the Plan or Operating Agreement or otherwise compromise the independence of the Market Monitoring Unit as required by the Plan." It is not clear under the Internal Procedures how any inconsistencies between the Plan and the Internal Procedures are to be handled if they arise.
2. Given the objectives of the Internal Procedures and the additional benefits of addressing concerns about transparency, it may be appropriate to make the Internal Procedures public and to post them on the PJM website.
3. The Internal Procedures require that the MMU "consult with" either the President or the Vice President of Markets prior to acting or publishing reports and that the MMU provide a copy of MMU reports to PJM prior to their publication. The MMU has always consulted, in a formal or informal way, with PJM personnel on significant market monitoring issues and has always requested internal peer review on reports published by the MMU. A formal requirement to consult prior to taking actions or

publishing reports provided for under the Tariff could be interpreted as requiring pre approval rather than documenting the ongoing peer review process.

4. The Internal Procedures (Section II.A and Section IV.A) could be interpreted to limit the scope of monitoring to market participants only and do not explicitly include the monitoring of PJM, although such monitoring is referenced in the Tariff (Plan, Section I(2)) and the Board of Managers Review.
5. The Internal Procedures (Section II.B) could be interpreted to limit the MMU's access to PJM data when compared with the Tariff. Tariff Section VI.A specifies the "Primary Information Sources" to be relied upon by the MMU, concluding that such data and information shall include "any other information that is in the possession of PJM." This section of the Internal Procedures could be interpreted to limit the data provided to the MMU to that gathered "in the normal course of PJM's business" (see Internal Procedures II.B) or to that covered by PJM's "standard procedures" (see Internal Procedures II.B.2).
6. The Internal Procedures (Section II.E) do not appear to explicitly address the possibility that a market participant or other interested party could provide data or information to the MMU with a request that it remain confidential from PJM as well as other participants. (See also Section VII.D.)
7. The Internal Procedures (Section IV.B.5) do not appear to explicitly address the question of whether there is a potential inconsistency between the Tariff provision that referrals be non-public and the requirement to provide a copy of a referral to PJM if such a referral were to address activities by PJM.
8. The Internal Procedures (Section V) could be interpreted to impose more restrictions on the MMU's ability to recommend modifications to the PJM market design than are present in the Tariff. The Tariff (Section IV.C.2) allows the MMU to make such recommendations without the conditions specified in this section of the Internal Procedures. In addition, Tariff Section IV.C.4 states "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 staff and the PJM Members, either orally or in writing."
9. The Internal Procedures (Section VII.B.2) could be interpreted to impose more restrictions on the MMU's ability to refer matters to the Board than are present in the Tariff (Section V.E).
10. The Internal Procedures (Section VII) could be interpreted to impose more restrictions on MMU resources than are present in the Tariff and the Board of Managers Review. As an example, the Internal Procedures state that other PJM division chiefs may request that MMU staff provide support, information or processes. While the MMU has worked collegially with other PJM divisions, this formal provision appears inconsistent with independence and autonomy. It also appears that the Internal Procedures do not include a mechanism to resolve differences of opinion about the work plan of the MMU. As another example, while the Internal Procedures state that "PJM has an affirmative obligation to provide the Market Monitoring Unit with legal counsel support," there may be procedural

difficulties and delays associated with retaining independent legal counsel under the Internal Procedures. It may be preferable to provide the MMU with the ability to hire outside counsel at standard rates without prior approval.

The following is a list of minor suggestions regarding portions of the Internal Procedures that appear to reflect an earlier version of the Tariff or have incorrect Tariff references:

1. Internal Procedures II.D.2, first line. Tariff reference is incorrect. It should be Section VI.B.2.
2. Internal Procedures III.A. Tariff references appear to be based on prior versions of the Market Monitoring Plan. Tariff references should be IV.C.2 (recommendations) and IV.C.3 (reports to AGAs) and VII.A and B. Section IV.A is a reference to a prior version of the Plan regarding required reporting, IV.C.7 refers to the MMU's ability to "report directly to the Commission staff on any matter" and IV.C.6 references enforcement mechanisms. Section IV.B (Required Referrals) is addressed in the Internal Procedures IV.B.
3. Internal Procedures III.B. The Tariff doesn't address testimony directly. Question: Should the Internal Procedures reference the related sections of the Tariff? If testimony is considered a report to an AGA, then Board approval is required (IV.C.3), and if testimony is considered a consultation (IV.C.5) or recommendation (IV.C.2), then the provisions of Tariff section IV.C apply.
4. Internal Procedures III.C. This section should be modified to be consistent with the final Tariff changes approved by the Commission on July 14, 2006 and clarified in the Commission's Order on Rehearing (December 5, 2006).
5. Internal Procedures IV.B.4. This section is no longer consistent with Tariff Section IV.B.
6. Internal Procedures IV.D, first line. Tariff reference is incorrect. It should be IV.C.5.
7. Internal Procedures IV.E and V.B. These sections part of the Internal Procedures reference earlier versions of the Tariff. The referenced Tariff section (IV.C.3) states ... "to address design flaws, structural problems, compliance, market power, or other issues." Section IV.E and Section V.B of the Procedures separate Tariff Section IV.C.3 into complaints and proposals. Both sections use the phrase "seek remedial measures" from an earlier version of the tariff in place of the current Tariff language, "and seek such appropriate action or make such recommendations as the Market Monitoring Unit shall deem appropriate."
8. Internal Procedures V.A.5. Reference in last line is incorrect. It should reference Section IV.B ("Required Referral to Commission").
9. Internal Procedures V.C, first line. Reference is incorrect. It should be Section IV.C.6.

MMU Procedure # 1

Requests for Additional Information

(Tariff: Attachment M, Section VI.B)

Date & Initial

Request for Additional Data (Section VI.B.1)

1. At the direction of the Market Monitor, draft letter requesting that the entity or entities provide the information on a voluntary basis. Per Tariff VI.B.1, "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." Include due date in letter. Send Market Monitor draft letter. Date sent: _____
2. Market Monitor reviews, edits and finalizes letter. Market Monitor sends letter to entity. Per PJM's Attachment M Internal Procedures (II.D.1.a), send contemporaneous copy to President. Record date and time letter sent: _____
3. Record date entity replies to MMU or MMU calls to follow up.
 - o If entity will provide data, record date data expected to be received by MMU _____
 - o If entity will not provide data, follow procedures below under "Failure to Comply with Request."

Failure to Comply with Request (Section VI.B.2)

1. Send Market Monitor an email informing him that entity will not voluntarily provide data. Date sent: _____
2. Per PJM's Attachment M Internal Procedures (II.D.2.b), Market Monitor consults with President.
Date of discussion, memo or email: _____
3. Market Monitor coordinates with Legal to initiate FERC proceedings to compel data.
Date Legal initially notified: _____
4. Per PJM's Attachment M Internal Procedures (II.D.2.c), notify President of significant developments in FERC proceedings.
Date President notified: _____

TO Undue Preference (Section VI.B.3)

1. At the direction of the Market Monitor, draft letter requesting that the TO provide the information related to possible undue preference. Send Market Monitor draft letter for approval. Date sent: _____
2. Market Monitor reviews, edits and sends TO letter. Date sent: _____
3. Per PJM's Attachment M Internal Procedures (II.D.1.b), if TO petitions FERC to limit the data provided, provide copy of petition to President. Date provided: _____

MMU Procedure #2

Complaints & Unsolicited Information

(Tariff: Attachment M, Section VI.C)

Tariff: Attachment M, Section VI.C states "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."

Date & Initial

- _____ 1. Date complaint or unsolicited information received: _____
Sent by: _____
Send Market Monitor copy of letter or email with complaint or unsolicited information.
Date sent: _____
- _____ 2. Schedule meeting with Market Monitor to decide MMU action, if any.
Meeting date and time: _____
- _____ 3. If the sender of the complaint or information requests some MMU action:
 - evaluate the confidentiality of the information provided and redact as necessary.
 - Market Monitor sends a redacted copy of complaint or unsolicited information to the President with cover memo or email explaining how the MMU intends to respond, if at all (per PJM's Attachment M Internal Procedures (II.E)).Date sent: _____

MMU Procedure #3

Changes to Standards & Indices

(Tariff: Attachment M, Section VI.E)

Tariff: Attachment M, Section VI.E states "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."

Date & Initial

- _____ 1. Name of index or standard Market Monitor wants to modify or implement _____
_____ Get Market Monitor's approval (in email) for final version of proposed new index or modified index. Date: _____
- _____ 2. If index is:
 - Modified: go to Step 7 below.
 - New: Draft announcement (letter/email), examples, and presentations for communication of new index to Members, Authorized Government Agencies and other interested parties. In announcement, include email address or other methodology for receiving comments.
- _____ 3. Send drafts of letter/email, examples, and presentations for communication of new index to Market Monitor for review.
- _____ 4. Market Monitor reviews, edits and finalizes announcement, examples and presentations.
- _____ 5. MMU Administrator coordinates with Committee Services to send announcement to Members and schedule presentation at MIC meeting
 - Date announcement with attachments sent to MIC & MC via Mailman software _____
 - Date announcement with attachments sent to Board _____
 - Date of MIC meeting where Market Monitor will present new index _____
- _____ 6. MMU Administrator sends announcement with attachments to AGAs, MMAC and other interested parties.
 - Date sent to AGAs _____
 - Date sent to MMAC via Mailman software. _____
 - Date sent to other interested parties _____
- _____ 7. Market Monitor informs Board that:
 - An index is being modified, per PJM's Attachment M Internal Procedures (II.F.2).
 - The new index is being implemented and whether it reflects any changes resulting from feedback from interested parties.
 - The MMU decides not to implement the new index.Date Board informed: _____

MMU Procedure #4

PJM Division Chief Requests for Data or Assistance

(Tariff: No corresponding tariff section; details are per PJM's Attachment M Internal Procedures, II.G, VII.A.1.c and VII.D)

Date & Initial

- _____ 1. Record name of Division Chief, date request received and what is requested:
Division Chief: _____
Date Request Received _____
Request for: (check one and record details of request)
_____ Information the MMU maintains regarding the PJM Market pursuant to Tariff, Section VI.F (Internal Procedures, II.G).
_____ Support, information or processes (Internal Procedures, VII.A.1.c).
_____ Work papers, analyses and processes (Internal Procedures, VII.D).

- _____ 2. Forward request to Market Monitor (via email) with a recommendation for agreeing to request or explanation why access is restricted.
Date request forwarded: _____
- _____ 3. Schedule meeting with Market Monitor within next four business days, to finalize response to request. Meeting Date: _____
- _____ 4. MMU makes reasonable attempt to respond to Division Chief with information or a schedule to provide it within 5 business days.
Record date response sent to Division Chief: _____.

MMU Procedure #5

Requests for Testimony or

Formal Consultations with Authorized Government Agencies

(Tariff: 3rd Party requests for testimony are not addressed in Tariff; Tariff section IV.C, "Additional Market Monitoring Unit Authority" states under #5, "Consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities." Procedures below are per PJM's Attachment M Internal Procedures, III.B and IV.D.)

Date & Initial	<i>3rd Party Requests for Testimony</i>
_____	1. Record name of 3 rd Party making request, date request received and regulatory proceeding/venue: 3 rd Party Requestor: _____ Date Request Received _____ Regulatory proceeding/venue: _____
_____	2. Per PJM's Attachment M Internal Procedures (III.B.1), Market Monitor notifies President and General Counsel of request (via email or memo). Date President and GC notified: _____
_____	3. Market Monitor determines whether MMU will agree to request or decline. Market Monitor replies to 3 rd Party Requestor. Reply sent: _____
_____	4. If MMU agrees to the request, consult with President and General Counsel regarding request, per PJM's Attachment M Internal Procedures (III.B.2). Date of consultation with President & GC: _____
_____	5. Per PJM's Attachment M Internal Procedures (III.B.3), prior to providing 3 rd Party Requestor with testimony, provide advance copy to the President and GC. Advance copy should be sent at least 24 hours prior to provision of testimony to 3 rd Party. Date and time advance copy provided: _____
_____	6. Record date and time testimony is provided _____

Formal Consultations with AGAs

"Formal Consultation" shall mean a consultation where an AGA, as an agency, requests a written response from the MMU regarding a specific situation, investigation, or monitoring activity.

Date & Initial	
_____	1. Record name of AGA making request, date request received and topic: AGA: _____ Date Request Received _____ Topic: _____
_____	2. Per PJM's Attachment M Internal Procedures (IV.D), subject to the MMU's authority to have confidential discussions with FERC, Market Monitor notifies the President regarding Formal Consultation. Date and time President notified (if applicable): _____
_____	3. Date Formal Consultation provided to AGA: _____

MMU Procedure #6

Reports

- Date & Initial _____ *State of the Market Report* (Tariff: Section VII.A&B)
- _____ 1. Per PJM's Attachment M Internal Procedures (III.D.1), Market Monitor provides President a drafting and review schedule for preparation of the annual state of the market report.
Date schedule provided: _____
- _____ 2. Send the completed State of the Market Report to FERC and the PJM Board simultaneously. Per PJM's Attachment M Internal Procedures (III.D.2), it should be sent to the Board and to the appropriate Board Committee(s) in accordance with the allocation of responsibilities set forth in the then-current Board Governance Guidelines.
Date SoM sent: _____
- _____ 3. Per Tariff Section VII.B, send the State of the Market report to non-FERC AGAs
Date SoM sent: _____

Copies of non-SoM Reports provided to the Board (Tariff: Section VII.B)

Section VII.B states, in part, "The Marketing Monitoring Unit shall contemporaneously submit to the Authorized Government Agencies the reports provided to the PJM Board pursuant to Section VII.A."

- _____ 1. Record topic of the report to the PJM Board and date Market Monitor provided it to them:
Topic: _____
Date provided to PJM Board: _____
- _____ 2. Per Tariff Section VII.B, send the report provided to the PJM Board to AGAs.
Date report sent to AGAs: _____

Reports to FERC or approved requests by other AGAs (Tariff: Section IV.C.7, VII.A&B)

Note: For reports, complaints or regulatory filings to AGAs to address design flaws, market power or other issues, use "Complaints, Reports & Regulatory Filings to AGAs" document.

- Date & Initial _____
- _____ 1. If report is for
- FERC, record topic _____.
 - Other AGA, record name of AGA making request, date request approved by PJM Board or Commission and specific topic:
AGA: _____
Date Request Approved _____
Approved by: _____
Topic: _____

MMU Procedure #6

- ____ 2. Per PJM's Attachment M Internal Procedures (III.A.2 or III.C.1),
Market Monitor consults with the President regarding report.
Date MM Consulted with President: _____
- ____ 3. Per PJM's Attachment M Internal Procedures (III.A.2 or III.C.3),
provide advance copy of final report to President. Copy to President
should be sent at least 24 hours before report is provided to FERC or
other AGA.
Date and Time copy sent to President: _____
- ____ 4. Record data and time report sent to FERC or other AGA. Per PJM's
Attachment M Internal Procedures (III.C.4), provide copy to Board
contemporaneously (Tariff requires "in a timely manner").
Data and Time sent: _____
Report addressed to: _____

Annual Public Report of MMU Activities (Tariff: Section VII.C)

Date & Initial

- ____ 1. At the direction of the Market Monitor, draft annual report of MMU
activities and send to Market Monitor for review.
Date sent: _____
- ____ 2. Market Monitor reviews, edits and finalizes report.
- ____ 3. Per PJM's Attachment M Internal Procedures (III.E.1), provide advance
copy of final report to President. Copy to President should be sent at
least 24 hours before report is posted on PJM's website.
Date and Time sent _____
- ____ 4. Post the annual report of MMU activities to PJM's website. Per PJM's
Attachment M Internal Procedures (III.E.2), send the completed annual
activities report to the Board and to the appropriate Board Committee(s)
in accordance with the allocation of responsibilities set forth in the then-
current Board Governance Guidelines.
Date Sent to Board _____
Date and Time posted to website: _____

MMU Procedure #7

Referrals to FERC-OE

(Tariff: Attachment M, Section IV.B)

Section IV.B states, in part, "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 the FERC Market Rules, the Market Monitoring Unit will refer the matter to the Commission's Division of Investigations."

Date & Initial

- _____
1. Per PJM's Attachment M Internal Procedures (IV.B.1), Market Monitor informs the President prior to referral to FERC-OE.
Date President informed: _____
- _____
2. At the direction of the Market Monitor, draft written referral. A referral to the Commission shall be in writing, shall be non-public and should include, but need not be 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 FERC Market Rule(s) and/or tariff provision(s) that were allegedly violated;
 4. The specific act(s) or conduct that allegedly violated the FERC Market Rules or tariff;
 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 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.
- _____
3. Send draft referral to Market Monitor for review and revision.
- _____
4. Market Monitor reviews, edits and finalizes referral.
- _____
5. Per PJM's Attachment M Internal Procedures (IV.B.3), provide advance copy to the President. Copy to President should be sent at least 24 hours prior to providing referral to FERC-OE.
Date and time copy provided: _____

MMU Procedure #7

- _____ 6. Market Monitor sends referral to FERC-OE. Appendix A, Protocol No.3 in FERC's "Policy Statement on Market Monitoring Units" states that the "referral should be addressed to the Commission's Director of the Enforcement Division of the Office of Market Oversight and Investigation, with a copy also directed to both the Director of the Office of Market, Tariffs and Rates and the Commission's General Counsel."

Date and Time referral sent _____

- _____ 7. Per PJM's Attachment M Internal Procedures (IV.B.5), if the referral informs FERC-OE of an alleged violation resulting from actions taken by PJM or its employees, Market Monitor informs the Board directly with a copy to the President and General Counsel.

Date and Time Board informed: _____

MMU Procedure #8

Reports, Complaints & Regulatory Filings with AGAs

(Tariff: Attachment M, Section IV.C.3)

Section IV.C.3 states "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 appropriate action or make such recommendations as the Market Monitoring Unit shall deem appropriate."

Date & Initial

- _____ 1. At the direction of the Market Monitor, draft written complaint, report or regulatory filing.
AGA: _____
Type (report, complaint or other regulatory filing) _____
Topic: _____
- _____ 2. Send draft to Market Monitor for review and revision.
Date sent: _____
- _____ 3. Market Monitor reviews, edits and finalizes complaint, report or regulatory filing.
Check _____ complaint or filing re compliance, market power
one: _____ or seeking appropriate action re particular Market
Participant(s). Per PJM's Attachment M Internal
Procedures (IV.E), inform the President prior to filing
any such complaints. Date President informed: _____
Go to step 8.
_____ proposal re design flaws, structural problems,
compliance, market power or other issues, seeking
appropriate action or recommendations MMU deems
appropriate. Go to step 4.
- _____ 4. Per PJM's Attachment M Internal Procedures (V.B.2), Market
Monitor discusses proposal with VP Markets.
Date and time of discussion: _____
VP Markets has 5 business days to evaluate proposal.
- _____ 5. Market Monitor receives email or memo indicating if VP Markets
concurs with proposal. If, after 5 business days, decision from VP
Markets has not been received, Market Monitor follows up with VP
Markets.
Date of decision received or of follow up _____
- _____ 6. Per PJM's Attachment M Internal Procedures (IV.B.4), Market
Monitor forwards proposal to President, indicating whether VP
Markets concurs or not.
Date proposal sent: _____
President has 5 business days to evaluate proposal.

MMU Procedure #8

- _____ 7. Per PJM's Attachment M Internal Procedures, President evaluates proposal and determines course of action. If, after 5 business days, determination from President has not been received, Market Monitor follows up with President re decision.

Date of determination received or of follow up _____

President's decision re course of action:

Check one: _____ President agrees with MMU proposal.

Go to step 8.

_____ President disagrees with MMU proposal. Market Monitor determines whether to take proposal to Board (step 8) or to go to FERC and PJM Members (step 11).

- _____ 8. Market Monitor sends complaint, report or regulatory filing to Board, indicating that approval is needed in order to file.

Date sent: _____

- _____ 9. Board decision received _____

Check one: _____ approved. Go to step 10.

