

Activities of the Market Monitoring Unit 2011

Independent Market Monitor for PJM

December 18, 2012

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Preface

This report is posted pursuant to Section VI.C of Attachment M to the PJM Open Access Transmission Tariff (the “PJM Market Monitoring Plan” or “Plan”), which directs the Market Monitoring Unit (also known as the, “MMU,” Independent Market Monitor for PJM” or “IMM”) “to prepare a detailed public annual report about the Market Monitoring Unit’s activities, subject to protection of confidential, proprietary, and commercially sensitive information and the protection of the confidentiality of ongoing investigations and monitoring activities.”¹

Originally constituted as an independent division of PJM Interconnection, L.L.C. in 1999, the MMU was established in 2008 as a separate company, Monitoring Analytics, LLC. Monitoring Analytics continues to serve as the PJM MMU under a long term contract that ends on July 30, 2014. PJM is a regional transmission organization that is responsible for ensuring the reliability of the electric power supply system in 13 states and the District of Columbia. The MMU is responsible for promoting a robust, competitive and nondiscriminatory electric power market in PJM by implementing the PJM Market Monitoring Plan.

The Commission has identified three core functions of MMUs: Monitoring, Reporting and Market Design.² MMU activities during 2011 are listed below by core function.

The MMU posts market data, public reports, presentations and market messages on the Monitoring Analytics web page at: <http://www.monitoringanalytics.com>.

Monitoring

Market Surveillance

The MMU analyzes and monitors all the PJM markets including the Day-Ahead Energy Market, the Real-Time Energy Market, the Reliability Pricing Model (RPM) Base Residual Auctions and Incremental Auctions, the Regulation Market, the Synchronized Reserve Market, the Day-Ahead Scheduling Reserve Market and the Annual, Monthly, Long Term and Balance of Planning Period Auction Markets in Financial Transmission Rights (FTRs). The ongoing market analysis and monitoring form the basis for all MMU activities.

The IMM monitors participant development of inputs to prospective mitigation, including Avoidable Cost Rates and net revenues in RPM; unit-specific offers under the Minimum Offer Price Rule; and cost offers and parameter limited schedules in the energy markets, including eligibility for Frequently Mitigated Unit (FMU) adders. In the

¹ PJM OATT. Attachment M, Section VI.C.

² 125 FERC ¶ 61,071 (Order No. 719).

course of this monitoring, the IMM provides feedback to participants and engages in discussions about the appropriateness of costs and cost levels. The IMM applies the FTR forfeiture rule, a retroactive mitigation measure, the results of which are reviewed by PJM prior to billing PJM members. The IMM monitors compliance with the must offer rule in RPM. The IMM monitors compliance with the must offer rule for capacity resources in the Day-Ahead Energy Market. The IMM monitors costs included in black start service rates. The IMM reviews proposed deactivations to identify potential market power issues. The IMM prepared monthly notifications to PJM generation owners regarding the status of Frequently Mitigated Units per Schedule 1, Section 6.4.2 of the PJM Operating Agreement.

In the course of monitoring the regulation market results and attempting to duplicate and confirm market outcomes, the market monitor identified a number of discrepancies. In discussions with PJM, the IMM was able to confirm that the software used by PJM was not clearing the markets consistent with the requirements of the tariff-defined PJM market rules which required that the lower of the price or cost based energy offers be used to calculate lost opportunity cost for regulation resources. The software was only choosing the lower of price or cost based energy offers when regulation resources failed the three pivotal supplier test applied to the regulation market. The IMM worked with PJM to engage in a systematic effort to check for additional issues.

Recognizing the potential for manipulation and other issues arising from participant trading in PJM markets and in non PJM markets, such as those administered by ICE, Nodal Exchange and the CME Group, the IMM has engaged in discussions with those groups and the CFTC. These discussions have included efforts to negotiate specific arrangements for IMM access to trading data from the non PJM markets. These efforts have not yet been successful.

