



Markets and Reliability Committee Report
PJM Interconnection
Members Committee Webinar
June 23, 2014

The Markets and Reliability Committee (MRC) met on April 24 and May 29, 2014 at the Chase Center in Wilmington, DE. The following topics were discussed at the meeting:

April 24, 2014 Meeting
Topics for Endorsement

A) PJM Manuals

1. Ms. Esterly presented proposed revisions to Manual 18: PJM Capacity Market to conform the Manual to recent FERC orders and seasonal verification testing.
2. Mr. Pulong reviewed changes to Manual 13: Emergency Operations. The posted proposed revisions included changes related to the Demand Response (DR) Operability issue. A FERC order had not yet been received as of the meeting date, and therefore that portion of the proposed changes was deferred to a future meeting.
3. Mr. Langbein reviewed the proposed revision to Manuals 11: Energy & Ancillary Services Market Operations, 13: Emergency Operations, 18: PJM Capacity Market, 19: Load Forecasting and Analysis, and 28: Operating Agreement Accounting, and noted that a vote on this item was deferred to a future meeting as a FERC order related to DR Operability had not yet been received.

Following discussion, the proposed revisions in items 2.A, and 2.B (excepting the revisions related to DR Operability) were endorsed by acclamation with no objections and 11 abstentions.

B) Regional Planning Process Senior Task Force (RPPTF)

Mr. Barrett discussed proposed OA and Tariff revisions related to the Multi-Driver Approach (MDA) developed by the RPPTF. He also discussed the related proposed Tariff revisions regarding cost allocation of MDA projects developed by Transmission Owners' Agreement – Administrative Committee. He noted that some final coordination of the two sets of proposed Tariff revisions was required, and final Tariff revisions would be reviewed with the RPPTF before requesting MRC endorsement. There were no objections to deferring action on this item, and therefore the committee will be asked to endorse these revisions at its next meeting.

C) Settlement Formulation Review – Phase II

Ms. Daugherty presented recommended Tariff and OA clarifications that resulted from the Settlement Formulation Review – Phase II initiative. Following discussion, the proposed revisions were endorsed by acclamation with no objections and one abstention.

D) Credit Available for Virtual Transactions

Ms. Daugherty presented clarifying revisions to Tariff Attachment Q regarding Credit Available for Virtual Transactions. Following discussion, the proposed revisions were endorsed by acclamation with no objections or abstentions.

E) Clarification to Tariff and Manuals for Synchronized Reserve Market Penalty Charges

Ms. Coyne presented proposed clarifications to the Tariff and OA and Manuals 11: Energy & Ancillary Services Market Operations and Manual 28: Operating Agreement Accounting to account for



aggregate response when determining Synchronized Reserve penalty charges for Tier 2 resources, and other clarifications to ensure accuracy of terms used in the Tariff and OA. Following discussion, the proposed revisions were endorsed by acclamation with no objections and four abstentions.

F) Transition Mechanism for Capacity Market Changes Problem Statement

Ms. Ford discussed the previously reviewed problem statement and issue charge related to a transition mechanism for capacity market changes. There were no objections to withdrawing this problem statement and issue charge.

G) Offer Cap Review Problem Statement

Ms. Ford presented a proposed problem statement / issue charge related to a review of offer caps, including changes made since the first read. The following friendly amendments were proposed:

- Mr. O'Connell proposed a friendly amendment to the Issue Charge to correct a grammatical issue, to remove the insertion of "(i)" and "and (ii) an understanding of gas price escalation and their likely recurrence" from the first Key Work Activity, and to move the clause "if it is determined to be necessary on an ongoing basis" to after the clause "of offer caps" in the second Key Work Activity.
- Mr. Tatum proposed a friendly amendment to the Issue Charge to add to the end of the first Key Work Activity "and their drivers".
- Dr. Bowring proposed a friendly amendment to add to the key work activities in the Issue Charge to clarify the definition of offer cap with respect to incremental versus startup and no-load costs.
- Mr. Pratzon proposed a friendly amendment to the Issue Charge to change expected duration of the work to "the work shall be completed such that a FERC order could be obtained by December 31, 2014

Mr. Horstmann proposed a friendly amendment to assign this activity to a new senior task force reporting to the MRC. Each of these proposed amendments were accepted as friendly and therefore were incorporated into the proposed Issue Charge. Following discussion, the proposed problem statement / issue charge were approved by acclamation with 11 objections and 27 abstentions.

H) Generator Data Problem Statement

Mr. Horton presented a proposed problem statement / issue charge to permit transmission operators to view generation output data on a real-time basis. Following discussion, the proposed problem statement / issue charge were approved by acclamation with no objections or abstentions.

I) PJM Change of Address

Mr. Shparber presented proposed Operating Agreement and Tariff revisions to record PJM's recent change of mailing address. Following discussion, the proposed revisions were endorsed by acclamation with no objections or abstentions.

First Readings

J) Frequently Mitigated Units (FMU)

Mr. Zadlo presented proposed adjustments to the FMU provisions. The committee will be asked to endorse the proposed revisions at its next meeting.