_____ not approved. Go to step 11.

- _____ 10. Send complaint, report or regulatory filing, with copies to the Board and AGAs (per Tariff Section VII.A&B)

Date sent: _____

Copies sent to Board: _____

Copies sent to AGAs: _____

- _____ 11. Per Tariff, "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 staff and the PJM Members, either orally or in writing." (Tariff Att. M, Section IV.C.4)

Date Market Monitor informs Commission staff: _____

Date Market Monitor informs PJM Members: _____

MMU Procedure #9

Recommend Modifications to PJM Market Rules

(Tariff: Attachment M, Section IV.C.2)

Section IV.C.2 states "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."

Tariff defines "PJM Market Rule" in Attachment M, Section II (k) as follows: "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 Agreements, the PJM Consolidated Transmission Owners Agreement, 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.

Date & Initial

- _____
1. Name of PJM Market Rule requiring modification:

Rule stated in _____ (name of document, manual or agreement)
- _____
2. At the direction of the Market Monitor, draft examples and presentations regarding rule and recommendation for modification and send to Market Monitor for review and revision. Date sent: _____
- _____
3. Market Monitor reviews, edits and finalizes examples, presentation for recommended change.
- _____
4. Per PJM's Attachment M Internal Procedures (V.A.2), Market Monitor discusses proposed changes with VP Markets.
Date and time of discussion: _____
VP Markets has 5 business days to evaluate proposal.
- _____
5. Market Monitor receives email or memo indicating if VP Markets concurs with proposed changes. If, after 5 business days, decision from VP Markets has not been received, Market Monitor follows up with VP Markets.
Date of decision received or of follow up _____
- _____
6. Per PJM's Attachment M Internal Procedures (V.A.2&4), Market Monitor forwards proposed change to President, indicating whether VP Markets concurs or not.
Date proposal sent: _____
President has 5 business days to evaluate proposal.
- _____
7. Per PJM's Attachment M Internal Procedures (V.A.4), President evaluates proposal and determines course of action. If, after 5 business days, determination from President has not been received, Market Monitor follows up with President re decision.
Date of determination received or of follow up _____

President's decision re course of action:

MMU Procedure #9

- _____ Check one: _____ President agrees with MMU proposal.
Go to step 8.
_____ President disagrees with MMU proposal.
Market Monitor determines whether to take
proposal to Board (step 10) or to go to FERC
and PJM Members (step 11).
- _____ 8. MMU Administrator coordinates with Committee Services to
schedule presentations at committee meetings, if needed.
- _____ 9. After committee presentations, record PJM's and/or Members'
decision regarding filing rule changes.
_____ PJM will file rule modifications. MMU assists Legal
in filing rule changes with FERC.
_____ PJM will not file rule modifications. Market Monitor
determines whether to take proposal to Board (step 10) or to
go to FERC and PJM Members (step 12).
- _____ 10. Market Monitor sends proposed PJM Rule modification to Board,
requesting approval to file.
Date sent: _____
- _____ 11. Board decision received _____ (date)
Check one: _____ approved. MMU coordinates with Legal to
file rule change with FERC.
_____ not approved. Go to step 12.
- _____ 12. Per Tariff, "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 staff and the PJM Members, either
orally or in writing." (Tariff Att. M, Section IV.C.4)
Date Market Monitor informs Commission staff:

Date Market Monitor informs PJM Members:

MMU Procedure #10

Additional Enforcement Mechanisms

(Tariff: Attachment M, Section IV.C.6)

Tariff: Attachment M, Section IV.C.6, under Additional Market Monitoring Unit Authority, states "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."

Date & Initial

1. Name of proposed additional enforcement mechanism:

2. Per PJM's Attachment M Internal Procedures (V.C), Market Monitor consults with VP Markets re additional enforcement mechanism.

Date of discussion, email or memo: _____

MMU Procedure #11

Privileged and Confidential Record of MMU Inquiries Calendar Year 2006

An "MMU Inquiry" occurs when the Market Monitor directs an analyst to engage in an in-depth analysis of individual participant behavior with significant impact on one or more of the PJM Markets (Energy, Regulation, Capacity etc) whether in one or multiple zones of PJM. Inquiries are for the purpose of identifying whether there is a significant market problem or potential violation requiring notification or referral to FERC. (See Tariff, Attachment M, Section IV.A and B.)

Start Date	End Date	Issue Investigated
2/06		Baseload offers
2/23/06		Black Start offers
4/12/06	5/4/06	2006-2007 ARR allocations
4/19/06	5/9/06	Ramp reservations
8/23/06		Offer impact of emission limits on steam units
9/10/06		Whitpain transformer outage

Per PJM's Attachment M Internal Procedures (IV.A.2-4), the MMU shall:

- notify the President prior to initiating inquiries.
- maintain a record stating the date that inquiry began and ended.
- remain ready to provide a copy of the record to the President upon short notice.

This document is intended for MMU personnel only. PJM's President may request a copy upon short notice.

Bowring, Joseph

From: Bowring, Joseph
Sent: Monday, November 25, 2002 2:27 PM
To: Filipovic, Virginia
Subject: CMC blue sheets



Att2E



CMC BLUE SHEET A



CMC BLUE SHEET B



CMC BLUE SHEET C



CMC BLUE SHEET D



CMC BLUE SHEET E



Tariff revisions
redline Agend...

liffResume.rtf (46 K 12032002.DOC ... 12032002.DOC ... 12032002.DOC ... 12032002.DOC ... 12032002.DOC ...



Market Monitoring Unit

Date: January 2, 2002
To: Competitive Markets Committee
Re: State of the Market Report

I have revised the schedule for completion of the PJM Interconnection State of the Market Report 2002. I plan to finalize the report on January 31 and to Fed Ex it for delivery to you on Saturday, February 1. Per my discussion with Howard Schneider, I have left one week for your review in the schedule, but that can be modified at the CMC meeting on February 3.

Sincerely,

Joseph Bowring
Manager

Service With Integrity

955 Jefferson Avenue • Valley Forge Corporate Center • Norristown, PA 19403-2497 • (610) 666-8800

SMM - 00281

STATEMENT OF ISSUE

Development of a plan for The State of the Market Report 2002.

CONSIDERATIONS

- The detailed time line will be provided with progress noted.
- Final draft to CMC on March 1, 2003.
- ~~Technical writer hired. (Resume attached.)~~

BOARD ACTION

- This is an information item for the Board. No action is requested.

Bowring, Joseph

From: Howard Schneider [Howard.Schneider@kmzr.com]
Sent: Thursday, January 02, 2003 6:30 PM
To: bowrij@pjm.com; cburger@ix.netcom.com; folson@sowega.net;
HARRISPG@pjmexch01.pjm.com; jpcough@pacbell.net; LAUGHLKW@pjmexch01.pjm.com;
sweigc@pjmexch01.pjm.com
Subject: RE: State of the Market Report Schedule

Joe - Congragulations on moving the target up by two weeks. The Committee appreciates your efforts.

-----Original Message-----

From: bowrij@pjm.com [mailto:bowrij@pjm.com]
Sent: Thursday, January 02, 2003 5:41 PM
To: cburger@ix.netcom.com; folson@sowega.net; HARRISPG@pjmexch01.pjm.com; Howard Schneider; jpcough@pacbell.net; LAUGHLKW@pjmexch01.pjm.com; sweigc@pjmexch01.pjm.com
~~Subject: State of the Market Report Schedule~~

Dear Members:

I have attached a brief memo regarding the schedule for the State of the Market Report.

Please let me know if you have any questions.

Thanks,
Joe

Joseph E. Bowring
Manager
Market Monitoring Unit
PJM Interconnection
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown PA 19403-2497
voice: 610-666-4536
mobile: 610-659-0843
fax: 610-666-4762
email: bowrij@pjm.com

<<BOMSOMLetter01022003.doc>>

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Bowring, Joseph

From: C. S. Burger [cburger@ix.netcom.com]
Sent: Thursday, January 02, 2003 7:34 PM
To: Howard Schneider; bowrij@pjm.com; folson@sowega.net;
HARRISPG@pjmexch01.pjm.com; jpcough@pacbell.net; LAUGHLKW@pjmexch01.pjm.com;
sweigc@pjmexch01.pjm.com
Subject: Re: State of the Market Report Schedule

Agreed!!

----- Original Message -----

From: Howard Schneider <Howard.Schneider@kmzr.com>
To: <bowrij@pjm.com>; <cburger@ix.netcom.com>; <folson@sowega.net>;
<HARRISPG@pjmexch01.pjm.com>; <jpcough@pacbell.net>; <LAUGHLKW@pjmexch01.pjm.com>;
<sweigc@pjmexch01.pjm.com>
Sent: Thursday, January 02, 2003 6:29 PM
Subject: RE: State of the Market Report Schedule

> Joe - Congragulations on moving the target up by two weeks. The
> Committee appreciates your efforts.
>
> -----Original Message-----
> From: bowrij@pjm.com [mailto:bowrij@pjm.com]
> Sent: Thursday, January 02, 2003 5:41 PM
> To: cburger@ix.netcom.com; folson@sowega.net;
> HARRISPG@pjmexch01.pjm.com; Howard Schneider; jpcough@pacbell.net;
> LAUGHLKW@pjmexch01.pjm.com; sweigc@pjmexch01.pjm.com
> Subject: State of the Market Report Schedule
>
>
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>
> I have attached a brief memo regarding the schedule for the State of
> the Market Report.
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> Please let me know if you have any questions.
>
> Thanks,
> Joe
>
> Joseph E. Bowring
> Manager
> Market Monitoring Unit
> PJM Interconnection
> 955 Jefferson Avenue
> Valley Forge Corporate Center
> Norristown PA 19403-2497
> voice: 610-666-4536
> mobile: 610-659-0843
> fax: 610-666-4762
> email: bowrij@pjm.com
>
> <<BOMSOMLetter01022003.doc>>
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which it is addressed, and may contain information that is privileged, confidential and

exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please delete it and notify us immediately.

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Bowring, Joseph

From: John T. Coughlin [jpcough@pacbell.net]
Sent: Sunday, January 05, 2003 10:16 PM
To: Howard Schneider; bowrij@pjm.com; cburger@ix.netcom.com; folson@sowega.net; HARRISPG@pjmexch01.pjm.com; LAUGHLKW@pjmexch01.pjm.com; sweigc@pjmexch01.pjm.com
Subject: Re: State of the Market Report Schedule

Joe,

I have been away for the holidays so at this time I would like to echo the previous comments made by Howard and Carol.

John

----- Original Message -----

From: "Howard Schneider" <Howard.Schneider@kmzr.com>

To: <bowrij@pjm.com>; <cburger@ix.netcom.com>; <folson@sowega.net>; <HARRISPG@pjmexch01.pjm.com>; <jpcough@pacbell.net>; <LAUGHLKW@pjmexch01.pjm.com>; <sweigc@pjmexch01.pjm.com>

Sent: Thursday, January 02, 2003 3:29 PM

Subject: RE: State of the Market Report Schedule

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> Committee appreciates your efforts.
>
> -----Original Message-----
> From: bowrij@pjm.com [mailto:bowrij@pjm.com]
> Sent: Thursday, January 02, 2003 5:41 PM
> To: cburger@ix.netcom.com; folson@sowega.net;
> HARRISPG@pjmexch01.pjm.com; Howard Schneider; jpcough@pacbell.net;
> LAUGHLKW@pjmexch01.pjm.com; sweigc@pjmexch01.pjm.com
> Subject: State of the Market Report Schedule
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> Dear Members:
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> Joseph E. Bowring
> Manager
> Market Monitoring Unit
> PJM Interconnection
> 955 Jefferson Avenue
> Valley Forge Corporate Center
> Norristown PA 19403-2497
> voice: 610-666-4536
> mobile: 610-659-0843
> fax: 610-666-4762
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MEMORANDUM

TO: Joseph Bowring
Andrew Ott

FROM: Audrey A. Zibelman

DATE: March 21, 2006

RE: Procedures for Implementation of the PJM Market Monitoring Plan

Attached is a copy of the Procedures for the Implementation of the PJM Market Monitoring Plan that became effective as of February 21, 2006, the date on which they were reviewed with the Board of Managers Competitive Markets Committee. As you know, Phil Harris has delegated to me responsibility to receive information and to consult with the Market Monitoring Unit on his behalf and to respond in timely fashion to communications from the MMU.

In going forward with implementation of the new Procedures, there are several areas in which your careful attention is particularly important.

Communications and Sharing of Resources. Throughout the Procedures, reference is made to consultation between the MMU and the President (or his designee), the Vice President, Markets and the General Counsel. These collaborative efforts should be conducted in an open and timely manner in order to assure sufficient time for complete and effective deliberations and reporting to me, if necessary. Also, Section II.B of the Procedures requires full cooperation by other departments within PJM in supplying information and data to the MMU, and Sections VII.A.1.c and VII.D require sharing of staff support and information by the MMU with others within PJM. In the absence of compelling reasons involving the ability of the MMU to discharge its responsibilities

under the Market Monitoring Plan, MMU data should routinely be made available to other departments having need for access thereto and MMU staff should be made available for consultation with other PJM personnel in order to explain data availability and calculations. PJM staff requesting such collaboration should routinely provide Joe with advance notice, when feasible, and any calculations or analysis provided by the MMU to another department shall not be attributed publicly to the MMU, without Joe's prior approval.

Management of the MMU Staff. In order to stimulate communications between the MMU and other departments, the MMU should hold regular staff meetings and from time-to-time invite members of other departments to discuss current topics of general interest to PJM or to the MMU. Similarly, MMU staff should participate regularly or upon specific invitation in staff meetings of other departments, particularly those of the Markets division. Joe should personally attend meeting of the Markets division staff in order to assure close coordination and cooperation between the MMU and Markets.

Development of Market Rules. Section IV.C.2 of the proposed revised Attachment M and Section V.A of the Procedures make clear that the MMU is to be involved in the development and modification of PJM market rules. The MMU also has clear responsibility to monitor the administration of the market rules, to make recommendations to the appropriate PJM department for necessary changes or additions, and to report to the Board and to FERC when appropriate action is not taken with regard to market rules and administration. It is equally clear that responsibility for the development of market rules and the coordination of related stakeholder and FERC processes lies with the Markets division, and the MMU is to act in an advisory and

collaborative role. The separation of the responsibilities of the MMU and the Markets division should be strictly observed. In those areas in which the two divisions cooperate, each should make every effort to share data and analyses and to provide information necessary to stakeholder presentations sufficiently in advance of the date of their intended use to assure effective collaboration.

A.A.Z.

cc: Jack Hagele



PROCEDURES FOR THE IMPLEMENTATION OF THE PJM MARKET MONITORING PLAN

Effective February 21, 2006

I. Objective

Consistent with the Board of Managers Review of the Market Monitoring Organization of PJM Interconnection, L.L.C., dated November 13, 2003, this document sets forth the procedures pursuant to which PJM and the Market Monitoring Unit shall implement the PJM Market Monitoring Plan ("Plan"), which is included as Attachment M to the PJM Open Access Transmission Tariff. Nothing stated in these procedures shall be interpreted to require the Market Monitoring Unit or PJM to take or refrain from any action inconsistent with the provisions of the Plan or Operating Agreement or otherwise compromise the independence of the Market Monitoring Unit as required by the Plan.

II. Monitoring Function

A. **Scope of the Monitoring**

The Market Monitoring Unit shall monitor those activities and circumstances set forth in Section III of the Plan.

B. **Access to Primary Information**

Consistent with Sections V.D and VI.A of the Plan, the Market Monitoring Unit shall have access to data and information gathered in the normal course of PJM's business as follows:

1. The Market Monitoring Unit shall receive Operations, Markets and Settlements data on a daily basis.
2. Data shall be provided to the Market Monitoring Unit in accordance with standard procedures for data exchange between PJM departments.

C. **Collection of Information**

The Market Monitoring Unit shall make publicly available a description of the categories of data collected by the Market Monitoring Unit pursuant to Section VI.D of the Plan.

D. **Requests for Additional Information**

If the Market Monitoring Unit determines that it requires information in addition to that gathered in the ordinary course of PJM's business or its own data collection

activity, it may seek to obtain such information in accordance with the following procedures:

1. Request for Additional Other Entities' Data: Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from other entities in accordance with the following procedures:
 - a. The Market Monitoring Unit shall provide contemporaneously to the President a copy of any written requests for information submitted to other entities.
 - b. Section VI.B.3 of the Plan provides that Transmission Owners and their affiliates must provide to the Market Monitoring Unit within a reasonable time requested information relating to possible undue preference between Transmission Owners and their affiliates; provided, however, that an information request recipient may petition the Federal Energy Regulatory Commission (the "Commission") for an order limiting all or part of the information requested. The Market Monitoring Unit shall provide in a timely manner a copy of any such petition to the President.
2. Compel Information: Pursuant to Section V.B.2 of the Plan, the Market Monitoring Unit may initiate regulatory or judicial proceedings to compel the production of information, consistent with the following procedures:
 - a. The Market Monitoring Unit shall not attempt to compel information from an entity without first having submitted a written request pursuant to the procedures described in Section II.D.1 and having allowed a reasonable time period for the recipient to respond.
 - b. Prior to initiating proceedings to compel the production of data, the Market Monitoring Unit shall consult with the President.
 - c. The Market Monitoring Unit shall notify the President of any significant developments in these proceedings.

E. Treatment of Unsolicited Information

Pursuant to Section VI.C of the Plan, 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. If the information includes a request that the Market Monitoring Unit take some action, the Market Monitoring Unit shall provide a copy of the request to the President and inform the President how the Market Monitoring Unit intends to respond to the request.

F. Development of Indices

Consistent with Section VI.E of the Plan, the Market Monitoring Unit shall develop indices or other standards to evaluate the information that it collects and maintains in accordance with the following procedures:

1. The Market Monitoring Unit shall define and document indices or other standards to evaluate the information that it collects.
2. Prior to implementing any modifications or additions to such indices or other standards, the Market Monitoring Unit shall inform the Board.

G. Evaluation of Information

The Market Monitoring Unit shall define and document the information that it maintains regarding the PJM Market pursuant to Section VI.F of the Plan. Upon request by a PJM division chief, access to such information or an explanation why access to such information is restricted shall be provided in a timely manner.

III. Reporting Function

A. Reports to the Commission

In preparing reports to the Commission as required pursuant to Sections IV.A and IV.C.7 of the Plan, or voluntarily under Section IV.C.6 of the Plan, the Market Monitor Unit shall adhere to the following procedures:

1. The Market Monitoring Unit may release data to the public, consistent with PJM's obligations to protect confidential, proprietary, or commercially sensitive information.
2. The Market Monitoring Unit shall consult with the President regarding reports to the Commission and shall provide a copy thereof to the President reasonably in advance of their submission.

B. Appearance in Regulatory Proceedings

From time to time third parties may request that staff of the Market Monitoring Unit provide testimony in regulatory proceedings. Such participation shall be subject to the following procedures:

1. The Market Monitoring Unit shall notify the President and General Counsel of any request from a third party that the Market Monitoring Unit provide testimony in regulatory proceedings.

2. If the Market Monitoring Unit determines that it is willing to accommodate the request, the Market Monitoring Unit shall consult with the President and the General Counsel regarding such request.
3. Advance copy of the testimony shall be provided to the President and the General Counsel.

C. Reports to Authorized Government Agencies

Consistent with Section VII.B of the Plan, the Marketing Monitoring Unit shall submit reports to Authorized Government Agencies other than the Commission in accordance with the following procedures:

1. If the Marketing Monitoring Unit receives a request for a report, it shall consult with the President prior to preparing any response to such request.
2. 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.
3. The Market Monitoring Unit shall provide the President with a copy of such reports reasonably in advance of their release to Authorized Government Agencies.
4. The Market Monitoring Unit shall contemporaneously submit to the Board the completed report to an Authorized Government Agency.

D. Reports Regarding the State of the Market

The Market Monitoring Unit shall have exclusive responsibility to prepare and submit annual state-of-the-market reports as specified in Section VII.A of the Plan in accordance with the following procedures:

1. The Market Monitoring Unit shall provide to the President a drafting and review schedule for preparation of the annual state-of-the-market report.
2. The Market Monitoring Unit shall submit the completed state-of-the-market report to the Board and to the appropriate Board Committee(s) in accordance with the allocation of responsibilities set forth in the then-current Board Governance Guidelines.