Market Participant Discussions

The PJM Market Monitoring Plan provides that, in addition to informing Commission staff, the MMU may “Engage in discussions regarding issues relating to the PJM Market Rules or FERC Market Rules, in order to understand such issues and to attempt to resolve informally such issues or other issues.”³ In fulfilling this role in 2011, the MMU monitored participant behavior and discussed relevant matters with FERC staff and with market participants. In addition, the MMU received and investigated confidential complaints. The provision of additional details on these issues is governed by confidentiality rules.

A confidential complaint can reveal flaws in existing rules or procedures. The MMU received confidential complaints and when appropriate publicly proposed rule modifications while maintaining market participant confidentiality.

³ PJM OATT, Attachment M, §IV.J.1.

In addition to discussing notices and/or referrals on a confidential basis regarding the activities in the markets, the MMU engaged in numerous discussions with Market Participants in 2011 about issues related to participant behavior in the PJM markets.

Communications with Regulators

The MMU provides information to regulators, subject to compliance with applicable rules protecting confidentiality. In 2011, the MMU engaged in the following activities:

- Participated in conference calls with the Office of Enforcement regarding current issues.
- Communicated with FERC on market issues and attended scheduled and ad hoc meetings at FERC.
- Provided information in response to requests from FERC's Office of Enforcement.
- Provided information to the Antitrust Division at the U.S. Department of Justice in response to a Civil Investigative Demand (CID) re the merger of Exelon and Constellation.
- Attended meetings and participated in conference calls with state regulators, state consumer advocates, industrial customer coalitions, Midwest ISO and the Organization of PJM States, Inc. (OPSI) to answer questions and discuss a range of topics including monitoring, capacity markets and PJM market specifics.

Reporting⁴

Reports and Analyses

The *2010 State of the Market Report for PJM*, published on March 10, 2011, the *2011 Quarterly State of the Market Report for PJM: January through March* published on May 16, 2011, the *2011 Quarterly State of the Market Report for PJM: January through June* published on August 15, 2011, and the *2011 Quarterly State of the Market Report for PJM: January through September* published on November 14, 2011, fulfilled both the tariff reporting requirements and the criteria listed in the Commission policy by providing a comprehensive analysis of the markets within PJM and an assessment of the competitiveness of each market.⁵ The reports also provided recommendations regarding retention and enhancement of PJM market rules.

The MMU issued the following Reports in 2011:

- 2011/2012 First Incremental Auction Analysis (January 6).
- Analysis of the 2011/2012 and 2012/2013 ATSI Integration Auctions (January 14).

⁴ Public reports by the MMU are posted at <<http://www.monitoringanalytics.com>>.

⁵ OATT. Attachment M § VII.A.

- Preliminary Market Structure Screen Results for 2014/2015 RPM Base Residual Auction (February 1).
- Comments on PJM's Price Responsive Demand (PRD) Proposal of March 3, 2011 (May 11).
- Report on MIC-PLS (October 24).
- Proposal to Correct the Calculation of Opportunity Cost in the Regulation Market (November 13).

The MMU issued the following Market Messages in 2011:

- PJM/IMM Joint Statement about DR Double Counting (February 4).
- ACR Data and Pending EPA Regulations (February 28, March 30).
- Clarification on ACR Data and Pending EPA Regulations (April 28).
- Parameter Limited Schedule Matrix (Period 2) (June 22).
- Market Monitoring Unit Notification to PJM Members of Disclosure of Confidential Information Pursuant to Open Access Transmission Tariff Attachment M- Appendix Section I.B (May 16, July 13, August 4, August 18).
- Generator Capacity Resources in PJM Region Subject to "Must Offer" Obligation for 2012/2013, 2013/2014 and 2014/2015 Delivery Years (June 27, August 29).
- Frequently Asked Questions on ACR Data and NJ High Electric Demand Day (HEDD) Rules (November 18).
- Parameter Limited Schedule Matrix (Period 1, 2012) (December 30).

