



Market Implementation Committee Report
PJM Interconnection
Markets and Reliability Committee
The Chase Center on the Riverfront
Wilmington, DE
September 15, 2011

The Market Implementation Committee met on September 13, 2011 at The Chase Center in Wilmington, DE. The following topics were discussed in the meeting:

Topics for Endorsement

- A) Regional Practice Changes for the Spot-In Issue
Mr. Wolfe reviewed changes to the PJM ATC Implementation Document that define the expected interchange formula. Stakeholders requested that the purpose of the adjustment to the expected interchange be noted in the document and deferred the vote until the next Committee meeting.
- B) Lost Opportunity Cost for Wind Resources
Mr. Ma reviewed the modified LOC for wind resources tariff language that removed language addressing reduced compensation for failure to operate consistent with governing agreements, which will be addressed by the committee as a separate topic. Dr. Bowring reviewed concerns related to providing LOC credits when a resource injects energy above its capacity injection rights. A motion was made to reconsider the entire proposal, which had been approved at the July MIC meeting. The Committee voted on the motion with the following results: 68 in favor, 45 opposed, 24 abstentions (60% in favor). Since a two-thirds majority was not achieved, the proposal remains approved as-is. The committee discussed the modified tariff language and agreed it accurately reflects the proposal that was approved in July.
- C) PJM Manuals
Mr. Dessender reviewed changes to Manual 27: OATT Accounting and Manual 28: OA Accounting which were identified through PJM's Quality Project. He also reviewed changes to Manual 11: Energy and Ancillary Services Market Operations to reflect the previously approved .5 to .1 MW minimum threshold change for ancillary service offers. The committee approved the manual changes by acclamation with 2 opposed and 0 abstentions.

Other Topics

- D) Residual Zone Pricing
Ms. Morelli provided an overview of Residual Zone Pricing and the associated business rules. The Committee discussed questions and concerns in several areas of the proposal. The topic will be brought back to the October MIC meeting for further clarification and potential endorsement.
- E) Parameter Limited Schedules
Due to time constraints, this item was not discussed. Discussions will continue at the special MIC – PLS sessions to work towards building consensus around the remaining open issues.
- F) Overlapping Offers for Demand Response Providing Ancillary Services
Mr. Webster from Icetec Energy Solutions presented a problem statement regarding opportunity costs incurred by demand resources that simultaneously offer into the energy and synchronized



reserve markets. The problem statement will be brought back to the October MIC meeting for the committee to determine the path forward for this issue.

- G) Maximum Notification and Startup Times for Capacity Units
Mr. Tam provided an update on the special sessions of the MIC that are being held to focus on maximum notification and startup times for capacity units. Participants were requested to submit proposed solutions in advance of the next special session, where proposals will be packaged based on the solution components that have been identified thus far. The resulting proposals will be presented at the October MIC meeting.
- H) Marginal Losses Simulations
Mr. Tam discussed the timing of the last round of Marginal Losses simulations, which will be conducted in January, after the Duke Energy Ohio and Kentucky integration since realistic offer data for Duke generation will be available at that point. No objections were voiced.
- I) Broader Regional Markets Solutions to Lake Erie Loop Flow
Mr. Williams provided an update on ongoing Inter-Regional Coordination and Broader Regional Markets efforts to develop solutions to address seams issues with MISO and NYISO and Lake Erie Loop Flows. A draft of the PJM/NYISO Joint Operating Agreement will be posted by mid to late September. A follow up Joint Technical Conference with NYISO will be scheduled for late October or early November.
- J) FTR Task Force Update
Mr. Horger provided an update on topics discussed by the FTR Task Force. The task force is currently considering 16 proposed solutions to address FTR underfunding issues. Straw polling will be conducted to further reduce the packages under consideration, with the goal of bringing the selected packages to the November MIC meeting.
- K) FTR September Auction Clearing Delay Review
Mr. Horger reviewed the causes of the September FTR Auction clearing delay, which was due to a combination of auction complexity, high bid volumes and network issues. The FTR hardware and software has been upgraded and similar delays are not anticipated going forward.
- L) Reduced Compensation for Failure to Operate Consistent with Governing Agreements
Mr. Ma reviewed a proposal to incorporate revisions to the Tariff and OA to give PJM authority to reduce the compensation a member is entitled to receive if it fails to operate its resources as required by the terms of PJM's governing agreements. Examples of the scenarios under which compensation would be denied will be reviewed at the October MIC meeting.
- M) Regulation Market: The Definition of Opportunity Cost
Dr. Bowring reviewed the discrepancy between how opportunity cost is defined for the regulation market versus elsewhere in the Operating Agreement. Stakeholders expressed concern with the Committee's workload for the remainder of the year and requested that this topic be brought back to the Committee in 2012.
- N) AC2 Communications Plan
Mr. Souder reviewed the communications and migration plan for the AC2 project production migration. The scheduled go-live date has been moved to the window of October 11 to November 1.

The next MIC meeting is scheduled for Tuesday, October 4, 2011 at The Chase Center in Wilmington, DE.

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