E. Reports to the Public

If the Market Monitoring Unit prepares a separate detailed public annual report about the Market Monitoring Unit's activities, then the preparation of such report shall be in accordance with the following procedures:

1. The Market Monitoring Unit shall provide the President with an advance copy of such annual report.
2. The Market Monitoring Unit shall submit the completed detailed public annual report to the Board and to the appropriate Board Committee(s) in accordance with the allocation of responsibilities set forth in the then-current Board Governance Guidelines.

IV. Compliance Function

A. Investigations

The Market Monitor may investigate the actions of any Market Participant to determine whether such behavior constitutes an effort to obtain undue market power, violate PJM market rules, FERC Market Behavior Rules and/or Federal laws or regulations relating to the market monitoring function, provided that such investigations are conducted in accordance with the following procedures:

1. The Market Monitoring Unit may engage in informal discussions with such Market Participant prior to and during an investigation consistent with Section IV.C.1 of the plan.
2. Prior to initiating investigations regarding Market Participant behavior, the Market Monitoring Unit shall notify the President.
3. The Market Monitoring Unit shall, at a minimum, maintain a record stating the date that the investigation began and the date when it was terminated. The Market Monitoring Unit may also record other significant events during the course of the investigations as it may deem appropriate.
4. The Market Monitoring Unit shall remain ready to provide copies of such records to the President upon short notice.

B. Required Referrals to the Commission

In referring matters to the Commission as required pursuant to Section IV.B of the Plan, PJM and the Market Monitoring Unit shall adhere to the following procedures:

1. Prior to any referrals to the Commission by the Market Monitoring Unit the Market Monitoring Unit shall inform the President.
2. A referral to the Commission shall be in writing and should include the following information:

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- a. 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);
 - b. The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - c. The specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;
 - d. The specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;
 - e. The consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;
 - ~~f. If the Market Monitoring Unit believes that the act(s) or conduct constituted manipulative behavior in violation of the Commission Market Behavior Rules (or Federal laws or regulations relating to the market monitoring function), a description of the alleged manipulative effect on market prices, market conditions, or market rules; and~~
 - g. Any other information that the Market Monitoring Unit believes is relevant and may be helpful to the Commission.
3. The Market Monitoring Unit shall submit an advance copy of the written referral to the President.
 4. Following the submission of such a referral, the Market Monitoring Unit shall 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.
 5. If the referral relates to a violation by PJM or its employees, the Market Monitoring Unit shall take the matter directly to the Board, without delay, with copies to the President and General Counsel.

D. Consultations with Authorized Government Agencies

Pursuant to Section IV.C.4 of the Plan, the Market Monitoring Unit may consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities. Prior to any formal consultations by the Market Monitoring Unit with Authorized Government Agencies, and subject to the Market Monitoring Unit's authority to have confidential discussions with the Commission, the Market Monitoring Unit shall inform the President.

E. Enforcement Actions and Referrals to Authorized Government Agencies

Pursuant to Section IV.C.3 of the Plan, with the approval of the Board, the Market Monitoring Unit may file complaints with Authorized Government Agencies or make other appropriate regulatory filings to address compliance, market power, and seek remedial measures against specific Market Participants in accordance with the following procedures:

1. Prior to filing any such complaints, the Market Monitoring Unit shall inform the President.
2. Prior to filing any such complaints, the Market Monitoring Unit shall obtain approval from the Board.

V. Market Design Recommendations Function

A. Recommend Modification to PJM Market Rules

Pursuant to Section IV.C.2 of the Plan, the Market Monitoring Unit may recommend to the appropriate PJM entity modifications to the PJM Market Rules or comment on proposals to modify the PJM Market Rules initiated by others at PJM according to the following procedures:

1. The Marketing Monitoring Unit and PJM each shall seek to identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification to the PJM tariff or other documents.
2. The Market Monitoring Unit and VP Markets (or other interested Vice Presidents) shall communicate to each other any such issue identified and/or proposed solution and determine whether there is concurrence. If so, the Market Monitoring Unit and VP Markets shall document the concern and recommend a course of action to the President.
3. The VP Markets and President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and, if required, the Board, with Market Monitoring Unit participation.
4. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, either party may forward to the President for a timely determination regarding how to proceed.
5. If the Market Monitoring Unit is dissatisfied with the approach taken, it may report to the appropriate PJM committee or the Board, or to the Commission in accordance with Section III.A hereof. Nothing herein contained shall restrict the Market Monitoring Unit's required reporting to the Commission pursuant to Section IV.A of the Plan.

B. Proposals to Authorized Government Agencies

Pursuant to Section IV.C.3 of the Plan, with the approval of the Board, the Market Monitoring Unit may make with Authorized Government Agencies appropriate regulatory filings to address design flaws, structural problems, compliance, market power, or other issues, and seek such remedial measures or make such recommendations in accordance with the following procedures:

1. The Marketing Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and Marketing Monitoring Unit proposals for addressing such issues.
- ~~2. The Market Monitoring Unit shall, prior to filing, discuss with the VP Markets any contemplated proposal to an Authorized Government Agency.~~
3. The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.
4. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the President.
5. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, either party shall forward the matter to the President.

C. Evaluation of Compliance Regime

Pursuant to Section IV.C.5 of the Plan, the Market Monitoring Unit may consider and evaluate a broad range of additional enforcement mechanisms as may be necessary to assure compliance with the PJM Market Rules and shall consult with the VP Markets with respect thereto.

VI. PJM Committees

A. Market Monitoring Advisory Committee

The Market Monitoring Unit shall administer the Market Monitoring Advisory Committee ("MMAC") in accordance with the following procedures:

1. The Market Monitoring Unit shall administer the MMAC in accordance with the MMAC charter.
2. At least one week prior to a meeting of the MMAC, the chair shall consult with the President with regard to the agenda.

3. The chair of the meeting shall copy the President on the minutes of meetings of the MMAC at least contemporaneously with their release to the committee members.

B. Other Committees

At the request of PJM, the Market Monitoring Unit shall provide formal presentations at or chair committees, working groups and task forces other than the MMAC.

VII. General Administration

A. Resources

Pursuant to Section V.D of the Plan, PJM and the Marketing Monitoring Unit shall adhere to the following procedures in order to ensure that the Market Monitoring Unit has adequate resources to carry out its mission:

1. Staff:
 - a. Work Plan: Each year, the Market Monitoring Unit shall create a Market Monitoring Unit work plan that defines the scope of work for the subsequent calendar year. This action plan shall identify needed budget and staffing that shall be submitted to the President for review and approval. Based on the approved work plan, PJM and the MMU shall agree on a level of permanent Market Monitoring Unit staff. The Market Monitoring Unit shall have authority to maintain that level of staff until a different level has been agreed upon.
 - b. Management: The Market Monitor shall have management authority with respect to the Market Monitoring Unit staff consistent with the work plan and the policies established by PJM Human Resources.
 - c. Sharing: The Market Monitoring Unit shall have the primary authority to assign tasks to its own staff. Upon request by other PJM division chiefs for support, information or processes, from Market Monitoring Unit staff, the Market Monitoring Unit shall make reasonable efforts to comply or shall explain why such support, information or processes cannot be provided.
2. Consultants: The work plan shall include an annual budget sufficient for the Market Monitoring Unit to hire consultants. The Market Monitor shall consult with the President prior to retaining consultants.
3. Legal Counsel: PJM has an affirmative obligation to provide the Marketing Monitoring Unit with legal counsel support. In the event the Marketing Monitoring Unit identifies a need for retaining independent legal counsel due to a conflict between legal positions espoused by PJM and the Marketing Monitoring Unit, the Market Monitoring Unit shall be entitled to retain

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independent counsel. The Marketing Monitoring Unit shall coordinate with the General Counsel to establish a budget for independent legal counsel.

B. Internal Coordination

Pursuant to Section V.C of the Plan, the Market Monitoring Unit shall be accountable solely to the President and the Board regarding the implementation of this Plan. Where these procedures provide for the Market Monitoring Unit to inform, consult or otherwise coordinate with the President or other divisions of PJM, the following procedures shall apply:

1. Communications: Communications or confirmations of communications shall be in writing, including by e-mail. The Market Monitoring Unit shall endeavor to provide such communications with sufficient time for the President to accord them due attention. The President may from time to time designate another officer of PJM on his or her behalf to receive information and to consult with the Market Monitoring Unit under these Procedures, and the President or whomever the President so designates shall endeavor to respond in timely fashion to communications from the Market Monitoring Unit. Nothing herein contained shall be construed to modify the Market Monitor's direct reporting relationship to the President.
2. Review by the Board: Subsequent to a denial or untimely delay by the President, the Market Monitoring Unit may raise a matter directly with the Board. PJM shall honor a reasonable request to provide the Market Monitoring Unit with access to independent legal counsel, consistent with Section VII.A.3 hereof.
3. Emergency Action: Notwithstanding the foregoing, if the Market Monitoring Unit determines that emergency action must be taken with respect to a matter, it may take such action as it deems necessary under the circumstances, and shall provide concurrent notice of such action to the President.

C. Adherence to PJM Organizational Protocols

The Market Monitoring Unit shall function as a division of PJM, and shall adhere to all PJM policies and procedures.

D. Information

The Market Monitoring Unit shall retain in a manner that is organized and not less stringent than applicable PJM policies all work papers, analyses and processes developed in the course of its activities. Such work papers, analyses and processes shall be made available to PJM in a timely manner upon the request of a PJM division chief.

E. Confidentiality

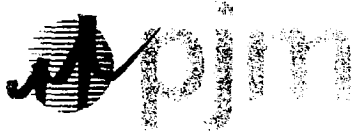
Pursuant to the requirements of Sections IV.D and VI.B.2 of the Plan and the Operating Agreement, the Market Monitoring Unit and PJM shall ensure the confidentiality of any protected materials to which it has access or possession.

F. Audit

The activities of the Market Monitoring Unit shall be audited by PJM's internal audit department in accordance with the procedures adopted by the Board pursuant to Section VIII of the Plan.

Market Monitoring Procedures Outline

- I. Objective
- II. Definitions
- III. Monitoring Functions
 - A. Scope of the Monitoring
 - B. Access to Primary Information
 - C. Collection of Information
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Market Monitoring Procedures Outline

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**PROCEDURES FOR THE IMPLEMENTATION OF
THE PJM MARKET MONITORING PLAN**

I. Objective

This document sets forth the procedures pursuant to which PJM and the Market Monitoring Unit shall implement the PJM Market Monitoring Plan ("Plan"), which is included as Attachment M to the PJM Open Access Transmission Tariff.

II. Definitions

Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan or elsewhere in the PJM Tariff. Terms defined and used in these procedures include the following:

"PJM" shall mean PJM Interconnection, L.L.C. and its leadership, officers and staff, but excludes, for the purposes here, the Marketing Monitoring Unit.

"Executive Vice President" shall mean the PJM Interconnection, L.L.C. Executive Vice President/Chief Operating Officer or such individual designated by Executive Vice President to act in her/his place with respect to specific matters.

III. Communication with the PJM Board

A. Scope of Communication

1. Nothing set forth in these procedures of implementation shall preclude the Market Monitoring Unit from direct access to the PJM Board of Managers or FERC.
2. Information shall be submitted to in a timely manner to the PJM Board.

IV. Monitoring Function

A. Scope of the Monitoring

The Market Monitoring Unit shall monitor those activities and circumstances set forth in Section III of the Plan.

**B. Access to Primary Information**

Consistent with Sections V.D and VI.A of the Plan, the Market Monitoring Unit shall have access to data and information gathered in the normal course of PJM's business as follows:

1. The Market Monitoring Unit shall receive Operations, Markets and Settlements data on a daily basis.
2. Data shall be provided to the Market Monitoring Unit in accordance with standard procedures for data exchange between PJM departments.

C. Collection of Information

Pursuant to Section of VI.D the Plan, the Market Monitoring Unit shall regularly collect and maintain information in accordance with the following procedures:

1. The Market Monitoring Unit shall make publicly available a description of the categories of data collected by the Market Monitoring Unit.

D. Requests for Additional Information

If the Market Monitoring Unit determines that it requires information in addition to that gathered in the ordinary course of PJM's business or its own data collection activity, it may seek to obtain such information in accordance with the following procedures:

- a. Request for Additional PJM Data: Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from PJM in accordance with the following procedures:
 1. The Market Monitoring Unit shall communicate information to the VP Markets. The VP Markets shall evaluate the request. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets shall provide the Market Monitoring Unit with the data and notify the Executive Vice President.
 2. In the event there is not concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets shall identify the concern and recommend a course of action to the Executive Vice President with a copy to the Market Monitoring Unit and a copy to the President for review and approval.
- b. Request for Additional Other Entities' Data: Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from other entities in accordance with the following procedures:



1. The Market Monitoring Units shall provide a copy of any written requests for information submitted to other entities.
2. Section VI.B.3 of the Plan provides that Transmission Owners and their affiliates must provide to the Market Monitoring Unit within a reasonable time requested information relating to possible undue preference between Transmission Owners and their affiliates, provided, however, that an information request recipient may petition the Commission for an order limiting all or part of the information request. The Market Monitoring Unit shall provide copies to the Executive Vice President of any such petitions.

c. Compel Information: Pursuant to Section V.B.2 of the Plan, the Market Monitoring Unit may initiate such regulatory or judicial proceedings to compel the production consistent with the following procedures:

1. Prior to initiating proceedings to compel the production of data, the Market Monitoring Unit shall notify the Executive Vice President and explain why recipient's failure to respond in the elapsed time is unreasonable.
2. The Market Monitoring Unit shall determine whether the information is material in that it will constitute the basis for some significant action. The Market Monitoring Unit shall communicate any material information to the Executive Vice President. Comments and revisions may be submitted to the Market Monitoring Unit.
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
4. The Market Monitoring Unit shall notify the Executive Vice President of any significant developments in these proceedings.

E. Treatment of Unsolicited Information

Pursuant to Section VI.C of the Plan, 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. Upon receipt of such information:

1. The Market Monitoring Unit shall determine whether the information is material in that it will constitute the basis for some significant action.



2. The Market Monitoring Unit shall communicate any material information to the Executive Vice President. Comments and revisions may be submitted to the Market Monitoring Unit.
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

F. Development of Indices

Consistent with Section VI.E of the Plan, the Market Monitoring Unit shall develop indices or other standards to evaluate the information that it collects and maintains in accordance with the following procedures:

1. The Market Monitoring Unit shall define and document indices or other standards to evaluate the information that it collects. This information shall be provided to the Executive Vice President for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. 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.
4. The Market Monitoring Unit shall submit the complete set of indices to the PJM Board upon agreement and approval by the Executive Vice President.

G. Evaluation of Information

Consistent with Section VI.F of the Plan, the Market Monitoring Unit shall evaluate the information that it maintains regarding the operation of the PJM Market or other matters relevant to the Plan in accordance with the following procedures:

1. The Market Monitoring Unit shall define and document the information that it maintains regarding the PJM Market. This document shall be reviewed and approved by the Executive Vice President. Comments and proposed revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.



V. Reporting Function

A. Reports to the FERC

1. Required Reports: In preparing reports to the Commission as required pursuant to Section IV.A and IV.C.7 of the Plan, PJM and the Market Monitor Unit shall adhere to the following procedures:
 - a. The Market Monitoring Unit may release other data to the public, consistent with PJM's obligations to protect confidential, proprietary, or commercially sensitive information.
 - b. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the Commission report for review and comment. Comments and revisions may be submitted by the Executive Vice President to the Market Monitoring Unit.
2. Discretionary Reports: Pursuant to Section IV.C.6, the Market Monitoring Unit may report directly to the Commission on any matter:
 - a. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the Commission report for review and comment. Comments and revisions may be submitted by the Executive Vice President to the Market Monitoring Unit.
3. Appearance in Regulatory Proceeding: From time to time third parties may request that staff of the Market Monitoring Unit provide testimony in regulatory proceedings. Such participation shall be subject to adherence to the following procedures:
 - a. If the Market Monitoring Unit determines that it is willing to accommodate the request, the Market Monitoring Unit shall provide prior to any appearance by the Market Monitoring Unit to provide testimony, the Executive Vice President and General Counsel with notification of the request for testimony in regulatory proceedings.
 - b. The Executive Vice President shall determine if the request for appearance shall be honored and, in consultation with the Market Monitoring Unit, shall establish the terms and conditions of such appearance.
 - c. Advance copy of the testimony shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
 - d. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend



a course of action to the President for review, approval, and further action.

B. Reports to Authorized Government Agencies

Consistent with Section VII.B of the Plan, the Marketing Monitoring Unit shall submit reports to Authorized Government Agencies other than the Commission in accordance with the following procedures:

3. If the Marketing Monitoring Unit determines that the request is reasonable and is willing to comply, it shall inform so notify the Executive Vice President of the request. The Executive Vice President shall determine whether to honor the request for a report.
4. 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.
5. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of reports to Authorized Government Agencies for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
6. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
7. The Market Monitoring Unit shall submit the completed Authorized Government Agencies report to the PJM Board upon agreement and approval by the Executive Vice President.
8. The Authorized Government Agencies report shall be submitted to in a timely manner to the PJM Board.

C. Reports Regarding the State of the Market

The Market Monitoring Unit shall prepare and submit annual state-of-the-market reports as specified in Section VII.A of the Plan in accordance with the following procedures:

1. Preparation
 - a. The Market Monitoring Unit shall provide an outline and development plan of the State of the Market report to the PJM Executive Vice President for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.



- b. The scope of the plan shall include the state of competition within, and the efficiency of, the PJM Market, both of which are matters within the purview of the Market Monitoring Unit.
- c. The Market Monitoring Unit may make recommendations regarding any matter within its purview.
- d. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit on a matter deemed by the Executive Vice President not within the purview of the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

2. Submittal

- a. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the State of the Market report for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
- b. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
- c. The Market Monitoring Unit shall submit the completed state-of-the-market report to the PJM Board upon agreement and approval by the Executive Vice President.
- d. The State of the Market Report shall be submitted to in a timely manner to the PJM Board.

D. Reports to the Public

Pursuant to Section VII.C of the Plan, the Market Monitoring Unit shall prepare a detailed public annual report about the Market Monitoring Unit's activities in accordance with the following procedures:

1. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the detailed public annual report for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. The Market Monitoring Unit shall submit the completed detailed public annual report to the PJM Board upon agreement and approval by the Executive Vice President.



4. The State of the Market Report shall be submitted to in a timely manner to the PJM Board.

VI. Compliance Function

A. Discussions or Complaints

Pursuant to Section IV.C.1 of the Plan, the Market Monitoring Unit may engage in discussions with Market Participants regarding issues relating to their possible violations of PJM Market Rules or FERC Market Behavior Rules. The Market Monitoring Unit shall conduct shall discussions in accordance with the following procedures:

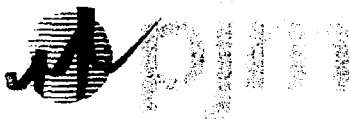
1. The Market Monitoring Unit shall maintain a record of discussions with Market Participants related to possible violations. All written correspondence shall be retained in accordance with PJM's prevailing document retention policy, or, in the absence of such a policy, for a period of not less than 5 years. Likewise, the Market Monitoring Unit shall maintain a log of all meetings, telephone conversations, or other conversations related to such possible violations that describes, at a minimum, when, where and with whom the conversation took place and a description of the substance of the conversation.
2. The Market Monitoring Unit shall remain ready to provide to copies to the Executive Vice President upon short notice.

B. Investigations

The Market Monitor may investigate the actions of any Market Participant to determine whether such behavior constitutes an effort to obtain undue market power, violate PJM market rules and/or violate FERC Market Behavior Rules, provided that such investigations are conducted in accordance with the following procedures:

Prior to any investigations by the Market Monitoring Unit with Market Participants regarding Market Participant behavior, the Market Monitoring Unit shall notify the PJM Executive Vice President..

1. The Market Monitoring shall open and maintain a file describing in reasonable detail all of the activities taken pursuant to the investigation, and, upon request by the Executive Vice President, shall make available in a timely a current copy of this file



C. Required Referrals to the FERC

In referring matters to the FERC as required pursuant to Section IV.B of the Plan, PJM and the Market Monitoring Unit shall adhere to the following procedures:

1. Prior to any referrals to FERC by the Market Monitoring Unit the Market Monitoring Unit shall provide the PJM Executive Vice President with notification of and an explanation of the basis for the planned referral.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. A referral to the Commission shall be in writing and should include the following information:
 - a. 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);
 - b. The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - c. The specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;
 - d. The specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;
 - e. The consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;
 - f. 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
 - g. Any other information that the Market Monitoring Unit believes is relevant and may be helpful to the Commission.
4. The Market Monitoring Unit shall submit an advance copy of the written referral to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
5. Following the submission of such a referral, the Market Monitoring Unit shall 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.