Industry Briefings

As part of its reporting role, the MMU provided briefings and presentations to industry groups and the Federal Energy Regulatory Commission (FERC). The MMU shared the results of its analyses, experience and knowledge regarding competitive markets, market monitoring and market power mitigation.

During 2011, the MMU:

- Participated in FERC Office of Enforcement meetings for market monitors.
- Briefed FERC staff on the *2010 State of the Market Report for PJM* (March 10).
- Provided State of the Market Report briefings and presentations to industry press, FERC staff, the Organization of PJM States, Inc. (OPSI) and state commission staffs.
- Speaker: "Overview of Demand Response in PJM," Cornell University, Ithaca, NY (January 17).
- Speaker: "2010 State of the Market Report for PJM," Press Briefing, Washington, D.C. (March 15).
- Speaker: "State of Market Monitoring," OPSI Spring Strategy Meeting, Columbus, Ohio (April 4).
- Speaker: "PRD Discussion," OPSI Spring Strategy Meeting, Columbus, Ohio (April 4).

- Presented information on the U.S. Northeast ISO Market, IESO Market Development Committee Meeting (May 2).
- Speaker: "Effective Monitoring and Mitigation in the Organized Wholesale Electric Power Markets," CRRI, Skytop, PA (May 18 -19).
- Speaker: "2010: Year in Review," PJM Annual Meeting (May 18).
- Speaker: "Challenges for Market Monitors," Harvard Electricity Policy Group (HEPG), Washington, D.C. (June 2-3).
- Speaker: "Challenges for Integration for Policy Goals into the Northeast Regional Markets," Energy Bar Association, New York, NY (June 7).
- Speaker: "Cost-based Offer Development," Korean Power Exchange, Mt. Laurel, NJ (September 23).
- Speaker: "Market Monitoring and Costs in PJM Markets," Korean Power Exchange, Mt. Laurel, NJ (September 20).
- Speaker: "Changes in RPM," OPSI Annual Meeting, Wilmington, DE (October 5-6).
- Speaker: "State of Market Monitoring," OPSI Annual Meeting, Wilmington, DE (October 5-6).
- Speaker: "Detection and Analysis of Market Manipulation in US Electricity Markets: The PJM Experience," London REMIT Seminar, London, England (October 20).
- Speaker: "State of the Markets - FTRs and Virtual Trading," Platts the Fourth Annual Nodal Trader Conference, Washington, DC (October 25).
- Speaker, "Load Participation as a Resource in Energy Markets: A Solution to a Utility Problem," PLMA/GWU Second Annual Conference on the Law of Demand Response, Washington, D.C. (October 26).
- Speaker: "Will FERC's New Mitigation (Minimum Offer Price Rule) Preclude Traditional Self-Supply or Self-Hedging Strategies?" Capacity Markets: Achieving Market Price Equilibrium? Conference, EUCL, Philadelphia, PA (November 9).
- Speaker, "Challenges in Developing Incentives for Transmission Investments," CRRI (November 18, 2011).

Market Design

Attachment M, Section IV.D provides "if the Market Monitoring Unit detects a design flaw or other problem with the PJM Markets, the Market Monitoring Unit shall not effectuate its proposed market design since that is the responsibility of the Office of the Interconnect. The Market Monitoring Unit may initiate and propose, through the appropriate stakeholder processes, changes to the design of such markets. In support of this function, the Market Monitoring Unit may engage in discussions with stakeholders, State Commissions, PJM Management, or the PJM Board; participate in PJM stakeholder meetings or working groups regarding market design matters; publish proposals, reports or studies on such market design issues; and make filings with the Commission on market design issues."⁶

⁶ OATT, Attachment M, Section IV.D.

