

**October 6, 2015**

**Re: October 15, 2015 Liaison Committee Final Agenda**

Dear PJM Board of Managers:

Thank you for your September 25, 2015 letter responding to the Liaison Committee's ("LC") proposed agenda for the October 15, 2015 meeting. We appreciate your thoughts and perspective which was very constructive in finalizing the agenda. In the below final agenda you will see we have incorporated your input, as well as a modification to the agenda driven by recent stakeholder activity accomplishing consensus on the Energy Market Offer Cap matter.

1. **Opening Remarks (10 minutes)**
2. **Energy Market Offer Cap (10 minutes)** – In light of the consensus reached on this topic at the October 1, 2015 Markets and Reliability and Members Committee meetings, the members of the LC would like to take this opportunity with the Board to briefly review the actions of the stakeholders that led to consensus.
3. **Transmission Planning Outlook (30 minutes)** – The LC has had several conversations in the recent past regarding transmission planning tied to who will build transmission projects. Given the rise in transmission costs borne by LSEs in recent years, the time is now ripe to look at how we are planning and deciding which projects are to be built. PJM oversees the regional as well as local planning processes. Some projects are needed based on pre-established NERC, PJM or Transmission Owner criteria. Some are needed for Operational Performance. Others are needed for specific reasons by the individual TOs beyond their established criteria, and we are in the process of getting ready to have some projects to address Market Efficiency. Additionally, there is the overarching matter of addressing infrastructure resiliency in the planning process.

In discussing the various drivers of transmission planning and expansion, this topic will focus on PJM's current regional and local transmission planning processes, the experience of stakeholders in these forums, and any suggestions or opportunities to improve coordination, openness, transparency, information exchange, comparability and dispute resolution in these processes.

4. **Future of Energy and Ancillary Services Markets (35 Minutes)** – This will be a strategic, forward looking, discussion about expected interplay between capacity, energy and ancillary service markets in the future, particularly with the implementation of Capacity Performance (CP). CP will directly and indirectly impact performance behavior and economics in the energy and ancillary services markets, and it is prudent for stakeholders to proactively address coordinated design of market constructs. Additionally, FERC's recent focus on price formation, the pursuit of a Notice Of Proposed Rulemaking ("NOPR"), and the need for PJM and stakeholders to participate in those FERC driven discussions, all contribute to the timeliness of this discussion. Topics and questions to guide this discussion include but are not limited to:

- a. CP performance events and impact on energy prices.
  - b. Efficiency of energy and ancillary service markets currently.
  - c. Future energy sources and potential impact on market.
  - d. Impact on retail and virtual trading/financial markets
5. **Distributed Resource Vision and Strategy (30 Minutes)** – Various policy initiatives at the federal, state and local levels underscore the need to address planning for the integration of distributed resources. PJM’s leadership in so many areas lends itself to being on the forefront of distributed resource integration in the future, however that requires consideration of priorities and influencing factors now, and the members of the LC would like to use the October 15<sup>th</sup> meeting as a platform for starting the engagement of those discussions now. The members of the LC and the PJM Board will share thoughts and perspectives on this matter to help inform and structure ongoing stakeholder discussions.
6. **Closing (5 Minutes)**

We look forward to a productive discussion at the October 15<sup>th</sup> meeting and greatly appreciate the Board’s time and consideration of matters important to the members.

Yours truly,  
Katie Guerry, Liaison Committee Chair