**D. Consultations with Authorized Government Agencies**

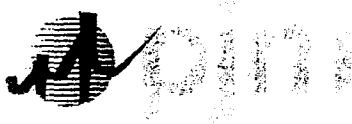
Pursuant to Section IV.C.4., the Market Monitoring Unit may consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities in accordance with the following procedures:

1. Prior to any consultations by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the PJM Executive Vice President with notification of the planned consultations and their purpose.
2. ~~The Executive Vice President shall determine whether to permit the consultation.~~
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding whether to proceed with the consultation, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
4. Advance copy of the consultation materials shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
5. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

E. Enforcement Actions before Authorized Government Agencies

Pursuant to Section IV.C.3, with the approval of the PJM Board, the Market Monitoring Unit may file complaints with Authorized Government Agencies or make other appropriate regulatory filings to address compliance, market power, and seek such remedial measures against specific Market Participants in accordance with the following procedures:

1. Prior to filing any complaints by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the PJM Executive Vice President with notification of the planned complaints.
2. The Executive Vice President shall determine whether to permit the filing.
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding whether to proceed with the filing, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
4. Advance copy of the filing materials shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.



5. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

VII. Market Design Recommendations Function

A. Recommend Modification to PJM Market Rules

Pursuant to Section IV.C.2., the Market Monitoring Unit may recommend to the appropriate PJM entity modifications to the PJM Market Rules or comment of proposals to modify the PJM Market Rules initiated by others at PJM according to the following procedures:

1. Market Monitoring Unit Proposals
 - a. The Marketing Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and Marketing Monitoring Unit proposals for addressing such issues.
 - b. The Market Monitoring Unit shall communicate any such issue or proposal to the VP Markets.
 - c. The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.
 - d. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
 - e. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and the Board of Managers, if required, with Market Monitoring Unit participation.
 - f. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.
2. PJM Proposals
 - a. PJM management shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market



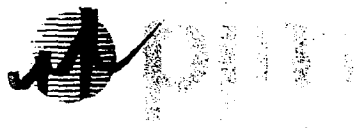
administration that may require modification and PJM proposals for addressing such issues.

- b. PJM stakeholders may identify issues through the stakeholder process which may result in a stakeholder proposal for addressing such issues.
- c. PJM management shall communicate any such issues or proposals to the Market Monitoring Unit.
- d. The Market Monitoring Unit shall evaluate the proposal and determine whether there is concurrence with PJM.
- e. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
- f. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and the Board of Managers, if required, with Market Monitoring Unit participation.
- g. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

B. Proposals to Authorized Government Agencies

Pursuant to Section IV.C.3, with the approval of the PJM Board, the Market Monitoring Unit may make with Authorized Government Agencies appropriate regulatory filings to address design flaws, structural problems, compliance, market power, or other issues, and seek such remedial measures or make such recommendations in accordance with the following procedures:

- 1. The Marketing Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and Marketing Monitoring Unit proposals for addressing such issues.
- 2. The Market Monitoring Unit shall, prior to filing, discuss with the VP Markets any contemplated proposal to an Authorized Government Agency.
- 3. The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.
- 4. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall



document the concern and recommend a course of action to the Executive Vice President.

5. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

C. Evaluation of Compliance Regime

Pursuant to Section IV.C.5., the Market Monitoring Unit may consider and evaluate a broad range of additional enforcement mechanisms as may be necessary to assure compliance with the PJM Market Rules in accordance with the following procedures:

1. Prior to implementing additional enforcement mechanisms by the Market Monitoring Unit, the Market Monitoring Unit shall provide the VP Markets with notification of the new mechanisms.
2. The VP Markets shall evaluate the additional enforcement mechanisms and determine whether there is concurrence with the Market Monitoring Unit.
3. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
4. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

VIII. Confidentiality

Pursuant to the requirements of Sections IV.D and VI.B.2 of the Plan and the PJM Operating Agreement, the Market Monitoring Unit shall adhere to the following procedures in order to ensure the confidentiality of any protected materials to which it has access or possession:

[TBA]



IX. Resources

Pursuant to Section V.D of the Plan, PJM and the Marketing Monitoring Unit shall adhere to the following procedures in order to ensure that the Market Monitoring Unit has adequate resources to carry out its mission:

A. Staff

1. Determination of Staff Level:

- a. Each year, a Market Monitoring Unit work plan shall be created that defines the scope of work for the subsequent calendar year. This action plan shall identify needed budget and staffing that shall be submitted to the Executive Vice President for review and approval.
- b. Based on the approved work plan, PJM and the MMU shall agree on a level of permanent Market Monitoring Unit staff. The Market Monitoring Unit shall have authority to maintain that level of staff until a different level has been agreed upon.

2. Hiring [and Firing]:

- a. The Market Monitoring Unit shall comply with PJM Human Resources for the hiring and firing of PJM staff.
- b. The Market Monitoring Unit shall have the primary authority to hire MMU staff.

3. Work Assignments: The Market Monitoring Unit shall have the primary authority to assign tasks to its own staff.

4. Transfers: In the event that the Marketing Monitoring Unit wishes to hire a PJM staff person or that PJM wishes to hire a Market Monitoring Unit staff person, a plan shall be developed by PJM and the Market Monitoring Unit to ensure a smooth transition.

B. Consultants

1. Determination of Budget for Consultants: Each year, based on the approval of the Marketing Monitoring Unit action plan and corresponding budget, PJM and the Marketing Monitoring Unit shall agree on a budget for the hiring of consultants.

2. Retention: The Marketing Monitoring Unit shall consult with the Executive Vice President prior to hiring consultants on specific issues.

**C. Legal Representation**

1. Primary Reliance on PJM Counsel: PJM has an affirmative obligation to provide the Marketing Monitoring Unit with legal counsel support.
2. Retention: In the event the Marketing Monitoring Unit identifies a need for retaining independent legal counsel due to a conflict between legal positions espoused by PJM and the Marketing Monitoring Unit, the Market Monitoring Unit shall coordinate the hiring such independent counsel. The Marketing Monitoring Unit shall consult with the PJM Executive Vice President and General Counsel prior to seeking independent legal counsel on specific issues.

X. Audit

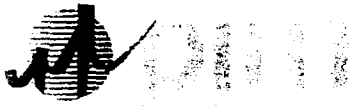
The activities of the Market Monitoring Unit shall be audited in accordance with the following procedures, adopted by the Board pursuant to Section VIII of the Plan on [Date]:

1. The Market Monitoring Unit shall define and document procedures and processes for conducting the operation of the Market Monitoring Unit. These processes shall be defined and auditable. New processes or procedures shall be provided to the Executive Vice President for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

XI. Cooperation and Dispute Resolution

Consistent with the Plan and the procedures outlined above, PJM and the Market Monitoring Unit shall employ the following procedures to ensure cooperation in the implementation of the Plan and to resolve disputes related to implementation of the Plan as they may arise from time to time:

1. Consistent with Section X of the Plan, PJM and the Market Monitoring Monitor agree to resolve disputes in accordance with the following procedures:
 - a. The Market Monitoring Unit shall communicate any such dispute to the VP Markets.
 - b. The VP Markets shall evaluate the dispute and determine whether there is concurrence with the Market Monitoring Unit.
 - c. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the dispute and recommend a course of action to the Executive Vice President.



- d. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and the Board of Managers, if required, with Market Monitoring Unit participation.
 - e. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President.
2. Accountability: [Confirm consistency with Operating Agreement] Pursuant to Section V.C of the Plan, the Market Monitoring Unit shall be held accountable to the President and the PJM Board regarding the implementation of this Plan in accordance with the following procedures:
- a. The Market Monitoring Unit shall be accountable to the Executive Vice President for all matters related to Market Monitoring.
 - b. The Market Monitoring Unit shall be report to the Executive Vice President all issues and concerns in a timely manner.
 - c. The Executive Vice President shall document and communicate Market Monitoring issues and concerns to the President.
3. Access and Cooperation: Consistent with Section V.D of the Plan, if the Market Monitoring Unit has concern that PJM has not accorded to it access to required information or has failed to cooperate in a manner allowing for its effective functioning, the Market Monitoring Unit shall seek to obtain relief in accordance with the following procedures:
- a. The Market Monitoring Unit shall communicate any such concerns to the Executive Vice President.
 - b. The Executive Vice President shall evaluate the concern and determine whether there is concurrence with the Market Monitoring Unit.
 - c. In the event there is concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President and the Market Monitoring Unit shall collaborate to resolve the concern.
 - d. In the event there is no concurrence between the Market Monitoring Unit and the Executive Vice President, the Market Monitoring Unit and Executive Vice President shall review the disputed matter and the Executive Vice President may make a recommendation in writing to the President.



**PROCEDURES FOR THE IMPLEMENTATION OF
THE PJM MARKET MONITORING PLAN**

I. Objective

Consistent with the Board of Managers Review of the Market Monitoring Organization PJM Interconnection, L.L.C., dated November 13, 2003, this document sets forth the procedures pursuant to which PJM and the Market Monitoring Unit shall implement the PJM Market Monitoring Plan ("Plan"), which is included as Attachment M to the PJM Open Access Transmission Tariff. Nothing stated in these procedures shall be interpreted to require the Market Monitoring Unit or PJM to take or refrain from any action inconsistent with the provisions of the Plan or Operating Agreement.

II. Monitoring Function

A. Scope of the Monitoring

The Market Monitoring Unit shall monitor those activities and circumstances set forth in Section III of the Plan.

B. Access to Primary Information

Consistent with Sections V.D and VI.A of the Plan, the Market Monitoring Unit shall have access to data and information gathered in the normal course of PJM's business as follows:

1. The Market Monitoring Unit shall receive Operations, Markets and Settlements data on a daily basis.
2. Data shall be provided to the Market Monitoring Unit in accordance with standard procedures for data exchange between PJM departments.

C. Collection of Information

The Market Monitoring Unit shall make publicly available a description of the categories of data collected by the Market Monitoring Unit pursuant to Section VI.D of the Plan.

D. Requests for Additional Information

If the Market Monitoring Unit determines that it requires information in addition to that gathered in the ordinary course of PJM's business or its own data collection



activity, it may seek to obtain such information in accordance with the following procedures:

1. Request for Additional PJM Data: Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from PJM in accordance with the following procedures:
 - a. The Market Monitoring Unit shall communicate requests for information to the relevant PJM division chief. If there is no objection to the request, PJM will provide the requested information in a timely manner.
 - b. If the PJM division chief denies the request, the division chief shall identify the concern and recommend a course of action to the Executive Vice President.
2. Request for Additional Other Entities' Data: Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from other entities in accordance with the following procedures:
 - a. The Market Monitoring Units shall provide contemporaneously to the Executive Vice President a copy of any written requests for information submitted to other entities.
 - b. Section VI.B.3 of the Plan provides that Transmission Owners and their affiliates must provide to the Market Monitoring Unit within a reasonable time requested information relating to possible undue preference between Transmission Owners and their affiliates, provided, however, that an information request recipient may petition the Commission for an order limiting all or part of the information requested. The Market Monitoring Unit shall provide in a timely manner a copy of any such petitions to the Executive Vice President.
3. Compel Information: Pursuant to Section V.B.2 of the Plan, the Market Monitoring Unit may initiate such regulatory or judicial proceedings to compel the production of information, consistent with the following procedures:
 - a. The Market Monitoring Unit shall not attempt to compel information from an entity without first having submitted a written request pursuant to the procedures described in Section II.D.2 and having allowed a reasonable time period for the recipient to respond.
 - b. Prior to initiating proceedings to compel the production of data, the Market Monitoring Unit shall notify the Executive Vice President and



explain why recipient's failure to respond in the elapsed time is unreasonable.

- c. The Market Monitoring Unit shall notify the Executive Vice President of any significant developments in these proceedings.

E. Treatment of Unsolicited Information

Pursuant to Section VI.C of the Plan, 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. If the information includes a request that the Market Monitoring Unit take some action, the Market Monitoring Unit shall provide the request to the Executive Vice President and explain how the Market Monitoring Unit intends to respond to the request.

F. Development of Indices

Consistent with Section VI.E of the Plan, the Market Monitoring Unit shall develop indices or other standards to evaluate the information that it collects and maintains in accordance with the following procedures:

1. The Market Monitoring Unit shall define and document indices or other standards to evaluate the information that it collects. This information shall be provided to the Executive Vice President for review, comment and approval.
2. The Market Monitoring Unit shall submit the complete set of indices to the Board for approval.
3. Prior to using any such index or standard, the Market Monitoring Unit shall, consistent with Section VI.E of the Plan, provide PJM Members, Authorized Government Agencies, and other interested parties an opportunity to comment on the appropriateness of such index or standard.

G. Evaluation of Information

The Market Monitoring Unit shall define and document the information that it maintains regarding the PJM Market pursuant to Section VI.F of the Plan. Upon request by a PJM division chief, such information shall be made available in a timely manner.



III. Reporting Function

A. **Reports to the FERC**

In preparing reports to the Commission as required pursuant to Sections IV.A and IV.C.7 of the Plan, or voluntarily under Section IV.C.6 of the Plan, the Market Monitor Unit shall adhere to the following procedures:

1. The Market Monitoring Unit may release data to the public, consistent with PJM's obligations to protect confidential, proprietary, or commercially sensitive information.
2. The Market Monitoring Unit shall provide the Executive Vice President with an advance copy of a report to the Commission for review and comment. Comments and revisions may be submitted by the Executive Vice President to the Market Monitoring Unit, but the Market Monitoring Unit shall have, consistent with its obligations under the PJM Tariff, sole discretion regarding its contents.

B. **Appearance in Regulatory Proceedings**

From time to time third parties may request that staff of the Market Monitoring Unit provide testimony in regulatory proceedings. Such participation shall be subject to the following procedures:

1. The Market Monitoring Unit shall notify the Executive Vice President and General Counsel of any request from a third party that the Market Monitoring Unit provide testimony in regulatory proceedings.
2. If the Market Monitoring Unit determines that it is willing to accommodate the request, the Executive Vice President shall determine if the request for appearance shall be honored and, in consultation with the Market Monitoring Unit and the General Counsel, shall establish the terms and conditions of such appearance.
3. Advance copy of the testimony shall be provided to the Executive Vice President and the General Counsel for review, comment and approval. Comments and revisions may be provided to the Market Monitoring Unit.

C. **Reports to Authorized Government Agencies**

Consistent with Section VII.B of the Plan, the Marketing Monitoring Unit shall submit reports to Authorized Government Agencies other than the Commission in accordance with the following procedures:



1. If the Marketing Monitoring Unit receives a request for a report, it shall notify the Executive Vice President. The Executive Vice President shall determine whether to honor the request for a report.
2. 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.
3. The Market Monitoring Unit shall provide the Executive Vice President with an advance copy of reports to Authorized Government Agencies for review, comment and approval.
4. The Market Monitoring Unit shall contemporaneously submit to the Board the completed report to an Authorized Government Agency.

D. Reports Regarding the State of the Market

The Market Monitoring Unit shall prepare and submit annual state-of-the-market reports as specified in Section VII.A of the Plan in accordance with the following procedures:

1. The Market Monitoring Unit shall provide a drafting schedule, inclusive of a review process, of the state-of-the-market report to the Executive Vice President for review.
2. The scope of the plan shall include the state of competition within, and the efficiency of, the PJM Market, both of which are matters within the purview of the Market Monitoring Unit.
3. The Market Monitoring Unit shall submit the completed state-of-the-market report to the Board.

E. Reports to the Public

The Market Monitoring Unit shall prepare a detailed public annual report about the Market Monitoring Unit's activities in accordance with the following procedures:

1. The Market Monitoring Unit shall provide the Executive Vice President with an advance copy of the detailed public annual report for review, comment, and approval.
2. The Market Monitoring Unit shall submit the completed detailed public annual report to the Board contemporaneously with its release.



IV. Compliance Function

A. Discussions or Complaints

Pursuant to Section IV.C.1 of the Plan, the Market Monitoring Unit may engage in informal discussions with Market Participants regarding issues relating to their possible violations of PJM Market Rules or FERC Market Behavior Rules (or Federal laws or regulations relating to the market monitoring function). The Market Monitoring Unit shall conduct informal discussions in accordance with the following procedures:

1. The Market Monitoring Unit shall maintain a record of discussions with Market Participants related to possible violations. All written correspondence shall be retained in accordance with PJM's prevailing document retention policy, or, in the absence of such a policy, for a period of not less than 5 years. Likewise, the Market Monitoring Unit shall maintain a log of all meetings, telephone conversations, or other conversations related to such possible violations that describes, at a minimum, when, where and with whom the conversation took place and a description of the substance of the conversation.
2. The Market Monitoring Unit shall remain ready to provide copies of such reports to the Executive Vice President upon short notice.

B. Investigations

The Market Monitor may investigate the actions of any Market Participant to determine whether such behavior constitutes an effort to obtain undue market power, violate PJM market rules, FERC Market Behavior Rules and/or Federal laws or regulations relating to the market monitoring function, provided that such investigations are conducted in accordance with the following procedures:

1. Prior to initiating investigations regarding Market Participant behavior, the Market Monitoring Unit shall notify the Executive Vice President.
2. The Market Monitoring shall open and maintain a file describing in reasonable detail all of the activities taken pursuant to the investigation, and, upon request by the Executive Vice President, shall make available in a timely manner a current copy of this file

C. Required Referrals to the FERC

In referring matters to the FERC as required pursuant to Section IV.B of the Plan, PJM and the Market Monitoring Unit shall adhere to the following procedures:



1. Prior to any referrals to FERC by the Market Monitoring Unit the Market Monitoring Unit shall provide the Executive Vice President with notification of and an explanation of the basis for the planned referral.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. A referral to the Commission shall be in writing and should include the following information:
 - a. 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);
 - b. The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - c. The specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;
 - d. The specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;
 - e. The consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;
 - f. If the Market Monitoring Unit believes that the act(s) or conduct constituted manipulative behavior in violation of the FERC Market Behavior Rules (or Federal laws or regulations relating to the market monitoring function), a description of the alleged manipulative effect on market prices, market conditions, or market rules; and
 - g. Any other information that the Market Monitoring Unit believes is relevant and may be helpful to the Commission.
4. The Market Monitoring Unit shall submit an advance copy of the written referral to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
5. Following the submission of such a referral, the Market Monitoring Unit shall 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.



6. If the referral relates to a violation by PJM or its employees, the Market Monitoring Unit shall take the matter directly to the Board, without delay, with copies to the President, Executive Vice President and General Counsel.

D. Consultations with Authorized Government Agencies

Pursuant to Section IV.C.4 of the Plan, the Market Monitoring Unit may consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities in accordance with the following procedures:

- ~~1. Prior to any consultations by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the Executive Vice President with notification of the planned consultations and their purpose.~~
2. The Executive Vice President shall determine whether to permit the consultation.
3. Advance copy of the consultation materials shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.

E. Enforcement Actions before Authorized Government Agencies

Pursuant to Section IV.C.3 of the Plan, with the approval of the Board, the Market Monitoring Unit may file complaints with Authorized Government Agencies or make other appropriate regulatory filings to address compliance, market power, and seek such remedial measures against specific Market Participants in accordance with the following procedures:

1. Prior to filing any complaints by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the Executive Vice President with notification of the planned complaints.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding whether to proceed with the filing, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. Advance copy of the filing materials shall be provided to the Executive Vice President for review, comment and approval. Comments and revisions may be provided to the Market Monitoring Unit.