In Order No. 719 and its order on compliance for PJM, the Commission has emphasized market design as an MMU core function.⁷

FERC Proceedings

In 2011, the MMU addressed market design issues on the following topics in proceedings at the FERC:

- Double Counting DR: Comments and Motion for Hearing of the Independent Market Monitor for PJM, Docket No. ER11-2288 (March 1). Comment of the Independent Market Monitor for PJM (March 1). Motion for Leave to Answer and Answer of the Independent Market Monitor for PJM, Docket No. EL11-23 (March 3). Motion to Intervene and Comments of the Independent Market Monitor for PJM, Docket No. ER11-3322 (April 28). Motion for Leave to Answer and Answer of the Independent Market Monitor for PJM (May 17). Post Technical Conference Comments of the Independent Market Monitor for PJM (August 15). This proceeding involved a joint IMM/PJM statement and later PJM revisions to the OATT to establish PLC as the core reference for DR compliance and thereby address the double counting issue.
- Opportunity Cost: Motion for Leave to Answer and Answer of the Independent Market Monitor for PJM, Docket No. EL08-47-006 (February 2). Comments of the

⁷ See Order No. 719 at P 357 (“[W]e do expect the MMU to advise the Commission, the RTO or ISO, and other interested entities of its views regarding any needed rule and tariff changes. Likewise, in the event an RTO or ISO files for a proposed tariff change with which the MMU disagrees, we expect the RTO or ISO to inform the Commission of that disagreement, although not necessarily to include a written proposal with its filing.”), codified at 18 C.F.R. § 35.28 (g)(3)(ii)(A) (“The Market Monitoring Unit must perform the following core functions: (A) Evaluate existing and proposed market rules, tariff provisions and market design elements and recommend proposed rule and tariff changes to the Commission-Approved independent system operator or regional transmission organizations, to the Commission’s Office of Energy Market Regulation staff and to other interested entities such as state commissions and market participants”). In its order of December 18, 2009 on PJM’s filing in compliance with Order No. 719, the Commission required additional changes to ensure that the PJM Market Monitoring Plan fully conforms with Order No. 719’s requirements concerning the role of MMUs in market design. 125 FERC ¶61,250 at P 113 (2009) (“PJM’s OATT fails to specify the MMU’s responsibility for evaluating existing and proposed market rules, tariff provisions and market design elements, and for recommending proposed rule and tariff changes to PJM, the Commission’s Office of Energy Market Regulation and to other interested entities (i.e., state commissions and market participants). Attachment M, section IV.C, in this regard, provides only that, if the MMU “detects a design flaw or other problem with the PJM Markets,” it may initiate and propose changes to such market design. This language, however, is limited to “design” issues relating to existing provisions and thus does not address the full scope of the core MMU function addressed by the Commission in Order No. 719.”).

Independent Market Monitor for PJM, Docket No. ER11-3384 (May 10). This proceeding involved revisions to the OA to provide for non regulatory opportunity cost based adders to cost offers in the energy market.

