



Market Implementation Committee Report
PJM Interconnection
Markets and Reliability Committee
The Chase Center on the Riverfront
Wilmington, DE
November 16, 2011

The Market Implementation Committee met on November 1, 2011 at The Chase Center in Wilmington, DE. The following topics were discussed in the meeting:

Topics for Endorsement

A) Markets Manuals for Duke Integration

Ms. Morelli presented revisions to Manuals 11, 18, 27, 28 and 29 to reflect the integration of Duke Energy Ohio and Kentucky into the PJM footprint. The committee approved the manual changes by acclimation with 0 against and 0 abstentions.

B) Investigation of Balancing Operating Reserve Netting Rules

Ms. Horning reviewed an issue charge to revisit the BOR netting rule, and explore potential improvements to eliminate the potential for inappropriate use of Internal Bilateral Transactions (IBTs). The Committee decided to charge this work to special sessions of the MIC. A friendly amendment was made to limit the initial duration of the work to two meetings, at which point it will be revisited by the broader MIC. The committee approved the amended issue charge by acclimation with 0 against and 0 abstentions. Stakeholders were asked to submit interests and questions to Lynn Horning so they may be addressed at upcoming meetings on this topic.

C) Demand Response Dispatch

Mr. Langbein reviewed 3 proposals developed by the Demand Response Subcommittee to address load management (DR/ILR) sub zonal and product-specific dispatch. Stakeholder requested that the committee also vote on a 4th proposal, termed the "Transition Proposal", which adopted the rules from the CSP (Voluntary) proposal through the end of 2013/2014 delivery year and then transitioned to the rules included in the PJM proposal starting on June 1, 2014. The committee voted on each proposal with the following results: PJM Proposal: 62 in favor, 22 opposed, 15 abstentions (74% in favor); CSP (Voluntary) Proposal: 16 in favor, 93 opposed, 0 abstentions (15% in favor); CSP (Mandatory) Proposal: 10 in favor, 103 opposed, 0 abstentions (9% in favor); Transition Proposal: 75 in favor, 32 opposed, 4 abstentions (70% in favor).

Other Topics

D) Demand Response Regulation Issues

Mr. Langbein reviewed proposals developed by the Demand Response Subcommittee to address demand response regulation issues. The proposals address the following 3 areas: a) expanding opportunities to have multiple CSPs to facilitate DR regulation market participation b) allowing PJM to use equipment-specific load data instead of location-specific load data for regulation compliance verification c) changes to regulation aggregation rules for regulation market participation, bids, AGC signal and compliance. These proposals will be brought back to the December MIC meeting for further clarification and endorsement.

E) Residual Zone Pricing

Ms. Morelli reviewed the open items related to the residual zone pricing proposal and announced the implementation date has been pushed back to June 2013, at the earliest, in response to stakeholder feedback. A poll has been distributed to the MIC to gather feedback on preferred implementation dates. A special MIC-residual zone pricing conference call will be held on November 21 to discuss the results



of the poll and package potential solutions for further consideration at the December MIC meeting. A vote on this issue is planned at the January MIC, MRC and MC meetings.

F) FTR Revenue Adequacy

Mr. Horger reviewed the three proposals developed by the FTR Task Force to address FTR revenue adequacy. The three proposals range from no change, aside from some process improvements, to more significant auction modeling and FTR funding changes. A vote on these proposals is planned at the December MIC meeting.

G) Maximum Notification and Startup Times for Capacity Units

Mr. Keech reviewed two proposals to address maximum notification and startup times for capacity units, one representing the proposal resulting from the special MIC working sessions and the other representing a PJM / Monitoring Analytics compromise proposal. Mr. Siegrist from GenOn reviewed a presentation providing additional support for the working session proposal. An additional special MIC session will be held to try to build further consensus for a single proposal. The resulting proposal(s) will be brought back to the December MIC meeting.

H) Parameter Limited Schedules

Dr. Bowring reviewed the proposals related to the application of parameter limited schedules to only cost-based offers that resulted from the special MIC working sessions on this topic. After significant discussion, it was decided that an additional working session will be held to try to build further consensus between Package 1, which is supported by the majority of participants in the special working sessions, and Package 2, which is supported by Monitoring Analytics. The resulting proposal(s) will be brought back to a future MIC meeting.

I) Black Start Task Force Update

Mr. Schweizer provided an update on current task force activities, with special emphasis on the Black Start Refurbishment Process White Paper that is being developed. A request was made to MIC participants to have staff review the white paper and participate in the November 15 BSSTF meeting to ensure their comments are considered.

J) Broader Regional Markets Solutions

Mr. Williams provided an update on ongoing efforts to develop solutions addressing seams issues with MISO and NYISO. A draft of the PJM/NYISO Joint Operating Agreement has been posted. Joint PJM/MISO stakeholder meetings to discuss Interchange Scheduling Optimization have been scheduled for November 9 in Wilmington, DE and will be scheduled for December in Carmel, IN.

K) AC2 Program Update

Mr. David Souder provided an AC2 program update. The go-live is scheduled for November 8.

L) Credit Policy Updates

Mr. Loomis presented draft changes to the credit policy in compliance with FERC direction in Order 741. Participant feedback is being solicited and will be further discussed at the upcoming November 11 Credit Subcommittee conference call.

M) FERC Real-Time Data Feeds NOPR

Mr. Dessender informed the committee that FERC has issued a NOPR regarding a proposal that would require ISOs / RTOs to provide real-time data feeds to FERC. Additional information will be brought to the December committee meeting.

The next MIC meeting is scheduled for Tuesday, December 13, 2011 at The Chase Center in Wilmington, DE.

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