V. Market Design Recommendations Function

A. **Recommend Modification to PJM Market Rules**

Pursuant to Section IV.C.2 of the Plan, the Market Monitoring Unit may recommend to the appropriate PJM entity modifications to the PJM Market Rules or comment on proposals to modify the PJM Market Rules initiated by others at PJM according to the following procedures:

1. The Marketing Monitoring Unit and PJM each shall seek too identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification to the PJM tariff or other documents.
2. The Market Monitoring Unit and VP Markets shall communicate to each other any such issue identified and/or proposed solution and determine whether there is concurrence. If so, the Market Monitoring Unit and VP Markets shall document the concern and recommend a course of action to the Executive Vice President.
3. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and, if required, the Board of Managers, with Market Monitoring Unit participation.
4. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, either party may forward to the Executive Vice President for a timely determination regarding how to proceed.
5. If the Market Monitoring Unit is dissatisfied with the approach taken, it may report to the appropriate PJM committee or the Board, or to the FERC in accordance with Section III.A hereof.

B. **Proposals to Authorized Government Agencies**

Pursuant to Section IV.C.3 of the Plan, with the approval of the Board, the Market Monitoring Unit may make with Authorized Government Agencies appropriate regulatory filings to address design flaws, structural problems, compliance, market power, or other issues, and seek such remedial measures or make such recommendations in accordance with the following procedures:

1. The Marketing Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes



or market administration that may require modification and Marketing Monitoring Unit proposals for addressing such issues.

2. The Market Monitoring Unit shall, prior to filing, discuss with the VP Markets any contemplated proposal to an Authorized Government Agency.
3. The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.
4. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
5. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, either party shall forward the matter to the Executive Vice President.

C. Evaluation of Compliance Regime

Pursuant to Section IV.C.5 of the Plan, the Market Monitoring Unit may consider and evaluate a broad range of additional enforcement mechanisms as may be necessary to assure compliance with the PJM Market Rules in accordance with the following procedures:

1. Prior to implementing additional enforcement mechanisms by the Market Monitoring Unit, the Market Monitoring Unit shall provide the VP Markets with notification of the new mechanisms.
2. The VP Markets shall evaluate the additional enforcement mechanisms and determine whether there is concurrence with the Market Monitoring Unit.
3. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
4. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.



VI. PJM Committees

A. Market Monitoring Advisory Committee

The Market Monitoring Unit shall administer the Market Monitoring Advisory Committee ("MMAC") in accordance with the following procedures:

1. The Market Monitoring Unit shall administer the MMAC in accordance with the MMAC charter.
2. At least one week prior to a meeting of the MMAC, the chair shall submit to the Executive Vice President for review and approval an agenda covering all topics to be discussed. No additional items may be added to the agenda without the consent of the Executive Vice President.
3. The chair of the meeting shall copy the Executive Vice President on the minutes of meetings of the MMAC at least contemporaneously with their release to the committee members.

B. Other Committees

Representatives of the Market Monitoring Unit may attend as observers the meetings of other PJM committees, working groups and task forces, but may not chair any such body without the express approval from the Executive Vice President. The Market Monitoring Unit may, upon request by a PJM division chief or committee chairman, provide a formal presentation on a matter, provided that the Market Monitoring Unit submits for review and approval any materials or presentations to the requesting PJM division chief or chairman in advance.

VII. General Administration

A. Resources

Pursuant to Section V.D of the Plan, PJM and the Marketing Monitoring Unit shall adhere to the following procedures in order to ensure that the Market Monitoring Unit has adequate resources to carry out its mission:

1. Staff:
 - a. Work Plan: Each year, a Market Monitoring Unit work plan shall be created that defines the scope of work for the subsequent calendar year. This action plan shall identify needed budget and staffing that shall be submitted to the Executive Vice President for review and approval. Based on the approved work plan, PJM and the MMU shall agree on a level of



permanent Market Monitoring Unit staff. The Market Monitoring Unit shall have authority to maintain that level of staff until a different level has been agreed upon.

- b. Hiring/Firing: The Market Monitoring Unit shall have the primary authority to hire MMU staff. Such hiring and firing shall comply with the policies established by PJM Human Resources.
 - c. Sharing: The Market Monitoring Unit shall have the primary authority to assign tasks to its own staff. Other PJM division chiefs may make reasonable requests for support, information or processes, from Market Monitoring staff.
-
2. Consultants: Each year, based on the approval of the Marketing Monitoring Unit action plan and corresponding budget, PJM and the Marketing Monitoring Unit shall agree on a budget for the hiring of consultants. The Marketing Monitoring Unit shall consult with the Executive Vice President prior to engaging consultants on specific issues.
 3. Legal Counsel: PJM has an affirmative obligation to provide the Marketing Monitoring Unit with legal counsel support. In the event the Marketing Monitoring Unit identifies a need for retaining independent legal counsel due to a conflict between legal positions espoused by PJM and the Marketing Monitoring Unit, the Market Monitoring Unit shall be entitled to retain independent counsel. The Marketing Monitoring Unit shall consult with the Executive Vice President and General Counsel prior to seeking independent legal counsel on specific issues.

B. Internal Review

Pursuant to Section V.C of the Plan, the Market Monitoring Unit shall be accountable solely to the President and the Board regarding the implementation of this Plan. For the purpose of administrative convenience and efficiency, these procedures generally direct the Market Monitoring Unit to inform or seek approval for regarding some contemplated action from the Executive Vice President. Such review is subject to the following procedures:

1. Communications: The Market Monitoring Unit (or PJM division chief, where applicable) shall make or confirm all relevant communications in writing, including by e-mail. The Executive Vice President shall take appropriate action in response to a request within a reasonable period of time giving due regard to the circumstances surrounding the request. If the Executive Vice President fails to take appropriate action within a reasonable period of time, the request shall be deemed granted.



2. Review by the President: If the Executive Vice President denies a request submitted under these procedures, the Market Monitoring Unit may request that the President newly consider the matter. The President shall consider the matter and make a determination in a timely manner.
3. Review by the Board: Subsequent to a denial or untimely delay by the President, the Market Monitoring Unit may raise a matter directly with the Board. PJM shall honor a reasonable request to provide the Market Monitoring Unit with access to independent legal counsel, consistent with Section VII.A.3 hereof.
4. Emergency Action: Notwithstanding the foregoing, if the Market Monitoring Unit determines that emergency action must be taken with respect to a matter, it may take such action as it deems necessary under the circumstances, and shall provide concurrent notice of such action to the Executive Vice President.

C. Adherence to PJM Organizational Protocols

Subject to its independent responsibilities and authority established in the Operating Agreement and the Plan, the Market Monitoring Unit shall function as a division of PJM, and shall adhere to all PJM policies and procedures including, but not limited to, those policies and procedures related to human resources, training, attendance at designated staff meetings and organization functions, etc.

D. Information

The Market Monitoring Unit shall retain in a manner that is organized and consistent with all applicable PJM policies all work papers, analyses and processes developed in the course of its activities. Such work papers, analyses and processes shall be made available to PJM in a timely manner upon the request of a PJM division chief.

E. Confidentiality

Pursuant to the requirements of Sections IV.D and VI.B.2 of the Plan and the Operating Agreement, the Market Monitoring Unit and PJM shall ensure the confidentiality of any protected materials to which it has access or possession.

F. Audit

The activities of the Market Monitoring Unit shall be audited in accordance with the procedures adopted by the Board pursuant to Section VIII of the Plan.

PROCEDURES FOR THE IMPLEMENTATION OF THE PJM MARKET MONITORING PLAN

I. Objective

This document sets forth the procedures pursuant to which PJM and the Market Monitoring Unit shall implement the PJM Market Monitoring Plan ("Plan"), which is included as Attachment M to the PJM Open Access Transmission Tariff.

II. Definitions

Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan or elsewhere in the PJM Tariff. Terms defined and used in these procedures include the following:

"PJM" shall mean PJM Interconnection, L.L.C. and its leadership, officers and staff, but excludes, for the purposes here, the Marketing Monitoring Unit.

"Executive Vice President" shall mean the PJM Interconnection, L.L.C. Executive Vice President/Chief Operating Officer or such individual designated by Executive Vice President to act in her/his place with respect to specific matters.

III. Communication with the PJM Board

A. **Scope of Communication**

1. Nothing set forth in these procedures of implementation shall preclude the Market Monitoring Unit from direct access to the PJM Board of Managers or FERC.
2. Information shall be submitted to in a timely manner to the PJM Board.

IV. Monitoring Function

A. **Scope of the Monitoring**

The Market Monitoring Unit shall monitor those activities and circumstances set forth in Section III of the Plan.

B. Access to Primary Information

Consistent with Sections V.D and V1..A of the Plan, the Market Monitoring Unit shall have access to data and information gathered in the normal course of PJM's as follows:

1. The Market Monitoring Unit shall receive Operations, Markets and Settlements data on a daily basis.
2. Data shall be provided to the Market Monitoring Unit in accordance with standard procedures for data exchange between PJM departments.

C. Collection of Information

~~Pursuant to Section of V1.D the Plan, the Market Monitoring Unit shall regularly collect and maintain information in accordance with the following procedures:~~

1. The Market Monitoring Unit shall make publicly available a description of the categories of data collected by the Market Monitoring Unit.

D. Requests for Additional Information

If the Market Monitoring Unit determines that it requires information in addition to that gathered in the ordinary course of PJM's business or its own data collection activity, it may seek to obtain such information in accordance with the following procedures:

1. Request for Additional PJM Data: Pursuant to Section VI.B.I of the Plan, the Market Monitoring Unit may request information from PJM in accordance with the following procedures:
 - a. The Market Monitoring Unit shall communicate information to the VP Markets. The VP Markets shall evaluate the request. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets shall provide the Market Monitoring Unit with the data and notify the Executive Vice President.
 - b. In the event there is not concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets shall identify the concern and recommend a course of action to the Executive Vice President with a copy to the Market Monitoring Unit and a copy to the President for review and approval.
2. Requests for Additional Other Entities' Data: Pursuant to Section VI.B.I of the Plan, the Market Monitoring Unit may request information from other entities in accordance with the following procedures:

- a. The Market Monitoring Units shall provide a copy of any written requests for information submitted to other entities.
 - b. Section VI.B.3 of the Plan provides that Transmission Owners and their affiliates must provide to the Market Monitoring Unit within a reasonable time requested information relating to possible undue preference between Transmission Owners and their affiliates, provided, however, that an information request recipient may petition the Commission for an order limiting all or part of the information request. The Market Monitoring Unit shall provide copies to the Executive Vice President of any such petitions.
3. Compel Information: Pursuant to Section V.B.2 of the Plan, the ~~Market Monitoring Unit may initiate such regulatory or judicial proceedings to compel the production consistent with the following procedures:~~
- a. Prior to initiating proceedings to compel the production of data, the Market Monitoring Unit shall notify the Executive Vice President and explain why recipient's failure to respond in the elapsed time is unreasonable.
 - b. The Market Monitoring Unit shall determine whether the information is material in that it will constitute the basis for some significant action. The Market Monitoring Unit shall communicate any material information to the Executive Vice President. Comments and revisions may be submitted to the Market Monitoring Unit.
 - c. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
 - d. The Market Monitoring Unit shall notify the Executive Vice President of any significant developments in these proceedings.

E. Treatment of Unsolicited Information

Pursuant to Section V1.C of the Plan, 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. Upon receipt of such information:

- 1. The Market Monitoring Unit shall determine whether the information is material in that it will constitute the basis for some significant action.

2. The Market Monitoring Unit shall communicate any material information to the Executive Vice President. Comments and revisions may be submitted to the Market Monitoring Unit.
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

F. Development of Indices

Consistent with Section V1.E of the Plan, the Market Monitoring Unit shall develop indices or other standards to evaluate the information that it collects and maintains in accordance with the following procedures:

1. The Market Monitoring Unit shall define and document indices or other standards to evaluate the information that it collects. This information shall be provided to the Executive Vice President for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. 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.
4. The Market Monitoring Unit shall submit the complete set of indices to the PJM Board upon agreement and approval by the Executive Vice President.

G. Evaluation of Information

Consistent with Section V1.F of the Plan, the Market Monitoring Unit shall evaluate the information that it maintains regarding the operation of the PJM Market or other matters relevant to the Plan in accordance with the following procedures:

1. The Market Monitoring Unit shall define and document the information that it maintains regarding the PJM Market. This document shall be reviewed and approved by the Executive Vice President. Comments and proposed revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

V. Reporting Function

A. Reports to the FERC

1. Required Reports: In preparing reports to the Commission as required pursuant to Section 1V..A and IV.C.7 of the Plan, PJM and the Market Monitor Unit shall adhere to the following procedures:
 - a. The Market Monitoring Unit may release other data to the public, consistent with PJM's obligations to protect confidential, proprietary, or commercially sensitive information.
 - b. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the Commission report for review and comment. Comments and revisions may be submitted by the Executive Vice President to the Market Monitoring Unit.
2. Discretionary Reports: Pursuant to Section IV.C.6, the Market Monitoring Unit may report directly to the Commission on any matter:
 - c. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the Commission report for review and comment. Comments and revisions may be submitted by the Executive Vice President to the Market Monitoring Unit.
3. Appearance in Regulatory Proceeding: From time to time third parties may request that staff of the Market Monitoring Unit provide testimony in regulatory proceedings. Such participation shall be subject to adherence to the following procedures:
 - a. If the Market Monitoring Unit determines that it is willing to accommodate the request, the Market Monitoring Unit shall provide prior to any appearance by the Market Monitoring Unit to provide testimony, the Executive Vice President and General Counsel with notification of the request for testimony in regulatory proceedings.
 - b. The Executive Vice President shall determine if the request for appearance shall be honored and, in consultation with the Market Monitoring Unit, shall establish the terms and conditions of such appearance.
 - c. Advance copy of the testimony shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
 - d. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive President shall identify the concern

and recommend a course of action to the President for review, approval, and further action.

B. Reports to Authorized Government Agencies

Consistent with Section V11.B of the Plan, the Marketing Monitoring Unit shall submit reports to Authorized Government Agencies other than the Commission in accordance with the following procedures:

1. If the Marketing Monitoring Unit determines that the request is reasonable and is willing to comply, it shall inform so notify the Executive Vice President of the request. The Executive Vice President shall determine whether to honor the request for a report.
- ~~2. 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.~~
3. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of reports to Authorized Government Agencies for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
4. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
5. The Market Monitoring Unit shall submit the completed Authorized Government Agencies report to the PJM Board upon agreement and approval by the Executive Vice President.
6. The Authorized Government Agencies report shall be submitted to in a timely manner to the PJM Board.

C. Reports Regarding the State of the Market

The Market Monitoring Unit shall prepare and submit annual state-of-the-market reports as specified in Section VII.A of the Plan in accordance with the following procedures:

1. Preparation
 - a. The Market Monitoring Unit shall provide an outline and development plan of the State of the Market report to the PJM Executive Vice President for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.

- b. The scope of the plan shall include the state of competition within, and the efficiency of, the PJM Market, both of which are matters within the purview of the Market Monitoring Unit.
- c. The Market Monitoring Unit may make recommendations regarding any matter within its purview.
- d. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit on a matter deemed by the Executive Vice President not within the purview of the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

2. Submittal

- ~~a. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the State of the Market report for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.~~
- b. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
- c. The Market Monitoring Unit shall submit the completed state-of-the-market report to the PJM Board upon agreement and approval by the Executive Vice President.
- d. The State of the Market Report shall be submitted to in a timely manner to the PJM Board.

D. Reports to the Public

Pursuant to Section VII.C of the Plan, the Market Monitoring Unit shall prepare a detailed public annual report about the Market Monitoring Unit's activities in accordance with the following procedures:

- 1. The Market Monitoring Unit shall provide the PJM Executive Vice President with an advance copy of the detailed public annual report for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
- 2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
- 3. The Market Monitoring Unit shall submit the completed detailed public annual report to the PJM Board upon agreement and approval by the Executive Vice President.

4. The State of the Market Report shall be submitted to in a timely manner to the PJM Board.

VI. Compliance Function

A. Discussions or Complaints

Pursuant to Section IV.C.I of the Plan, the Market Monitoring Unit may engage in discussions with Market Participants regarding issues relating to their possible violations of PJM Market Rules or FERC Market Behavior Rules. The Market Monitoring Unit shall conduct shall discussions in accordance with the following procedures:

1. The Market Monitoring Unit shall maintain a record of discussions with Market Participants related to possible violations. All written correspondence shall be retained in accordance with PJM's prevailing document retention policy, or, in the absence of such a policy, for a period of not less than 5 years. Likewise, the Market Monitoring Unit shall maintain a log of all meetings, telephone conversations, or other conversations related to such possible violations that describes, at a minimum, when, where and with whom the conversation took place and a description of the substance of the conversation.
2. The Market Monitoring Unit shall remain ready to provide to copies to the Executive Vice President upon short notice.

B. Investigations

The Market Monitor may investigate the actions of any Market Participant to determine whether such behavior constitutes an effort to obtain undue market power, violate PJM market rules and/or violate FERC Market Behavior Rules, provided that such investigations are conducted in accordance with the following procedures:

1. Prior to any investigations by the Market Monitoring Unit with Market Participants regarding Market Participant behavior, the Market Monitoring Unit shall notify the PJM Executive Vice President..
2. The Market Monitoring shall open and maintain a file describing in reasonable detail all of the activities taken pursuant to the investigation, and, upon request by the Executive Vice President, shall make available in a timely a current copy of this file

C. Required Referrals to the FERC

In referring matters to the FERC as required pursuant to Section 1V.B of the Plan, PJM and the Market Monitoring Unit shall adhere to the following procedures:

1. Prior to any referrals to FERC by the Market Monitoring Unit the Market Monitoring Unit shall provide the PJM Executive Vice President with notification of and an explanation of the basis for the planned referral.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and ~~recommend a course of action to the President for review, approval, and further action.~~
3. A referral to the Commission shall be in writing and should include the following information:
 - a. 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);
 - b. The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - c. The specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;
 - d. The specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;
 - e. The consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;
 - f. 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
 - g. Any other information that the Market Monitoring Unit believes is relevant and may be helpful to the Commission.
4. The Market Monitoring Unit shall submit an advance copy of the written referral to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
5. Following the submission of such a referral, the Market Monitoring Unit shall 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.

D. Consultations with Authorized Government Agencies

Pursuant to Section IV.C.4., the Market Monitoring Unit may consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities in accordance with the following procedures:

1. Prior to any consultations by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the PJM Executive Vice President with notification of the planned consultations and their purpose.
2. The Executive Vice President shall determine whether to permit the consultation.
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding whether to proceed with the consultation, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
4. Advance copy of the consultation materials shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
5. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

E. Enforcement Actions before Authorized Government Agencies

Pursuant to Section IV.C.3, with the approval of the PJM Board, the Market Monitoring Unit may file complaints with Authorized Government Agencies or make other appropriate regulatory filings to address compliance, market power, and seek such remedial measures against specific Market Participants in accordance with the following procedures:

1. Prior to filing any complaints by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the PJM Executive Vice President with notification of the planned complaints.
2. The Executive Vice President shall determine whether to permit the filing.
3. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding whether to proceed with the filing, the Executive Vice President shall identify

the concern and recommend a course of action to the President for review, approval, and further action.

4. Advance copy of the filing materials shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.
5. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

VII. Market Design Recommendations Function

A. Recommend Modification to PJM Market Rules

Pursuant to Section IV.C.2., the Market Monitoring Unit may recommend to the appropriate PJM entity modifications to the PJM Market Rules or comment on proposals to modify the PJM Market Rules initiated by others at PJM according to the following procedures:

1. Market Monitoring Unit Proposals
 - a. The Market Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and Market Monitoring Unit proposals for addressing such issues.
 - b. The Market Monitoring Unit shall communicate any such issue or proposal to the VP Markets.
 - c. The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.
 - d. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
 - e. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and the Board of Managers, if required, with Market Monitoring Unit participation.
 - f. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.
2. PJM Proposals
 - a. PJM management shall identify issues with existing market

design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and PJM proposals for addressing such issues.