- Must Offer: Comments of the Independent Market Monitor for PJM, Docket No. ER11-2287 (January 24). This proceeding involved revisions to the OATT developed by the IMM and PJM to clarify the must offer rules in RPM.
- MOPR: Comment of the Independent Market Monitor for PJM, Docket No. EL11-20 (March 5). Protest of the Independent Market Monitor for PJM, Docket No. ER11-2875-002 (June 2). Post Technical Conference Comments of the Independent Market Monitor for PJM re MOPR (August 29). Motion for Leave to Answer and Answer of the Independent Market Monitor for PJM (September 15). This proceeding involved revisions to the RPM Minimum Offer Price Rule, a buyer-side mitigation provision, to address certain state capacity procurement programs.
- Horizontal Merger Guidelines: Comments of the Independent Market Monitor for PJM, Docket No. RM11-14 (May 23). This proceeding involved the FERC's consideration of whether to adopt for its merger reviews recent revisions developed by the Department of Justice for its merger reviews. The IMM proposed an approach based on the structure of the actual locational wholesale power markets.
- Constellation/Exelon Merger: Comments of the Independent Market Monitor for PJM, Docket No. EC11-83 (July 21). This proceeding involved market power issues raised by the proposed merger of Constellation Energy and Exelon. The IMM identified market power issues and proposed approaches to mitigation.
- Electric Market Transparency Provisions: Joint Comments of the North American Market Monitors, Docket No. RM10-12 (June 28). The proceeding involved the FERC's proposed changes to the information that it requires sellers to submit in Electronic Quarterly Reports (EQR). The IMM proposed improvements to the EQR system.
- E-Tag: Joint Comments of the North American Market Monitors, Docket No. RM11-12 (June 27). This proceeding involved the FERC's proposal to make e-Tag information about transmission scheduling generally available to market monitors. The IMM proposed that information on both e-Tags and actual power flows be available to market monitors and RTOs/ISOs and the FERC staff to permit analysis of loop flows.
- Blackstart Unit Recovery Costs: Motion to Intervene and Protest of the Independent Market Monitor for PJM, Docket No. ER11-4402 (September 20). Comments of the Independent Market Monitor for PJM to Deficiency Letter (December 6). This proceeding involved PJM's proposed changes to the rules for PJM black start units cost recovery, including most notably those costs associated with NERC compliance. The IMM proposed that blackstart costs be recovered over the same period for which blackstart units committed to provide service and that blackstart costs be recovered only once.
- PJM Triennial RPM Review: Protest of the Independent Market Monitor for PJM, Docket No. ER12-513 (December 22). This proceeding involved PJM's proposed

revisions to the base RPM CONE values used to establish RPM auction parameters following PJM's triennial review. The IMM also requested that the Commission remove the uneconomic 2.5 percent "holdback rule" for DR.

- DC Energy Complaint: Comments and Protest of the Independent Market Monitor for PJM, Docket No. EL12-8 (December 2). This proceeding involved DC Energy's complaint against PJM for correcting billing errors based on DC Energy's erroneous submittal of bilateral transactions not contemplating the physical transfer of energy.

State Proceedings

In 2011, the MMU addressed the following market topics in proceedings at state public utility commissions or in response to requests from state public utility commissions:

- Impact of the New Jersey Assembly Bill 3442 on the PJM Capacity Market (January 6).
- Report to the Public Utility Commission of Ohio, Congestion in the State of Ohio – January 1, 2009 through December 31, 2010 (January 18).
- IMM Comments to Maryland Public Service Commission re Matter of Whether New Generating Facilities are needed to Meet Long-Term Demand: Case No. 9214 (January 28).
- IMM Comments to New Jersey Board of Public Utilities re Matter of a Generic Stakeholder Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts: Nos. GR10100761, ER10100762 (January 28).
- Submitted Testimony before the New Jersey Board of Public Utilities re Boards Investigation of Capacity Procurement and Transmission Planning (LCAPP), Docket No. EO11050309 (June 16)
- Report to the Public Utility Commission of Ohio, Congestion in the State of Ohio – January 1, 2010 through April 30, 2011 (July 15).
- Report to the North Carolina Utilities Commission, Congestion in the Dominion Service Territory in North Carolina – May 1, 2009 through April 30, 2011 (July 15).
- Submitted Testimony before the New Jersey Board of Public Utilities re Boards Investigation of Capacity Procurement and Transmission Planning (LCAPP), Docket No. EO11050309 (November 1).
- Exelon Constellation Merger, Maryland PSC Case No. 9271
 - Submitted Testimony before the Maryland Public Utility Commission, August 18.
 - "Review and Analysis of the Proposed Merger of Exelon and Constellation," Prepared Testimony, Maryland Public Service Commission re Case No. 9271 (September 16).
 - Submitted Testimony before the Maryland Public Utility Commission, September 30.
 - Submitted Testimony before the Maryland Public Utility Commission, November 7.