- K) Energy and Reserves Pricing and Interchange Volatility (ERPIV)
Ms. Morelli presented proposals developed during special session of the Market Implementation Committee related to short term solutions to Energy and Reserves Pricing and Interchange Volatility. The committee will be asked to endorse proposals at its next meeting.
- L) Auction Specific Transactions in RPM
Mr. Trayers, Citigroup Energy Inc., presented a problem statement regarding changes the submission date of Auction Specific Transactions in RPM. Mr. Trayers was requested to discuss this proposed problem statement with the Market Implementation Committee. The committee will be asked to approve the problem statement / issue charge at its next meeting.
- M) SPS Presentations
1. Mr. Piascik, Tangibl LLC, presented on behalf of Calpine information on the Bethlehem SPS.
 2. Mr. Santarelli, PPL, presented information on the Jenkins SPS.
- N) PJM Manuals
1. Mr. Boyle reviewed proposed revisions to Manual 36: System Restoration. The committee will be asked to endorse these revisions at its next meeting.
 2. Mr. Reiter reviewed changes to Manual 03: Transmission Operations. The committee will be asked to endorse these revisions at its next meeting.
 3. Ms. Coyne presented proposed revisions to Manual 28: Operating Agreement Accounting regarding provisions of additional details and cleanup items. The committee will be asked to endorse the revisions at its next meeting.
 4. Mr. Langbein presented proposed Manual 18: PJM Capacity Market revisions developed by the Demand Response Subcommittee that would allow a curtailment service provider to add additional MWs as "existing" for offer into RPM auction through an exception process if the nominated amount on the registration is low because the peak load contribution is low due to a load data anomaly. The committee will be asked to endorse the revisions at its next meeting.
 5. This item was moved to item 2.C.
 6. Ms. Souder presented conforming revisions to Manual 33: Administrative Services for the PJM Interconnection Operating Agreement to incorporate communications surrounding load reallocation due to member default. The committee will be asked to endorse the revisions at its next meeting.

May 29, 2014 Meeting Topics for Endorsement

- A) PJM Manuals
1. Mr. Boyle reviewed changes to Manual 36: System Restoration.
 2. Mr. Reiter reviewed changes to Manual 03: Transmission Operations.
 3. Ms. Coyne presented proposed revisions to Manual 28: Operating Agreement Accounting regarding provisions of additional details and cleanup items.
 4. Mr. Langbein presented proposed Manual 18: PJM Capacity Market revisions developed by the Demand Response Subcommittee that would allow a curtailment service provider to add



additional MWs as “existing” for offer into RPM auction through an exception process if the nominated amount on the registration is low because the peak load contribution is low due to a load data anomaly.

5. Ms. Souder presented conforming revisions to Manual 33: Administrative Services for the PJM Interconnection Operating Agreement to incorporate communications surrounding load reallocation due to member default.
6. Mr. Langbein presented proposed revisions for DR Operational Enhancements to Manuals 11: Energy & Ancillary Services Market Operations, 13: Emergency Operations, 18: PJM Capacity Market, 19: Load Forecasting and Analysis, and 28: Operating Agreement Accounting. The proposed revisions to sections of Manual 18 related to small commercial demand response were deferred from consideration at this time.
7. Mr. Souder presented revisions to the PJM Regional Practices in compliance with the recent FERC order related to Variable Energy Resources.

Following discussion, the proposed revisions in items A through G (including the modification to item 2.F) were endorsed by acclamation with no objections and one abstention.

B) Regional Planning Process Senior Task Force (RPPTF)

Mr. Barrett presented proposed Operating Agreement (OA) and Tariff revisions related to the Multi-Driver Approach developed by the RPPTF. Following discussion, the proposed revisions were endorsed by acclamation with one objection and three abstentions.

C) Frequently Mitigated Units (FMU)

Mr. Zadlo presented proposed adjustments to the FMU provisions. Following discussion, the main motion (represented as package G) failed in a sector-weighted vote with 1.99 in favor. The first alternate motion (package H) also failed in a sector-weighted vote with 2.65 in favor. The second alternate motion (package F) also failed in a sector-weighted vote with 1.62 in favor. Ms. Bruce moved and Mr. Griffiths seconded package A. Package A was endorsed in a sector-weighted vote with 3.46 in favor.

D) Energy and Reserves Pricing and Interchange Volatility (ERPIV)

Ms. Morelli presented a proposal developed during special sessions of the Market Implementation Committee (MIC) related to short term solutions to Energy and Reserves Pricing. PJM reaffirmed their commitment to provide an update after a few months of operation. Following discussion, the proposed revisions failed in a sector-weighted vote with 2.21 in favor

Mr. Scarpignato moved and Ms. Bruce seconded the following:

- PJM package be endorsed with a sunset of September 30, 2014.
- A long-term solution being developed such that it can be filed at FERC no later than October 1, 2014.
- Stakeholders encourage the Board to file at FERC under Section 205 or 206, as appropriate, or take whatever action is deemed appropriate.
- The long-term solution should be implemented as soon as technically feasible with a desired target of January 1, 2015.