- b. PJM stakeholders may identify issues through the stakeholder process which may result in a stakeholder proposal for addressing such issues.
- c. PJM management shall communicate any such issues or proposals to the Market Monitoring Unit.
- d. The Market Monitoring Unit shall evaluate the proposal and determine whether there is concurrence with PJM.
- e. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
- f. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and the Board of Managers, if required, with Market Monitoring Unit participation.
- g. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

B. Proposals to Authorized Government Agencies

Pursuant to Section IV.C.3, with the approval of the PJM Board, the Market Monitoring Unit may make with Authorized Government Agencies appropriate regulatory filings to address design flaws, structural problems, compliance, market power, or other issues, and seek such remedial measures or make such recommendations in accordance with the following procedures:

- 1. The Marketing Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and Marketing Monitoring Unit proposals for addressing such issues.
- 2. The Market Monitoring Unit shall, prior to filing, discuss with the VP Markets any contemplated proposal to an Authorized Government Agency.
- 3. The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.
- 4. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.

5. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

C. Evaluation of Compliance Regime

Pursuant to Section IV.C.5., the Market Monitoring Unit may consider and evaluate a broad range of additional enforcement mechanisms as may be necessary to assure compliance with the PJM Market Rules in accordance with the following procedures:

1. Prior to implementing additional enforcement mechanisms by the Market Monitoring Unit, the Market Monitoring Unit shall provide the VP Markets with notification of the new mechanisms.
2. The VP Markets shall evaluate the additional enforcement mechanisms and determine whether there is concurrence with the Market Monitoring Unit.
3. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.
4. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

VIII. Confidentiality

Pursuant to the requirements of Sections 1V.D and VI.B.2 of the Plan and the PJM Operating Agreement, the Market Monitoring Unit shall adhere to the following procedures in order to ensure the confidentiality of any protected materials to which it has access or possession:

IX. Resources

Pursuant to Section V.D of the Plan, PJM and the Marketing Monitoring Unit shall adhere to the following procedures in order to ensure that the Market Monitoring Unit has adequate resources to carry out its mission:

A. Staff

1. Determination of Staff Level:

- a. Each year, a Market Monitoring Unit work plan shall be created that defines the scope of work for the subsequent calendar year. This action plan shall identify needed budget and staffing that shall be submitted to the Executive Vice President for review and approval.
- b. Based on the approved work plan, PJM and the MMU shall agree on a level of permanent Market Monitoring Unit staff. The Market Monitoring Unit shall have authority to maintain that level of staff until a different level has been agreed upon.

2. Hiring [and Firing]:

- a. The Market Monitoring Unit shall comply with PJM Human Resources for the hiring and firing of PJM staff.
- b. The Market Monitoring Unit shall have the primary authority to hire MMU staff.

3. Work Assignments: The Market Monitoring Unit shall have the primary authority to assign tasks to its own staff.

4. Transfers: In the event that the Marketing Monitoring Unit wishes to hire a PJM staff person or that PJM wishes to hire a Market Monitoring Unit staff person, a plan shall be developed by PJM and the Market Monitoring Unit to ensure a smooth transition.

B. Consultants

1. Determination of Budget for Consultants: Each year, based on the approval of the Marketing Monitoring Unit action plan and corresponding budget, PJM and the Marketing Monitoring Unit shall agree on a budget for the hiring of consultants.

2. Retention: The Marketing Monitoring Unit shall consult with the Executive Vice President prior to hiring consultants on specific issues.

C. Legal Representation

1. Primary Reliance on PJM Counsel: PJM has an affirmative obligation to provide the Marketing Monitoring Unit with legal counsel support.
2. Retention: In the event the Marketing Monitoring Unit identifies a need for retaining independent legal counsel due to a conflict between legal positions espoused by PJM and the Marketing Monitoring Unit, the Market Monitoring Unit shall coordinate the hiring such independent counsel. The Marketing Monitoring Unit shall consult with the PJM Executive Vice President and General Counsel prior to seeking independent legal counsel on specific issues.

X. Audit

The activities of the Market Monitoring Unit shall be audited in accordance with the following procedures, adopted by the Board pursuant to Section VIII of the Plan on [Date]:

1. The Market Monitoring Unit shall define and document procedures and processes for conducting the operation of the Market Monitoring Unit. These processes shall be defined and auditable. New processes or procedures shall be provided to the Executive Vice President for review and comment. Comments and revisions may be submitted to the Market Monitoring Unit.
2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

XI. Cooperation and Dispute Resolution

Consistent with the Plan and the procedures outlined above, PJM and the Market Monitoring Unit shall employ the following procedures to ensure cooperation in the implementation of the Plan and to resolve disputes related to implementation of the Plan as they may arise from time to time:

3. Consistent with Section X of the Plan, PJM and the Market Monitoring Monitor agree to resolve disputes in accordance with the following procedures:
 - a. The Market Monitoring Unit shall communicate any such dispute to the VP Markets.
 - b. The VP Markets shall evaluate the dispute and determine whether there is concurrence with the Market Monitoring Unit.
 - c. In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the dispute and recommend a

course of action to the Executive Vice President.

- d. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and the Board of Managers, if required, with Market Monitoring Unit participation.
 - e. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President.
4. Accountability [Confirm consistency with Operating Agreement] Pursuant to Section V.C of the Plan, the Market Monitoring Unit shall be held accountable to the President and the PJM Board regarding the implementation of this Plan in accordance with the following procedures:
- a. The Market Monitoring Unit shall be accountable to the Executive Vice President for all matters related to Market Monitoring.
 - b. The Market Monitoring Unit shall report to the Executive Vice President all issues and concerns in a timely manner.
 - c. The Executive Vice President shall document and communicate Market Monitoring issues and concerns to the President.
5. Access and Cooperation: Consistent with Section V.D of the Plan, if the Market Monitoring Unit has concern that PJM has not accorded to it access to required information or has failed to cooperate in a manner allowing for its effective functioning, the Market Monitoring Unit shall seek to obtain relief in accordance with the following procedures:
- a. The Market Monitoring Unit shall communicate any such concerns to the Executive Vice President.
 - b. The Executive Vice President shall evaluate the concern and determine whether there is concurrence with the Market Monitoring Unit.
 - c. In the event there is concurrence between the Executive Vice President and the Market Monitoring Unit, the Executive Vice President and the Market Monitoring Unit shall collaborate to resolve the concern.
 - d. In the event there is no concurrence between the Market Monitoring Unit and the Executive Vice President, the Market Monitoring Unit and Executive Vice President shall review the disputed matter and the Executive Vice President may make a recommendation in writing to the President.

PROCEDURES FOR THE IMPLEMENTATION OF THE PJM MARKET MONITORING PLAN

Objective

Consistent with the Board of Managers Review of the Market Monitoring Organization PJM Interconnection, L.L.C., dated November 13, 2003, this document sets forth the procedures pursuant to which PJM and the Market Monitoring Unit shall implement the PJM Market Monitoring Plan ("Plan"), which is included as Attachment M to the PJM Open Access Transmission Tariff. Nothing stated in these procedures shall be interpreted to require the Market Monitoring Unit or PJM to take or refrain from any action inconsistent with the provisions of the Plan or Operating Agreement.

II. Monitoring Function

Scope of the Monitoring

The Market Monitoring Unit shall monitor those activities and circumstances set forth in Section III of the Plan.

Access to Primary Information

Consistent with Sections V.D and V1.A of the Plan, the Market Monitoring Unit shall have access to data and information gathered in the normal course of PJM's business as follows:

1. 1. The Market Monitoring Unit shall receive Operations, Markets and Settlements data on a daily basis.
2. 2. Data shall be provided to the Market Monitoring Unit in accordance with standard procedures for data exchange between PJM departments.

Collection of Information

The Market Monitoring Unit shall make publicly available a description of the categories of data collected by the Market Monitoring Unit pursuant to Section V1.D of the Plan.

Requests for Additional Information

If the Market Monitoring Unit determines that it requires information in addition to that gathered in the ordinary course of PJM's business or its own data collection activity, it may seek to obtain such information in accordance with the following procedures:

□. Request for Additional PJM Data: Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from PJM in accordance with the following procedures:

□.a. The Market Monitoring Unit shall communicate requests for information to the relevant PJM division chief. If there is no objection to the request, PJM will provide the requested information in a timely manner.

□.b. If the PJM division chief denies the request, the division chief shall identify the concern and recommend a course of action to the Executive Vice President.

b. Request for Other Entities' Data; Pursuant to Section VI.B.1 of the Plan, the Market Monitoring Unit may request information from other entities in accordance with the following procedures:

a. The Market Monitoring Units shall provide contemporaneously to the Executive Vice President a copy of any written requests for information submitted to other entities.

Section VI.B.3 of the Plan provides that Transmission Owners and their affiliates must provide to the Market Monitoring Unit within a reasonable time requested information relating to possible undue preference between Transmission Owners and their affiliates, provided, however, that an information request recipient may petition the Commission for an order limiting all or part of the information requested. The Market Monitoring Unit shall provide in a timely manner a copy of any such petitions to the Executive Vice President.

Compel Information: Pursuant to Section V.B.2 of the Plan, the Market Monitoring Unit may initiate such regulatory or judicial proceedings to compel the production of information, consistent with the following procedures:

□.a. The Market Monitoring Unit shall not attempt to compel information from an entity without first having submitted a written request pursuant to the procedures described in Section II.D.2 and having allowed a reasonable time period for the recipient to respond.

□.b. Prior to initiating proceedings to compel the production of data, the Market Monitoring Unit shall notify the Executive Vice President and

explain why recipient's failure to respond in the elapsed time is unreasonable.

- c. The Market Monitoring Unit shall notify the Executive Vice President of any significant developments in these proceedings.

Treatment of Unsolicited Information

Pursuant to Section V1.C of the Plan, 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. If the information includes a request that the Market Monitoring Unit take some action, the Market Monitoring Unit shall provide the request to the Executive Vice President and explain how the Market Monitoring Unit intends to respond to the request.

Development of Indices

Consistent with Section V1.E of the Plan, the Market Monitoring Unit shall develop indices or other standards to evaluate the information that it collects and maintains in accordance with the following procedures:

1. 1. The Market Monitoring Unit shall define and document indices or other standards to evaluate the information that it collects. This information shall be provided to the Executive Vice President for review, comment and approval.
2. 2. The Market Monitoring Unit shall submit the complete set of indices to the Board for approval.
3. 3. Prior to using such index or standard, the Market Monitoring Unit shall, consistent with Section V1.E of the Plan, provide PJM Members, Authorized Government Agencies, and other interested parties an opportunity to comment on the appropriateness of such index or standard.

Evaluation of Information

The Market Monitoring Unit shall define and document the information that it maintains regarding the PJM Market pursuant to Section V1.F of the Plan. Upon request by a PJM division chief, such information shall be made available in a timely manner.

Reporting

Function

Reports to the FERC

In preparing reports to the Commission as required pursuant to Sections 1V.A and IV.C.7 of the Plan, or voluntarily under Section IV.C.6 of the Plan, the Market Monitor Unit shall adhere to the following procedures:

1. 1. The Market Monitoring Unit may release data to the public, consistent with PJM's obligations to protect confidential, proprietary, or commercially sensitive information.
2. 2. The Market Monitoring Unit shall provide the Executive Vice President with an advance copy of a report to the Commission for review and comment. Comments and revisions may be submitted by the Executive Vice President to the Market Monitoring Unit, but the Market Monitoring Unit shall have, consistent with its obligations under the PJM Tariff, sole discretion regarding its contents.

Appearance in Regulatory Proceedings

From time to time third parties may request that staff of the Market Monitoring Unit provide testimony in regulatory proceedings. Such participation shall be subject to the following procedures:

1. 1. The Market Monitoring Unit shall notify the Executive Vice President and General Counsel of any request from a third party that the Market Monitoring Unit provide testimony in regulatory proceedings.
2. 2. If the Market Monitoring Unit determines that it is willing to accommodate the request, the Executive Vice President shall determine if the request for appearance shall be honored and, in consultation with the Market Monitoring Unit and the General Counsel, shall establish the terms and conditions of such appearance.
3. 3. Advance copy of the testimony shall be provided to the Executive Vice President and the General Counsel for review, comment and approval. Comments and revisions may be provided to the Market Monitoring Unit.

Reports to Authorized Government Agencies

Consistent with Section VII.B of the Plan, the Marketing Monitoring Unit shall submit reports to Authorized Government **Agencies** other than the Commission in accordance with the following procedures:

I. If the Marketing Monitoring Unit receives a request for a report, it shall notify the Executive Vice President. The Executive Vice President shall determine whether to honor the request for a report.

1. 2. 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.

2. 3. The Market Monitoring Unit shall provide the Executive Vice President with an advance copy of reports to Authorized Government Agencies for review, comment and approval.

3. 4. The Market Monitoring Unit shall contemporaneously submit to the Board the completed report to an Authorized Government Agency.

Reports Regarding the State of the Market

The Market Monitoring Unit shall prepare and submit annual state-of-the-market reports as specified in Section VII.A of the Plan in accordance with the following procedures:

1. 1. The Market Monitoring Unit shall provide a drafting schedule, inclusive of a review process, of the state-of-the-market report to the Executive Vice President for review.
2. 2. The scope of the plan shall include the state of competition within, and the efficiency of, the PJM Market, both of which are matters within the purview of the Market Monitoring Unit.
3. 3. The Market Monitoring Unit shall submit the completed state-of-the-market report to the Board.

Reports to the Public

The Market Monitoring Unit shall prepare a detailed public annual report about the Market Monitoring Unit's activities in accordance with the following procedures:

1. 1. The Market Monitoring Unit shall provide the Executive Vice President with an advance copy of the detailed public annual report for review, comment, and approval.
2. 2. The Market Monitoring Unit shall submit the completed detailed public annual report to the Board contemporaneously with its release.

IV. Compliance Function

Discussions or Complaints

Pursuant to Section IV.C.I of the Plan, the Market Monitoring Unit may engage in informal discussions with Market Participants regarding issues relating to their possible violations of PJM Market Rules or FERC Market Behavior Rules (or Federal laws or regulations relating to the market monitoring function). The Market Monitoring Unit shall conduct informal discussions in accordance with the following procedures:

1. 1. The Market Monitoring Unit shall maintain a record of discussions with Market Participants related to possible violations. All written correspondence ~~shall be retained in accordance with PJM's prevailing document retention policy,~~ or, in the absence of such a policy, for a period of not less than 5 years. Likewise, the Market Monitoring Unit shall maintain a log of all meetings, telephone conversations, or other conversations related to such possible violations that describes, at a minimum, when, where and with whom the conversation took place and a description of the substance of the conversation.
2. 2. The Market Monitoring Unit shall remain ready to provide copies of such reports to the Executive Vice President upon short notice.

Investigations

The Market Monitor may investigate the actions of any Market Participant to determine whether such behavior constitutes an effort to obtain undue market power, violate PJM market rules, FERC Market Behavior Rules and/or Federal laws or regulations relating to the market monitoring function, provided that such investigations are conducted in accordance with the following procedures:

1. 1. Prior to initiating investigations regarding Market Participant behavior, the Market Monitoring Unit shall notify the Executive Vice President.
2. 2. The Market Monitoring shall open and maintain a file describing in reasonable detail all of the activities taken pursuant to the investigation, and, upon request by the Executive Vice President, shall make available in a timely manner a current copy of this file

Required Referrals to the FERC

In referring matters to the FERC as required pursuant to Section 1V.B of the Plan, PJM and the Market Monitoring Unit shall adhere to the following procedures:

Prior to any referrals to FERC by the Market Monitoring Unit the Market Monitoring Unit shall provide the Executive Vice President with notification of and an explanation of the basis for the planned referral.

In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding comments, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.

A referral to the Commission shall be in writing and should include the following information:

-
- ☐.a. 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);
 - ☐.b. The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - ☐.c. The specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;
 - ☐.d. The specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;
 - ☐.e. The consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;
 - ☐.f. If the Market Monitoring Unit believes that the act(s) or conduct constituted manipulative behavior in violation of the FERC Market Behavior Rules (or Federal laws or regulations relating to the market monitoring function), a description of the alleged manipulative effect on market prices, market conditions, or market rules; and
 - ☐.g. Any other information that the Market Monitoring Unit believes is relevant and may be helpful to the Commission.

The Market Monitoring Unit shall submit an advance copy of the written referral to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.

Following the submission of such a referral, the Market Monitoring Unit shall 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.

6. If the referral relates to a violation by PJM or its employees, the Market Monitoring Unit shall take the matter directly to the Board, without delay, with copies to the President, Executive Vice President and General Counsel.

Consultations with Authorized Government Agencies

Pursuant to Section IV.C.4 of the Plan, the Market Monitoring Unit may consult with Authorized Government Agencies concerning the need for specific investigations or monitoring activities in accordance with the following procedures:

1. 1. Prior to any consultations by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the Executive Vice President with notification of the planned consultations and their purpose.
2. 2. The Executive Vice President shall determine whether to permit the consultation.
3. 3. Advance copy of the consultation materials shall be provided to the Executive Vice President for review and comment. Comments and revisions may be provided to the Market Monitoring Unit.

Enforcement Actions before Authorized Government Agencies

Pursuant to Section IV.C.3 of the Plan, with the approval of the Board, the Market Monitoring Unit may file complaints with Authorized Government Agencies or make other appropriate regulatory filings to address compliance, market power, and seek such remedial measures against specific Market Participants in accordance with the following procedures:

1. 1. Prior to filing any complaints by the Market Monitoring Unit with Authorized Government Agencies, the Market Monitoring Unit shall provide the Executive Vice President with notification of the planned complaints.
2. 2. In the event there is not concurrence between the Executive Vice President and the Market Monitoring Unit regarding whether to proceed with the filing, the Executive Vice President shall identify the concern and recommend a course of action to the President for review, approval, and further action.
3. 3. Advance copy of the filing materials shall be provided to the Executive Vice President for review, comment and approval. Comments and revisions may be provided to the Market Monitoring Unit.

<u>Market</u>	<u>Design</u>	<u>Recommendations</u>	<u>Function</u>
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Recommend Modification to PJM Market Rules

Pursuant to Section IV.C.2 of the Plan, the Market Monitoring Unit may recommend to the appropriate PJM entity modifications to the PJM Market Rules or comment on proposals to modify the PJM Market Rules initiated by others at PJM according to the following procedures:

1. 1. The Marketing Monitoring Unit and PJM each shall seek too identify ~~issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require~~ modification to the PJM tariff or other documents.
2. 2. The Market Monitoring Unit and VP Markets shall communicate to each other any such issue identified and/or proposed solution and determine whether there is concurrence. If so, the Market Monitoring Unit and VP Markets shall document the concern and recommend a course of action to the Executive Vice President.
3. 3. The VP Markets and Executive Vice President shall be responsible for initiating appropriate stakeholder processes and obtaining approvals from the members and, if required, the Board of Managers, with Market Monitoring Unit participation.
4. 4. In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, either party may forward to the Executive Vice President for a timely determination regarding how to proceed.
5. 5. If the Market Monitoring Unit is dissatisfied with the approach taken, it **may** report to the appropriate PJM committee or the Board, or to the FERC in accordance with Section III .A hereof.

Proposals to Authorized Government Agencies

Pursuant to Section IV.C.3 of the Plan, with the approval of the Board, the Market Monitoring Unit may make with Authorized Government Agencies appropriate regulatory filings to address design flaws, structural problems, compliance, market power, or other issues, and seek such remedial measures or make such recommendations in accordance with the following procedures:

1. The Marketing Monitoring Unit shall identify issues with existing market design, market operation, market structure, market behavior, market outcomes or market administration that may require modification and Marketing Monitoring Unit proposals for addressing such issues.

The Market Monitoring Unit shall, prior to filing, discuss with the VP Markets any contemplated proposal to an Authorized Government Agency.

The VP Markets shall evaluate the proposal and determine whether there is concurrence with the Market Monitoring Unit.

In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.

In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, either party shall forward the matter to the Executive Vice President.

Evaluation of Compliance Regime

Pursuant to Section IV.C.5 of the Plan, the Market Monitoring Unit may consider and evaluate a broad range of additional enforcement mechanisms as may be necessary to assure compliance with the PJM Market Rules in accordance with the following procedures:

Prior to implementing additional enforcement mechanisms by the Market Monitoring Unit, the Market Monitoring Unit shall provide the VP Markets with notification of the new mechanisms.

The VP Markets shall evaluate the additional enforcement **mechanisms** and determine whether there is concurrence with the Market Monitoring Unit.

In the event there is concurrence between the VP Markets and the Market Monitoring Unit, the VP Markets and the Market Monitoring Unit shall document the concern and recommend a course of action to the Executive Vice President.