- Negotiated, executed and filed a settlement with Exelon and Constellation in the Maryland Public Utility Commission re Exelon/Constellation merger, Case No. 9271 (and FERC Docket EC11-83), that included certain structural and behavioral remedies to mitigate market power concerns (October 11).

Recommendations Regarding PJM Market Rules

During 2011, the MMU presented the following information and analysis to PJM Committees.⁸

Black Start Services Task Force (BSSTF)

- MMU BSSTF Pumped Storage (February 15).
- Participated in task force discussions regarding refurbishment costs in black start.
- Reviewed black start service interaction with other markets, particularly the capacity market.

Cost Development Subcommittee (CDS)

- Manual 15 Changes (January 5, September 12).
- Variable Operation and Maintenance Definition (January 5).
- MMU CDS Problem Statements (February 1).
- MMU CDS Short Run Incremental Cost & VOM (February 28).
- Definition of Costs and Cost Recovery (April 25).
- No-Load Cost (August 8).
- Participated in subcommittee discussions including defining variable operations and maintenance costs, defining non-regulatory opportunity cost, defining appropriate no-load costs, and development of manual language for unit types not already defined in Manual 15.

Demand Response Subcommittee (CDS)

- Participated in subcommittee discussions including defining sub-zonal dispatch, defining appropriate customer baseline load, Order No. 745 implementation, and measurement and verification.

Finance Committee (FC)

- Monitoring Analytics Audited Financial Statements for 2010 (March 22).
- Monitoring Analytics Preliminary Budget for 2012 (August 16).
- Monitoring Analytics Proposed Budget for 2012 (September 22).

Financial Transmission Rights Task Force (FTRTF)

- Day-Ahead and Balancing Congestion (September 1).
- FTR Preferred Proposal (October 3).

⁸ OATT, Attachment M, Section IV.D.

Intermittent Resources Task Force (IRTF)

- Wind Resource Lost Opportunity Cost (March 28).
- Participated in task force discussions regarding appropriate lost opportunity cost payment levels for wind units.

Members Committee (MC)

- MMU Position on Black Start Recovery Issues (January 27).
- PJM Market in Review: January through November (January 27).
- 2010 State of the Market Report for PJM Press Briefing (March 31).
- GLD Clarification (March 31).
- PJM Markets: January through April, 2011 (June 23).
- State of the PJM Market: January through June (August 25).
- State of the PJM Market: January through August (September 22).
- State of the PJM Market: January through September (November 22).

Market Implementation Committee (MIC)

- Not Willing to Pay Congestion Transactions (January 11, March 17, April 12).
- MMU Parameter Limited Schedules Problem Statement (January 11, February 8).
- MMU Proposal for Maximum Notification and Start Times (January 11, April 12).
- Parameter Limited Schedules: Education Document (March 17).
- Parameter Limited Schedules (March 17, April 12, June 1, July 18, August 9, September 13, September 30).
- Real-Time Dispatchable Transactions: Problem Statement (March 17).
- Reliability Reduction Lost Opportunity Cost (April 12, July 12, September 13).
- Dispatchable Transactions (April 12).
- Obligations of Generation Capacity Resources (December 12).
- MMU Position on Start and Notification Times (December 19).
- Participated in special session discussions defining appropriate unit notification and start-up time rules.
- Participated in special session discussions defining appropriate unit parameter limited schedule rules.

Markets and Reliability Committee (MRC)

- MMU Start and Notification Time Problem Statement (January 19).
- Not Willing to Pay Congestion Transactions (January 19, April 27).
- New York Interface Scheduling Issues (January 19).
- Combined Cycle Modeling Problem Statement (February 16).
- Missing Unit Type Problem Statement (February 16).
- MRC PLS Problem Statement (February 16).
- PLS Problem Statement (February 16).
- VOM Problem Statement (February 16).
- DR Issues (March 23).
- Dispatchable Transactions (April 27).
- Reliability Reduction Lost Opportunity Cost (July 20, November 16).

