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Susan J. Riley
Interim President and CEO
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August 15, 2019

Dear Members,

As PJM communicated by letter dated April 12, 2019, at its meeting on April 3, 2019, the PJM Board decided, on a trial basis, to schedule closed session meetings between representatives of the PJM Board and each individual sector in an effort to foster elevated and strategic communications.

To this end, at 10:00am on July 31, 2019, PJM Board members Ake Almgren, Neil Smith and I (acting in my capacity as Interim President and CEO), met with executive leadership from Generation owners: Calpine, Carlyle Group, Eastern Generation, LS Power, NRG Energy, Rockland Capital, Starwood Energy, Tenaska Power Services, and Vistra Energy.

At the outset of the July 31, 2019 meeting, PJM's Senior Vice President and General Counsel reminded attendees of the following principles:

1. The meeting was convened by PJM in response to stakeholder request;
2. The PJM Board is an independent body;
3. It acts only as a body and individual representatives of the Board do not make any binding commitments on behalf of the Board or PJM;
4. The purpose of the meeting is for the Board representatives to listen and hear directly from the sector;
5. Discussions will be confined to the agenda topics and remain at a strategic and educational level; to the extent discussions head into detailed recommendations or into matters pending before the Board, the discussion be redirected; and
6. The meeting is *ex parte* and PJM will disclose briefly, by public posting on its website, the topics discussed promptly following the meeting.

Additionally, counsel provided attendees the antitrust direction as used by PJM for its other stakeholder meetings.

Meeting Agenda Topics and Summary of Discussion:

1. Independent Power Producer Overview
Participants provided an overview of the Independent Power Producer business model. Attendees offered that the model relies exclusively on revenue derived from the wholesale market; attracts capital based on investor confidence in the wholesale market; and, is committed to a model that promotes competition to maximize efficiency of plant operations while driving lower costs for, and removing risks from, consumers.

2. Value of Markets

Sector representatives noted the success of the market design in being able to both attract new investment while enabling consumers to receive immediate access to the most cost effective megawatts available. The success and durability of the PJM market in creating an environment attractive to merchant investment was noted, and PJM was described as one of the last remaining markets in the country of this sort. Out-of-market intervention, uncertainty and the frequency of rule revision were identified as grave threats to PJM market continuity.

3. Impacts of Subsidies and Out of Market Actions

Attendees expressed views regarding the uncertainty and harm to investor confidence that resource subsidies were having on capital markets. The participants suggested that such action, if further played out, may result in costly, unsustainable long-term contracts to assure reliability. Such an outcome represents an overall retreat from the market. Participants encouraged PJM to act based on the principle of competition and by example, expressed support for market reform to compensate for resource attributes as opposed to particular resource subsidy.

4. Grid Evolution – The Next 5 – 10 Years

Sector representatives expressed key considerations, in their view, as PJM looks ahead to the future state of the power grid. Such considerations include: the importance of nondiscriminatory rules and compensation mechanisms in this evolution; consideration of markets moving to a fair and objective attribute-based compensation structure; and, the reflection of goals in any market reforms or improvements, including reducing carbon, enhancing fuel security, and balancing physical operations. Additionally, in any view looking ahead, participants noted, the importance of addressing cyber and physical security threats seriously is critical to maintain reliability and a resilient grid.

5. PJM Organizational and Governance Issues

Participants reminded PJM of the importance of its foundational principles and urged PJM to act independently to adhere to and to not sacrifice these principles when pressured by particular stakeholder or parochial interests.

The meeting concluded 90 minutes after its start.

Sincerely,

A handwritten signature in cursive script that reads "Susan J. Riley".

Susan J. Riley
Interim President & CEO