In the event there is no concurrence between the Market Monitoring Unit and the VP Markets, the Market Monitoring Unit and VP Markets shall review the disputed matter in the first instance with the Executive Vice President, who may make a recommendation in writing to the President for review, approval, and further action.

PJM

Committees

Market Monitoring Advisory Committee

The Market Monitoring Unit shall administer the Market Monitoring Advisory Committee ("MMAC") in accordance with the following

procedures:

1. 1. The Market Monitoring Unit shall administer the MMAC in accordance with the MMAC charter.
2. 2. At least one week prior to a meeting of the MMAC, the chair shall submit to the Executive Vice President for review and approval an agenda covering all topics to be discussed. No additional items may be added to the agenda without the consent of the Executive Vice President.
3. 3. The chair of the meeting shall copy the Executive Vice President on the minutes of meetings of the MMAC at least contemporaneously with their release to the committee members.

Other Committees

Representatives of the Market Monitoring Unit may attend as observers the meetings of other PJM committees, working groups and task forces, but may not chair any such body without the express approval from the Executive Vice President. The Market Monitoring Unit may, upon request by a PJM division chief or committee chairman, provide a formal presentation on a matter, provided that the Market Monitoring Unit submits for review and approval any materials or presentations to the requesting PJM division chief or chairman in advance.

General Administration

Resources

Pursuant to Section V.D of the Plan, PJM and the Marketing Monitoring Unit shall adhere to the following procedures in order to ensure that the Market Monitoring Unit has adequate resources to carry out its mission:

- a. Work Plan: Each year, a Market Monitoring Unit work plan shall be created that defines the scope of work for the subsequent calendar year. This action plan shall identify needed budget and staffing that shall be submitted to the Executive Vice President for review and approval. Based on the approved work plan, PJM and the MMU shall agree on a level of permanent Market Monitoring Unit staff. The Market Monitoring Unit shall have authority to maintain that level of staff until a different level has been agreed upon.
- .b. Hiring/Firing: The Market Monitoring Unit shall have the primary authority to hire MMU staff. Such hiring and firing shall comply with the policies

established by PJM Human Resources.

□.c. Sharing: The Market Monitoring Unit shall have the primary authority to assign tasks to its own staff. Other PJM division chiefs may make reasonable requests for support, information or processes, from Market Monitoring staff.

1. 2. Consultants: Each year, based on the approval of the Marketing Monitoring Unit action plan and corresponding budget, PJM and the Marketing Monitoring Unit shall agree on a budget for the hiring of consultants. The Marketing Monitoring Unit shall consult with the Executive Vice President prior to engaging consultants on specific issues.

2. 3. Legal Counsel: PJM has an affirmative obligation to provide the Marketing Monitoring Unit with legal counsel support. In the event the Marketing Monitoring Unit identifies a need for retaining independent legal counsel due to a conflict between legal positions espoused by PJM and the Marketing Monitoring Unit, the Market Monitoring Unit shall be entitled to retain independent counsel. The Marketing Monitoring Unit shall consult with the Executive Vice President and General Counsel prior to seeking independent legal counsel on specific issues.

Internal Review

Pursuant to Section V.C of the Plan, the Market Monitoring Unit shall be accountable solely to the President and the Board regarding the implementation of this Plan. For the purpose of administrative convenience and efficiency, these procedures generally direct the Market Monitoring Unit to inform or seek approval for regarding some contemplated action from the Executive Vice President. Such review is subject to the following procedures:

1. 1. Communications: The Market Monitoring Unit (or PJM division chief, where applicable) shall make or confirm all relevant communications in writing, including by e-mail. The Executive Vice President shall take appropriate action in response to a request within a reasonable period of time giving due regard to the circumstances surrounding the request. If the Executive Vice President fails to take appropriate action within a reasonable period of time, the request shall be deemed granted.

2. 2. Review by the President If the Executive Vice President denies a request submitted under these procedures, the Market Monitoring Unit may request that the President newly consider the matter. The President shall consider the matter and make a determination in a timely manner.

3. 3. Review by the Board: Subsequent to a denial or untimely delay by the President, the Market Monitoring Unit may raise a matter directly with the Board. PJM shall honor a reasonable request to provide the Market Monitoring Unit with access to independent legal counsel, consistent with Section VII.A.3 hereof.

4. 4. Emergency Action: Notwithstanding the foregoing, if the Market Monitoring Unit determines that emergency action must be taken with respect to a matter, it may take such action as it deems necessary under the circumstances, and shall provide concurrent notice of such action to the Executive Vice President .

Adherence to PJM Organizational Protocols

Subject to its independent responsibilities and authority established in the Operating Agreement and the Plan, the Market Monitoring Unit shall function as a division of PJM, and shall adhere to all PJM policies and procedures including, but not limited to, those policies and procedures related to human resources, training, attendance at designated staff meetings and organization functions, etc.

Information

The Market Monitoring Unit shall retain in a manner that is organized and consistent with all applicable PJM policies all work papers, analyses and processes developed in the course of its activities. Such work papers, analyses and processes shall be made available to PJM in a timely manner upon the request of a PJM division chief.

Confidentiality

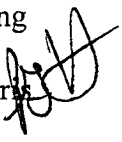
Pursuant to the requirements of Sections 1V.D and VI.B.2 of the Plan and the Operating Agreement, the Market Monitoring Unit and PJM shall ensure the confidentiality of any protected materials to which it has access or possession.

Audit

The activities of the Market Monitoring Unit shall be audited in accordance with the procedures adopted by the Board pursuant to Section VIII of the Plan.

MEMORANDUM

TO: Audrey Zibelman
Joseph Bowring

FROM: Phillip G. Harris 

DATE: March 21, 2006

RE: Procedures for Implementation of the PJM Market Monitoring Plan

SUBJ: Delegation

As contemplated by Section VII.B.1 of the Procedures for the Implementation of the PJM Market Monitoring Plan that became effective as of February 21, 2006, I am hereby delegating to the Executive Vice President responsibility to receive information and to consult with the Market Monitoring Unit on my behalf and to respond in timely fashion to communications from the MMU. The Executive Vice President shall implement appropriate protocols to administer the spirit and intent of the Procedures.

Implementation of the Procedures will require modification of certain of the practices and procedures that have developed over the years in connection with the interaction of the MMU with other operating units within PJM. I am confident that you will be able to effect the necessary changes in a collegial and mutually-supportive fashion. In the event of a dispute over proper application of the Market Monitoring Plan or the Procedures that you are not able to resolve, you are each authorized to bring the matter to my attention for decision.

P.G.H.

cc: Andrew Ott
F. John Hagele

Date: April 6, 2007
To: Phil Harris
From: Joe Bowring
Re: State of the Market Report

In response to your request, I am providing background information on the 2005 State of the Market Report. Given the 30 minutes I have to prepare this memo, I am providing only a brief account of events and I will not provide the exact time line or supporting documents at this time.

The 2005 State of the Market Report near final draft included clear conclusions in the Ancillary Markets section regarding the lack of structural competition in the regulation markets. Audrey Zibelman ordered me to modify the 2005 State of the Market Report material in the Ancillary Markets section regarding the conclusions and in fact ordered me to remove the conclusions about the lack of structural competition in the regulation market. She asked me directly whether I intended to comply with her order and I stated that I believed that it was wrong but that I would do as ordered.

The required change to the 2005 State of the Market Report did not affect the overall conclusions about the competitive results in each of PJM markets. I believed then and I believe now that the market results in 2005 were competitive. I did not include any statements in the 2005 State of the Market Report that I knew to be untrue. I did however remove the conclusions about the regulation market as ordered.

The 2005 State of the Market Report included the following statement from a FERC Order (96 FERC ¶ 61,061 July 12, 2001):

The Commission has the statutory responsibility to ensure that public utilities selling in competitive bulk power markets do not engage in market power abuse and also to ensure that markets within the Commission's jurisdiction are free of design flaws and market power abuse. To that end, the Commission will expect to receive the reports and analyses of an RTO's market monitor at the same time they are submitted to the RTO.

Please let me know if you need more information on this matter.

1 BEFORE THE
 2 FEDERAL ENERGY REGULATORY COMMISSION
 3

4 - - - - -x

5 IN THE MATTER OF: : Docket Numbers
 6 TRANSPARENCY PROVISIONS OF THE : AD06-11-000
 7 ENERGY POLICY ACT OF 2005 :

8 - - - - -x

9
 10 Hearing Room 2C
 11 Federal Energy Regulatory
 12 Commission
 13 888 First Street, NE
 14 Washington, DC
 15 Friday, October 13, 2006

16

17

18 The above-entitled matter came on for technical,
 19 conference pursuant to notice, at 9:35 a.m.

20

21

22 BEFORE: JOSEPH T. KELLIHER, CHAIRMAN

23

24

25

1 referred to the market monitor as the regulator. They're
2 not. We are the regulator.

3 MR. OTT: The point is PJM is an independent
4 authority. We are interested in the outcome of the market.
5 As you saw, we call it as we see it. If there's an issue,
6 we bring it to the attention of the Commission. The PJM
7 market monitor produces extensive analyses on the market,
8 produces a state of the market report, and the conclusions
9 of the market report are his own. Obviously, I don't anyone
10 is questioning the independence of PJM, the organization, so
11 I would take issue with Mr. Spinner saying that we need an
12 independent entity doing an analysis of the competitiveness
13 of the market. We have one.

14 CHAIRMAN KELLIHER: I just want to respond to
15 something Mr. Spinner said, too. You referred to Maryland
16 as somehow the experience in Maryland showing, speaking to
17 wholesale competition in the state. Wholesale competition
18 somehow suggesting some lack of confidence in wholesale
19 competition. That it should show a lack of confidence in
20 wholesale competition. Maryland is a singularly bad
21 example. What happened in Maryland, to me, is utterly
22 predictable. When you take a regulated retail rate, cut it
23 and freeze it for seven years, the end result, I think, is
24 likely to be rate shock unless you're confident that fuel
25 prices, underlying fuel prices will remain constant or

Bowring, Joseph

From: Wright, Dionne
Sent: Thursday, March 08, 2007 6:24 AM
To: Bowring, Joseph
Subject: Re: Transition for Tom Zadlo

Great, thank you.

-----Original Message-----

From: Bowring, Joseph
To: Wright, Dionne
Sent: Wed Mar 07 20:47:06 2007
Subject: RE: Transition for Tom Zadlo

I had told Stan two weeks from Monday and he had agreed.
I will check to see if Tom has created a transition plan and whether it has been
implemented.

-----Original Message-----

From: Wright, Dionne
Sent: Wednesday, March 07, 2007 3:10 PM
To: Bowring, Joseph
Subject: Transition for Tom Zadlo

Joe,

Can Tom be released from MMU the week of 3/12/07 for the position in Performance Compliance? Please advise.

Thanks.

Dionne Wright
wrighd@pjm.com
610-666-4618 (p)
610-666-4570 (f)

Bowring, Joseph

From: Wright, Dionne
Sent: Thursday, March 15, 2007 10:14 AM
To: Bowring, Joseph
Subject: RE: Replace TZ

This looks good. How is your salary line? It maybe worthwhile to explore if you can bring in 2 lower level people for 1 senior as well. Just a thought.

Dionne

-----Original Message-----

From: Bowring, Joseph
Sent: ~~Wednesday, March 14, 2007 9:01 PM~~
To: Wright, Dionne
Subject: Replace TZ

Please take a look at the attached draft and let me have the benefit of your expertise.
Please do not share until I finalize - tomorrow is the goal.
I am also doing another memo for the Yan replacement - forthcoming.
Thanks

Bowring, Joseph

From: Wright, Dionne
Sent: Wednesday, March 28, 2007 10:59 AM
To: Bowring, Joseph
Subject: RE: HR issues

How about 2 or 3? Please let me know.

Dionne

-----Original Message-----

From: Bowring, Joseph
Sent: Wednesday, March 28, 2007 10:20 AM
To: Wright, Dionne
Subject: HR issues

Can we talk, briefly, today?
 I want to be sure that both hiring and retention are on track.
 Thanks

Bowring, Joseph

From: Johnston, Lindsay
Sent: Friday, April 06, 2007 5:50 PM
To: Bowring, Joseph
Subject: Re: v mail

Joe, I have drafted a memo but as I discussed with you today I want to work some more on the retention program.

-----Original Message-----

From: Bowring, Joseph
To: Johnston, Lindsay
Sent: Fri Apr 06 16:46:33 2007
Subject: v mail

Lindsay,

I received your voice mail indicating that you would respond to my email with a memo. I have not seen anything. Did I miss an email? I have been out of the office.

I would really appreciate it if HR could act on my requests on Monday. Thanks, Joe

Bowring, Joseph

From: Johnston, Lindsay
Sent: Monday, April 09, 2007 1:31 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: RE: Backfill

As discussed, my suggestion was to retain her as a contractor with an enhanced rate for more complex work, for economic and morale reasons. Regardless of whether she is permanent or a contractor I do not think we need to post, unless you think one of the MMU employees wants the position.

J. Lindsay Johnston
Vice President Human Resources
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
610-666-3195 Phone
610-666-4628 Fax
610-659-7868 Cell
johnsl@pjm.com

-----Original Message-----

From: Bowring, Joseph
Sent: Monday, April 09, 2007 1:28 PM
To: Johnston, Lindsay
Cc: Wright, Dionne
Subject: RE: Backfill

As we discussed last week, the plan is to fill Tom Zadlo's slot with Cindy as a regular employee. Therefore we need to post, correct?
Thanks

-----Original Message-----

From: Johnston, Lindsay
Sent: Monday, April 09, 2007 1:21 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: RE: Backfill

If she is filling as contractor, no need to post. In fact given the circumstances not sure we need to post. Let's discuss.

J. Lindsay Johnston
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610-659-7868 Cell
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-----Original Message-----

From: Bowring, Joseph
Sent: Monday, April 09, 2007 1:12 PM
To: Johnston, Lindsay
Cc: Wright, Dionne
Subject: Backfill

I have spoken with Cindy and she is interested in the job.
I would like to get it posted today.
Please let me know how to proceed.

Bowring, Joseph

From: Johnston, Lindsay
Sent: Tuesday, April 10, 2007 12:23 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: Open issues

Joe, we have a couple of open items. Frank R's transition Plan, posting of the Zadlo position, retention plan for MMU staff. When you get in tomorrow let's discuss.

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Bowring, Joseph

From: Wright, Dionne
Sent: Wednesday, April 11, 2007 12:34 PM
To: Bowring, Joseph
Subject: RE: MMU Sr Analyst Position

Yes.

-----Original Message-----

From: Bowring, Joseph
Sent: Wednesday, April 11, 2007 11:22 AM
To: Wright, Dionne
Subject: RE: MMU Sr Analyst Position

Is this the same one that we used the last time MMU posted a description?

-----Original Message-----

From: Wright, Dionne
Sent: Wednesday, April 11, 2007 11:08 AM
To: Bowring, Joseph
Subject: MMU Sr Analyst Position
Importance: High

Joe,

Per our conversation, please advise regarding the attached position description. If this is correct, I will post.

Thanks,
Dionne

Bowring, Joseph

From: Bowring, Joseph
Sent: Wednesday, April 18, 2007 7:10 PM
To: Johnston, Lindsay
Cc: Wright, Dionne; Haas, Howard
Subject: RE: We tried to get you on the phone at the appointed time

Lindsay,

- First, please coordinate with Howard and Susan for a time tomorrow, if you think such a meeting is essential. Howard must be at the meeting as I cannot be there tomorrow.
- Second, I believe, given recent events, that PJM should offer all MMU staff a significant single sum retention bonus, payable only if staff stays. I understand that Toby has denied this request. I am again asking you to resubmit this - it is critical in order for the MMU to survive the current situation.
- Third, I think that PJM should cease hiring MMU staff until the MMU issues are resolved. This is entirely consistent with your view that there should be a transition period. I believe that there needs to be an immediate stand down until the MMU issues are resolved.
- Fourth, PJM staff and management should immediately cease all efforts to recruit MMU staff. These conversations are occurring daily and they are inappropriate.
- Fifth, I think that PJM should guarantee every MMU employee a job at PJM should the MMU be eliminated. If you do not think this is appropriate for particular individuals, you should explain why in each case.
- I do not think the actions of PJM or of HR are helpful and in fact I believe that HR's actions are actively harming morale in the MMU. The level of uncertainty that has been created has substantially harmed the ability of the MMU to do its work and there needs to be an immediate remedy. The solutions you described to me when we met and that you plan to propose to MMU staff tomorrow are not adequate as a remedy to the problem created by PJM.
- It is not appropriate for you to tell either me or my staff that there will be a transition when neither the Board or FERC has reached such a conclusion. You and your staff have been assuming and stating in your conversations with MMU staff that there will be a transition that the MMU will not survive. That is neither correct or appropriate until a decision has been made by FERC.
- During this period of uncertainty I request that HR assist us in maintaining a viable and vibrant MMU rather than exacerbating uncertainty, offering condolences for events that have not occurred and encouraging staff to take other jobs in PJM.

Thanks,
Joe

-----Original Message-----

From: Johnston, Lindsay
Sent: Wednesday, April 18, 2007 4:43 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: We tried to get you on the phone at the appointed time

I will be here past 5pm, Dionne has a hard stop. If we don't catch you tonight we can talk by phone tomorrow but I want to meet with the staff tomorrow morning and we will include you by phone and of course Howard.

J. Lindsay Johnston
Vice President Human Resources
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Bowring, Joseph

From: Johnston, Lindsay
Sent: Wednesday, April 18, 2007 12:08 PM
To: Bowring, Joseph
Subject: MMu Retention

Got further info for you, favorable on retention package. Really feel we need to meet with MMU staff ASAP on this and your schedule and mine are not matching up next week. Want to discuss meeting with them this week, preferable today. Your cell phone is off which is why I am e mailing you.

J. Lindsay Johnston
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johnsl@pjm.com

Bowring, Joseph

From: Johnston, Lindsay
Sent: Thursday, April 19, 2007 11:59 AM
To: Bowring, Joseph
Cc: Wright, Dionne; Haas, Howard
Subject: RE: We tried to get you on the phone at the appointed time

Joe, I am sorry you and I did not connect.

I did try several times but your cell phone voicemail would not accept any voicemails, hence my e mails. Dionne did talk to you and she thought that she had conveyed to you as I tried to that we were successful in getting the retention bonuses. So that should alleviate any of those concerns.

As I think I have exhibited, I have and, therefore, HR has the interests of the staff in mind and is striving to allay their concerns. Moreover, it is not in PJM's interests to interfere with or harm the effective functioning of the MMU since it is a very important function in PJM.

As we discussed on Monday, in person and in my office, part of the program we will discuss with the staff today will freeze the MMU and will provide incentives for them to remain in the MMU while the Board considers the Strategic report recommendations concerning the MMU structure. It has never been implied by me or my staff that the MMU will not survive to use your language. In fact I have been careful in all my discussions to describe this time period as the pendency of the study. If you have a different phraseology that you think is more accurate please let me know.

I think the program we will discuss today with the staff will meet all the concerns you have raised: it will incent folks to stay in the MMU, it will promise no further changes to the MMU structure while the Board considers the recommendations and any further study that may be required, it will commit PJM to making its best efforts to place each employee in a position should there be a change to the MMU structure, and in the off chance that an employee cannot be placed the reasons why will certainly be discussed with that employee and he or she will be eligible for a very generous lack of work package (I must emphasize as I will today that PJM management perceives it to be extremely unlikely that the lack of work policy will be necessary); and I will emphasize as well that HR is in no way suggesting that the MMU will be disbanded or that it will not survive and that end result is merely one of several outcomes of the Board's consideration of the report recommendations. If I have overlooked any of your concerns please let me know and I will take care to address them.

My hope is that your schedule will permit you to join our meeting today by phone. I really feel it is important to address the concerns of the staff with this meeting and unfortunately your schedule did not permit a timely meeting with you in attendance.

Thanks for your message.