- Start Up and Notification Times (October 12).
- MMU Proposal to Correct the Calculation of Opportunity Cost in the Regulation Market (December 21).

Operating Committee (OC)

- PJM & MMU Start & Notification Time Problem (January 25)
- Participated in committee discussions to create rules limiting start and notification time parameters for long start time generating units.

Regulation Pricing Senior Task Force (RPSTF)

- Pay for Performance Regulation: Market Monitor's Perspective (July 13).
- MMU Preferred Options for Start and Notification Times (December 2).
- MMU Preferred Options for Start and Notification Times – Redlines (December 2).

Transaction Issue Senior Task Force (TISTF)

- Participated in and provided information and data on transactions to assist in analysis and recommendations for the modified Marginal Loss Surplus Allocation.

Special Agreements with Market Participants

The IMM worked with PJM and Constellation Energy to execute agreements, intended to remain within the existing tariff structure, that would allow Constellation to recover the costs of refurbishing its Westport Unit No. 5, Riverside Units Nos. 7 and 8, Wagner and CT black start units, dated respectively May 27, June 22 and September 27, 2011. An agreement was needed because these units needed complete overhauls, beyond just the incremental equipment needed to provide black start service, and such cost recovery has implications for the participation of these units in other PJM markets.

Other Activities

- Participated in meetings of the Governance Assessment Special Team (GAST) throughout 2011.
- Participated in various committees and working groups related to inter-RTO seams management issues.
 - Congestion Management Process Working Group (CMPWG): This group meets regularly to discuss the status and potential modifications to the Market-to-Market process.
 - MISO Seams Management Working Group (SMWG): This is a MISO stakeholder group that discusses and proposes potential market initiatives to address seams issues between the PJM and MISO border.
 - Broader Regional Markets (BRM) initiative. This initiative was created to address the Lake Erie Loop Flow issues.

OPSI Advisory Committee

The OPSI Advisory Committee is established pursuant to Section III.G of Attachment M of the OATT, which provides:

“There shall be an OPSI Advisory Committee comprised of five (5) representatives appointed by the Organization of PJM States, Inc. The OPSI Advisory Committee shall meet with the Market Monitoring Unit on a regular basis and as otherwise necessary to receive and discuss information relevant to this Plan. In addition to the specific responsibilities regarding budget and termination set forth in Sections III.E and III.F, the OPSI Advisory Committee may provide advice to the Commission, Market Monitor, the PJM Board, stakeholder committees, and stakeholder working groups regarding any matter concerning the Market Monitor, Market Monitoring Unit or Market Monitoring Plan. Any formal advice shall be in writing and, subject to confidentiality provisions, shall be made publicly available.”

In 2011, the Market Monitor met in public session with the OPSI Advisory Committee on October 6.

Market Monitoring Unit Advisory Committee

The Market Monitoring Unit Advisory Committee (“MMUAC”) is established pursuant to Section III.H of Attachment M of the OATT, which provides:

“There shall be an MMU Advisory Committee, chaired by the Market Monitor that is open to all stakeholders and representatives of Authorized Government Agencies. The MMU Advisory Committee shall act as a liaison between stakeholders and the MMU and shall provide advice from time to time on matters relevant to the MMU's responsibilities under this Plan. The MMU Advisory Committee shall have no authority to direct, supervise, review, or otherwise interfere with the functions of the MMU under this Plan, nor any authority to terminate or propose to terminate the Market Monitor.”

The MMUAC succeeds the PJM Market Monitoring Advisory Committee (“MMAC”).

The Market Monitor convened a meeting of the MMUAC on December 16, 2011. The agenda included discussions of compliance with the PJM market rules, including the usefulness of a formal process to obtain advance IMM opinions or jointly issued IMM/PJM positions, and the mitigation process and the IMM role in reviewing inputs to prospective mitigation. The IMM also asked for stakeholders’ comments on the IMM’s performance and other matters of potential interest or concern.