



FERC January 25, 2005 Order on Rehearing and
Compliance Filings
Docket No. EL03-236-001 et al.

Howard J. Haas
Market Monitor
PJM Interconnection

MIC March 1, 2005

- Selected Issues Addressed in FERC's Order on Rehearing:
 - Frequently Mitigated Units (FMU)
 - Post-96 Unit Mitigation Exemptions
 - 3 Jointly Pivotal Supplier Test

- Frequently Mitigated Units (FMU) :
 - The \$40 adder
 - Units offer capped more than 80% of run hours during calendar year 2004
 - Alternative: unit-specific going forward costs
- Additional issue
 - Treatment of identical units at same location
 - PJM will propose providing \$40 adder for such units

- Frequently Mitigated Units (FMU) – PJM Actions
 - The letters were issued in the first half of February to affected owners permitting \$40 adder upon receipt
 - The letters for the treatment of associated units is going out this week.
 - The draft agreement regarding the treatment of associated units to be submitted to FERC this week.

- Post-1996 Units

- The exemption will not apply to any unit in any PJM zone for which construction commenced after PJM submitted its proposal to remove the post-1996 exemption on September 30, 2003.
- For the original PJM zones, units could only have been built in reliance on the exemption beginning on April 1, 1999
- For zones subsequently joining PJM, units could only have been built in reliance on the exemption once the zone was approved for integration into PJM.

- Post-1996 Units – PJM Actions
 - PJM will issue letter to all post-1996 unit owners this week
 - Requesting cost-based offer data consistent with CDTF from all units
 - Requesting information regarding dates of construction and commercial operation
 - Requesting eFuel data
 - PJM has been offer capping all units determined to be non-exempt

- PJM's proposed 3 Jointly Pivotal Supplier Test for imposition of out-of-merit-order mitigation
 - The Commission accepted PJM's proposed three jointly pivotal supplier test.
 - FERC instituted a section 206 proceeding to determine whether this approach is just and reasonable and needs to be revisited.
 - PJM is required to explain why FERC's existing market power screens are not appropriate for determining market power in load pockets.

- **Jointly Pivotal Supplier Test – PJM Actions**
 - PJM provided tariff language to FERC last week
 - PJM will submit a response to the section 206 filing this week
 - PJM has begun plans to implement the real time market structure test for local market power mitigation