J. Lindsay Johnston
Vice President Human Resources
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-----Original Message-----

From: Bowring, Joseph

Sent: Wednesday, April 18, 2007 7:10 PM

To: Johnston, Lindsay

Cc: Wright, Dionne; Haas, Howard

Subject: RE: We tried to get you on the phone at the appointed time

Lindsay,

- First, please coordinate with Howard and Susan for a time tomorrow, if you think such a meeting is essential. Howard must be at the meeting as I cannot be there tomorrow.
- Second, I believe, given recent events, that PJM should offer all MMU staff a significant single sum retention bonus, payable only if staff stays. I understand that Toby has denied this request. I am again asking you to resubmit this - it is critical in order for the MMU to survive the current situation.
- Third, I think that PJM should cease hiring MMU staff until the MMU issues are resolved. This is entirely consistent with your view that there should be a transition period. I believe that there needs to be an immediate stand down until the MMU issues are resolved.
- Fourth, PJM staff and management should immediately cease all efforts to recruit MMU staff. These conversations are occurring daily and they are inappropriate.
- Fifth, I think that PJM should guarantee every MMU employee a job at PJM should the MMU be eliminated. If you do not think this is appropriate for particular individuals, you should explain why in each case.
- I do not think the actions of PJM or of HR are helpful and in fact I believe that HR's actions are actively harming morale in the MMU. The level of uncertainty that has been created has substantially harmed the ability of the MMU to do its work and there needs to be an immediate remedy. The solutions you described to me when we met and that you plan to propose to MMU staff tomorrow are not adequate as a remedy to the problem created by PJM.
- It is not appropriate for you to tell either me or my staff that there will be a transition when neither the Board or FERC has reached such a conclusion. You and your staff have been assuming and stating in your conversations with MMU staff that there will be a transition that the MMU will not survive. That is neither correct or appropriate until a decision has been made by FERC.
- During this period of uncertainty I request that HR assist us in maintaining a viable and vibrant MMU rather than exacerbating uncertainty, offering condolences for events that have not occurred and encouraging staff to take other jobs in PJM.

Thanks,
Joe

-----Original Message-----

From: Johnston, Lindsay

Sent: Wednesday, April 18, 2007 4:43 PM

To: Bowring, Joseph

Cc: Wright, Dionne

Subject: We tried to get you on the phone at the appointed time

I will be here past 5pm, Dionne has a hard stop. If we don't catch you tonight we can talk by phone tomorrow but I want to meet with the staff tomorrow morning and we will include you by phone and of course Howard.

J. Lindsay Johnston
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Bowring, Joseph

From: Johnston, Lindsay
Sent: Sunday, April 29, 2007 1:36 PM
To: Zibelman, Audrey A.; Bowring, Joseph
Cc: Mannheimer, Toby; Ott, Andy
Subject: RE: Brigid Cummings

Audrey and Joe, I have reviewed the changes Joe has proposed and do not think they change the intent to ensure the availability of the two transferring staff to assist MMU in the interest of assisting continuity of operations.

J. Lindsay Johnston
Vice President Human Resources
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610-659-7868 Cell
johnsl@pjm.com

-----Original Message-----

From: Zibelman, Audrey A.
Sent: Sunday, April 29, 2007 12:30 PM
To: Bowring, Joseph; Johnston, Lindsay
Subject: Re: Brigid Cummings

Thanks please keep me posted

-----Original Message-----

From: Bowring, Joseph
To: Zibelman, Audrey A.; Johnston, Lindsay
Sent: Sun Apr 29 10:19:58 2007
Subject: RE: Brigid Cummings

I have proposed some changes to the transition plan documents and am awaiting a response from HR. While I don't concur in the overall process that led to the transfer of these two staff, I believe that the issues associated with the actual transition can be resolved.

-----Original Message-----

From: Zibelman, Audrey A.
Sent: Saturday, April 28, 2007 11:10 AM
To: Ott, Andy; Bowring, Joseph; Johnston, Lindsay
Subject: Brigid Cummings

I understand that you have worked out a transition plan for Brigid Cummings - I want to underscore that before we make this transition, that the MMU division concurs in the process. Joe please let me know if you are ok with the plan.

Audrey

Bowring, Joseph

From: Johnston, Lindsay
Sent: Sunday, April 29, 2007 2:38 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: RE: PJMDOCS-#417591-v3-Transition_Memo_-_Racioppi.DOC

Joe, I am fine with these edits and have forwarded to Andy and Dionne to see if either foresees any concerns.

J. Lindsay Johnston
Vice President Human Resources
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
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-----Original Message-----

From: Bowring, Joseph
Sent: Sunday, April 29, 2007 2:18 PM
To: Johnston, Lindsay
Cc: Wright, Dionne
Subject: RE: PJMDOCS-#417591-v3-Transition_Memo_-_Racioppi.DOC

See attached. I made one edit. I would appreciate if you would add the same edit to the Bridgid document.

-----Original Message-----

From: Johnston, Lindsay
Sent: Sunday, April 29, 2007 2:02 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: PJMDOCS-#417591-v3-Transition_Memo_-_Racioppi.DOC

See my mark-up. I will have to run this by Andy as well.

Bowring, Joseph

From: Johnston, Lindsay
Sent: Friday, May 11, 2007 7:45 AM
To: Johnston, Lindsay; Bowring, Joseph
Cc: Wright, Dionne
Subject: Re: PJMDOCS-#419660-v1-MMU_memo.DOC

Joe, I do not have your reply.

-----Original Message-----

From: Johnston, Lindsay
To: Bowring, Joseph
CC: Wright, Dionne
Sent: Thu May 10 17:32:31 2007
Subject: PJMDOCS-#419660-v1-MMU_memo.DOC

~~Joe, please review the attached. While no final decision has been made regarding these~~
enhancements, I wanted your feedback prior to sending it forward. I think this accurately
portrays what you have requested for the MMU employees. Yesterday you told me that you
did not want this enhancement to apply to you because you did not want your suggestions
to appear self serving. Do you still feel this way and not want this to be applicable to
you ?

Bowring, Joseph

From: Bowring, Joseph
Sent: Friday, May 11, 2007 11:08 AM
To: Johnston, Lindsay
Cc: Mannheimer, Toby
Subject: RE: PJMDOCS-#419660-v1-MMU_memo jeb.DOC

I strongly believe that the period should be six months, as initially included in your document. Six months, given statements about the quick resolution of the matter, is already quite a long time. Nine months sends a pretty negative signal.

Otherwise, I am fine with the attached.

-----Original Message-----

From: Johnston, Lindsay
Sent: Friday, May 11, 2007 11:04 AM
To: Bowring, Joseph
Cc: Mannheimer, Toby
Subject: PJMDOCS-#419660-v1-MMU_memo jeb.DOC

See attached. Based on my conversation with Toby, I made a few tweaks my self. Thanks for your comments. If you are ok with this I will send on for approval.

Bowring, Joseph

From: Johnston, Lindsay
Sent: Friday, May 11, 2007 11:17 AM
To: Bowring, Joseph
Cc: Mannheimer, Toby
Subject: RE: PJMDOCS-#419660-v1-MMU_memo jeb.DOC

Joe, Hear you, how about by the end of the year. That should be better. Also maybe we should leave 6 months in the we hope won't extend beyond 6 months but if extends past year end we will enhance????

J. Lindsay Johnston
Vice President Human Resources
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-----Original Message-----

From: Bowring, Joseph
Sent: Friday, May 11, 2007 11:08 AM
To: Johnston, Lindsay
Cc: Mannheimer, Toby
Subject: RE: PJMDOCS-#419660-v1-MMU_memo jeb.DOC

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Otherwise, I am fine with the attached.

-----Original Message-----

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Sent: Friday, May 11, 2007 11:04 AM
To: Bowring, Joseph
Cc: Mannheimer, Toby
Subject: PJMDOCS-#419660-v1-MMU_memo jeb.DOC

See attached. Based on my conversation with Toby, I made a few tweaks my self. Thanks for your comments. If you are ok with this I will send on for approval.

Bowring, Joseph

From: Bowring, Joseph
Sent: Friday, May 11, 2007 10:51 AM
To: Johnston, Lindsay
Subject: Draft MMU language

Lindsay,

I have attached my proposed edits to your language regarding job guarantees and retention bonuses.

Please be aware that this does not mean that I agree that the structural changes to the MMU currently under consideration by PJM management are acceptable.

I am available to discuss.

- Joe

Bowring, Joseph

From: Johnston, Lindsay
Sent: Friday, May 11, 2007 11:04 AM
To: Bowring, Joseph
Cc: Mannheimer, Toby
Subject: PJMDOCS-#419660-v1-MMU_memo jeb.DOC

See attached. Based on my conversation with Toby, I made a few tweaks my self. Thanks for your comments. If you are ok with this I will send on for approval.

Bowring, Joseph

From: Bowring, Joseph
Sent: Friday, May 11, 2007 4:27 PM
To: Johnston, Lindsay
Subject: RE: PJMDOCS-#419756-v1-MMU_Retention_Memo.DOC

My statement was that the job guarantee was not for my job.
The application of the bonus is up to you.

-----Original Message-----

From: Johnston, Lindsay
Sent: Friday, May 11, 2007 4:19 PM
To: Bowring, Joseph
Cc: Mannheimer, Toby; Wright, Dionne
Subject: PJMDOCS-#419756-v1-MMU_Retention_Memo.DOC

Joe, Attached is the approved enhanced retention program that is proposed for the MMU staff and which has incorporated your comments. Per your request to me and to Toby, it will not be individually applicable to you.

I would like Dionne to set up a meeting with MMU staff for Monday so we can discuss it with the staff live. Please do not share this with anyone in advance of that meeting so everyone will hear about it at the same time. Of course you can share with Howard, just make sure he does not share it.

Thanks. Call me on my cell if any questions.

Bowring, Joseph

From: Johnston, Lindsay
Sent: Friday, May 11, 2007 4:19 PM
To: Bowring, Joseph
Cc: Mannheimer, Toby; Wright, Dionne
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Thanks. Call me on my cell if any questions.

Bowring, Joseph

From: Bowring, Joseph
Sent: Monday, May 14, 2007 2:18 PM
To: Johnston, Lindsay
Cc: Wright, Dionne
Subject: Retention policy

Lindsay,

Could you please provide the written policy in standard memo format with a cc to each MMU member, signed by you and with a cc to Toby.

In addition, given the question that arose today, I think it would add clarity to state that the guaranteed position will be comparable to the current position. Without such a statement, the guarantee is almost meaningless.

Thanks,

Joe

Bowring, Joseph

From: Johnston, Lindsay
Sent: Tuesday, May 15, 2007 12:09 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: RE: Retention policy

Joe, I am working on a memo.

J. Lindsay Johnston
Vice President Human Resources
 PJM Interconnection, L.L.C.
 955 Jefferson Avenue
 Valley Forge Corporate Center
 Norristown, PA 19403-2497
 610-666-3195 Phone
 610-666-4628 Fax
 610-659-7868 Cell
johnsl@pjm.com

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 Thanks,
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Bowring, Joseph

From: Bowring, Joseph
Sent: Wednesday, May 16, 2007 6:19 AM
To: Johnston, Lindsay
Cc: Wright, Dionne
Subject: RE: PJMDOCS-#420163-v1-Enhancements_to_MMU_Retention_Plan.DOC

See my attached edits.
I made the date June 10 to ensure that Cindy is covered, per our discussion.
I am available to talk today.
Thanks

-----Original Message-----

From: Johnston, Lindsay
Sent: Tuesday, May 15, 2007 5:31 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: PJMDOCS-#420163-v1-Enhancements_to_MMU_Retention_Plan.DOC

Attached is the draft memo you requested. The previously announced plan will be attached to this. Please review for edits and I will send out tomorrow.

Bowring, Joseph

From: Johnston, Lindsay
Sent: Wednesday, May 16, 2007 12:50 PM
To: Bowring, Joseph
Cc: Wright, Dionne
Subject: RE: PJMDOCS-#420163-v1-Enhancements_to_MMU_Retention_Plan.DOC

Joe I am ok with these edits except the comparable position as this was not agreed to. The compromise was to allow the employee to refuse the position and get a package. Most companies do not do that if offered a position at all.

J. Lindsay Johnston
Vice President Human Resources
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
610-666-3195 Phone
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Bowring, Joseph

From: Duane, Vincent P.
Sent: Monday, January 03, 2005 4:13 PM
To: Cabinet Team Members
Cc: Glazer, Craig; Bowring, Joseph
Subject: PJM Regulation Market In the West/South - AMP Ohio Request For Rehearing

You will recall that the Commission issued an "order" on November 30th stating that PJM's request to apply market pricing to the regulation market in the West/South region upon Dominion's integration was accepted as a matter of law. The opinion was split 2-2. As such, the rate request was accepted without Commission action per FERC's rules of practice and procedure.

AMP-Ohio has sought FERC rehearing of the "order." Technically, there was not an order; so it's unclear whether AMP-Ohio really has any procedural right to request rehearing here. Nonetheless, AMP-Ohio asserts that FERC erred by not considering the protests, not making any findings of fact, and not considering the market monitor's recommendations.

A response to a request for rehearing, even under normal circumstances, is unauthorized and somewhat unusual - and typically unnecessary. I recommend PJM keep its powder dry and continue to observe the performance of regulation market post AEP/Dayton/Duquesne integration. The West/South market remains cost-based until Dominion is integrated into PJM.

Bowring, Joseph

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To: Cabinet Team Members
Cc: Glazer, Craig; Bowring, Joseph
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Bowring, Joseph

From: Bowring, Joseph
Sent: Friday, April 08, 2005 4:48 PM
To: Pfirrmann, Karl; Hinton, Jim; Duane, Vincent P.; Barry Spector (spector@wrightlaw.com)
Cc: Zibelman, Audrey A.; Scheidecker, Paul; Haas, Howard; Ott, Andy; Bresler, Frederick S. (Stu)
Subject: Regulation market - Dominion integration

All:

Phil, Audrey and I spoke earlier today and the decision on how to proceed with the regulation market post Dominion integration was:

-
- MMU has found ongoing structural issues in regulation market post Dominion
 - MMU needs to report to FERC prior to Dominion integration on regulation issue
 - MMU will prepare report by early next week
 - West regulation market should remain cost-based until after the summer
 - MMU will review summer data after the summer and make a recommendation to PJM
 - PJM will make a filing with FERC by next week attaching the MMU report and requesting that the west regulation market remain cost based until summer data has been reviewed
 - MMU will work with the lawyers to prepare PJM filing that will accompany MMU report
 - Karl and Joe will speak with AEP on this issue - per Karl's views on how best to handle

- Joe

Bowring, Joseph

From: duanev@pjm.com
Sent: Friday, April 08, 2005 6:07 PM
To: zibela@pjmexch01.pjm.com; SPECTOR@wrightlaw.com; bowrij@pjm.com; hintoj@pjmexch01.pjm.com; pfirrk@pjmexch01.pjm.com
Cc: glazec@pjm.com; hagelj@pjm.com; Bresler@pjmexch01.pjm.com; haash@pjmexch01.pjm.com; ott@pjmexch01.pjm.com; scheip@pjmexch01.pjm.com; Bumgarner@wrightlaw.com
Subject: Re: Regulation market - Dominion integration

Of course, simply filing joe's opinions and accompanying report and letting the Commission decide whether it wishes to do something based on that filing is a straightforward alternative that doesn't involve 205 or 206 questions.

-----Original Message-----

~~From: Zibelman, Audrey A. <zibela@pjmexch01.pjm.com>
To: 'Barry SPECTOR' <SPECTOR@wrightlaw.com>; bowrij@pjm.com <bowrij@pjm.com>; Duane, Vincent P. <duanev@pjmexch01.pjm.com>; Hinton, Jim <hintoj@pjmexch01.pjm.com>; Pfirrmann, Karl <pfirrk@pjmexch01.pjm.com>
CC: glazec@pjm.com <glazec@pjm.com>; hagelj@pjm.com <hagelj@pjm.com>; Bresler, Frederick S. (Stu) <Bresler@pjmexch01.pjm.com>; Haas, Howard <haash@pjmexch01.pjm.com>; Ott, Andy <ott@pjmexch01.pjm.com>; Scheidecker, Paul <scheip@pjmexch01.pjm.com>; Zibelman, Audrey A. <zibela@pjmexch01.pjm.com>; CARRIE BUMGARNER <Bumgarner@wrightlaw.com>
Sent: Fri Apr 08 17:57:13 2005
Subject: RE: Regulation market - Dominion integration~~

Barry - thanks - Joe before we move on this, lets have a call with Karl, Jim, Andy, Mike and the lawyers to make sure that the tactic we talked about this AM is one we want to take.

-----Original Message-----

From: Barry SPECTOR [mailto:SPECTOR@wrightlaw.com]
Sent: Friday, April 08, 2005 5:53 PM
To: bowrij@pjm.com; duanev@pjmexch01.pjm.com; hintoj@pjmexch01.pjm.com; pfirrk@pjmexch01.pjm.com
Cc: glazec@pjm.com; hagelj@pjm.com; Bresler@pjmexch01.pjm.com; haash@pjmexch01.pjm.com; ott@pjmexch01.pjm.com; scheip@pjmexch01.pjm.com; zibela@pjmexch01.pjm.com; CARRIE BUMGARNER
Subject: Re: Regulation market - Dominion integration

A couple of quick observations about the proposed filing:

1. The OA currently provides for market-based regulation upon Dominion's integration. That has, in effect, been accepted by FERC per the last order in the matter. That order is already on appeal to the DC circuit.
2. Consequently, any change back to cost-based rates generally requires either a section 205 filing to amend the OA, with member approval, or a section 206 filing, with Board approval. I assume neither could happen next week.
3. However, there are other unusual possibilities for the filing in this case. You may recall that the "approval" of market based rates came in the form of a notice that the Commission was split 2-2, and therefore the filing was approved by FERC's inaction by operation of law (FERC must affirmatively disapprove a 205 filing to block it). We would argue that, because the effective date has not yet occurred, the Commission can still vote to reconsider its failure to act. Under the regulations, we may be able to ask FERC to act to defer the effective date until further PJM notification, or something to that effect. Because FERC never "acted," I believe they could undo their prior inaction that had the

effect of approving the market based rates. Notably, two other parties, AMP-Ohio and PJM Industrials, already have asked for reconsideration of the unusual 2-2 non-decision, which is pending. Although I want to consider it further, I believe this approach is legally sound and, more importantly, likely the only option absent member or Board approval.

4. FERC's ultimate action could be different from what we request. For example, it might simply dismiss the market based request altogether, and state that a subsequent 205 or 206 filing would have to be made to change the cost based rates to market based rates.

5. Finally, it probably is not just AEP that should be alerted. At least Dominion, and possibly others, were likely expecting market based rates on May 1. Exelon and Duke affirmatively supported the market based filing at FERC.

>>> <bowrij@pjm.com> 4/8/2005 4:48:07 PM >>>
All:

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Dominion

* MMU needs to report to FERC prior to Dominion integration on regulation
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been reviewed

* MMU will work with the lawyers to prepare PJM filing that will accompany
MMU report

* Karl and Joe will speak with AEP on this issue - per Karl's views on how
best to handle

- Joe

Bowring, Joseph

From: Barry SPECTOR [SPECTOR@rightlaw.com]
Sent: Monday, April 11, 2005 7:30 AM
To: bowrij@m.com
Subject: RE: Regulation

I've got a doctor's appt this morning; I'll try to get to you between 815 and 830; otherwise I'll call at 930. Not a big deal from my end on this. I think we will ask FERC to "defer" the effective date of market based rates, which I believe they can do because they never acted on the filing. I think that is the cleanest and easiest. I was just alerting you and others that the case is in a very unusual posture compared to the usual situation. Perhaps Craig can call someone to tell them its coming and see how they think about the strategy. I'll talk to him.

>>> <bowrij@pjm.com> 4/11/2005 7:18 AM >>>

I have a meeting from 0830 to 0930. Any chance you could call at 0815? Otherwise 0930?

-----Original Message-----

From: Barry SPECTOR [mailto:SPECTOR@wrightlaw.com]
Sent: Monday, April 11, 2005 7:10 AM
To: bowrij@pjm.com
Subject: Re: Regulation

I will call you at around 830 from my car. Will you be in office, or should I use cell?

>>> <bowrij@pjm.com> 4/11/2005 7:04 AM >>>

Barry,

Please let me know when you can discuss this issue asap. Both Phil and Audrey asked me to take care of the issue and Phil told me explicitly that you were to be handling the filing as opposed to legal. We need to make a decision today.

- Joe