The alternate motion was endorsed by a sector-weighted vote with 4.71 in favor.

E) Auction Specific Transactions in RPM

Mr. Trayers, Citigroup Energy Inc., presented a problem statement regarding changes to the submission date of Auction Specific Transactions in RPM. Mr. Trayers moved and Mr. O'Connell seconded that the solution be approved directly without action on the problem statement. Following discussion, the motion was withdrawn. Following further discussion, the proposed problem statement was endorsed by acclamation with no objections or abstentions and was referred to the MIC for review of the proposed solution.

F) Revisions to Definition of Zonal Base Load (OA 1.3.39)

Mr. Horger presented revisions to the definition of zonal base load. Following discussion, the proposed revisions were endorsed by acclamation with no objections and one abstention.

G) FTR Market Enhancements

Mr. Ott presented a proposed problem statement and issue charge related to FTR market enhancements. The middle column of the problem statement was corrected to be labeled "adequacy" percentage, and the first key work activity of the issue charge was replaced with "Provide education regarding derivations of underfunding and discuss as appropriate which could result in expansion of items in scope." Following discussion, the proposed problem statement and issue charge were approved by acclamation with two objections and no abstentions.

H) Gas-Fired Unit Commitment Coordination

Mr. Bryson presented a proposed problem statement and issue charge related to unit commitment practices for gas-fired generation units. The following friendly amendments were made:

- The Stakeholder Group Assignment was replaced with:
 - The issue will be addressed at the Operating Committee (OC) with assistance from the Market Implementation Committee (MIC) as appropriate. The approval authority will ultimately rest with the Markets and Reliability Committee (MRC).
- The following Key Work Activity was amended to include the parenthetical in the next bullet:
 - "Firmness" of PJM operator unit commitment decisions outside of DA market (focus on communications)
- The following new Key Work Activities were added:
 - Dual fuel tracking and considerations
 - How the following are defined and considered:
 - Economic versus reliability outages
 - EFORp
 - Tools to manage limited availability and unit flexibility parameters

Mr. Tatum moved, and Ms. Riding seconded, a motion to approve the problem statement and issue charge, as amended above. Following discussion, the problem statement and issue charge were approved, as amended, by acclamation with no objection and four abstentions.



I) Energy and Reserve Market Efficiency

Mr. Keech presented a proposed problem statement and issue charge related to Energy and Reserve Market Efficiency. A friendly amendment was made to include the problem statement and issue charge in the ERPIV charter. The committee approved the charter revision by acclamation with no objections and one abstention.

First Readings

J) Qualifying Transmission Upgrade (QTU) Credit Requirement Scope

Ms. Ford provided feedback from the MIC regarding scope of the issue charge. In particular, the discussion was regarding whether the scope includes a review of various mechanisms for QTUs to replace capacity commitments. It was agreed that the scope should be clearly defined by the MIC to include replacement capacity mechanisms.

K) MOPR Unit Specific Review

Mr. Baker presented a proposal related to the MOPR Unit Specific Review developed by the Capacity Senior Task Force. Mr. Carretta, PSEG, provided an overview of alternate Package D. The committee will be asked to endorse the proposal at its next meeting.

L) RPM Supply Curve Transparency

Mr. Thomas Zadlo presented packages resulting from the MIC working session discussions. The committee will be asked to vote on packages at the June MIC.

M) Forward Price Projection Performance

Ms. Rebecca Carroll provided an update on PJM's efforts around the transparency and accuracy of IT SCED forward price projections.

N) SPS Presentations

Mr. Kormos presented removal of the Conemaugh #2 Stability Trip Special Protection Scheme.

O) Designated Entity and Interconnection Coordination Agreements

Mr. Barrett presented the proposed draft Designated Entity Agreement (DEA) and Interconnection Coordination Agreement (ICA) developed by the RPPTF and relating to FERC Order No. 1000 window proposal process. He noted that to comply with FERC order, the DEA must be filed prior to July 14, 2014.

P) PJM Manuals

1. Ms. Huang was available for questions regarding revisions to Manual 01: Control Center and Data Exchange Requirements and Manual 14D: Generator Operational Requirements regarding PMU and new Generation Interconnection. The committee will be asked to endorse these revisions at its next meeting.
2. Mr. McCarthy was available for questions regarding revisions to Manual 01: Control Center and Data Exchange Requirements and Manual 14D: Generator Operational Requirements regarding PJMnet. The committee will be asked to endorse these revisions at its next meeting.

Informational Items

Q) Cold Weather Operations

Mr. Kormos was available and took questions regarding the Cold Weather Operations Report and its key recommendations.



R) RPM Auction Results

Mr. Ott was available and took questions regarding the results of the recently completed Base Residual Auction.

S) US Court of Appeals Decision on FERC Order 745

Ms. Huges was available and took questions on the recent decision by the US Court of Appeals regarding FERC Order 745.

The next MRC meeting is scheduled for June 26, 2014 at the Chase Center in Wilmington, DE.

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DMS Document Number: 797835, v. 1