

MINUTES

MARKET MONITORING UNIT ADVISORY COMMITTEE

**LOCATION: CONFERENCE AND TRAINING CENTER,
PJM INTERCONNECTION**

DATE: FRIDAY, DECEMBER 2, 2016, 10:00 AM

These notes are from the ninth meeting of the Market Monitoring Unit Advisory Committee (MMUAC), established pursuant to Section III.H of Attachment M of the PJM Open Access Transmission Tariff, effective August 1, 2008. Section III.H provides that the MMUAC “act as a liaison between stakeholders and the MMU” and that it “provide advice from time to time on matters relevant to the MMU’s responsibilities under this [PJM Market Monitoring] Plan.”

I. ADMINISTRATION

The Chair, Dr. Bowring, opened the meeting and took roll.

II. OVERVIEW

Dr. Bowring provided an overview of the Market Monitor’s activities in 2016.

Dr. Bowring explained the Market Monitor’s recent complaint (FERC Docket No. EL17-23) seeking to reverse the recent removal of rules from Manual 18 that restricted the types of permissible replacement capacity transactions and thereby protected the market from nonphysical speculative transactions.

PJM noted that reconsideration of the Manual 18 changes is on the agenda for stakeholder action in December, and that stakeholders potentially could address the Market Monitor’s concerns by narrowing the changes to address only the schedule for registering replacement transactions.

III. TRANSMISSION PENALTY FACTORS

Dr. Devendra Canchi explained the Market Monitor’s position on issues concerning use of transmission penalty factors in the clearing of PJM Real-Time Energy Market.

Dr. Canchi explained how transmission penalty factors affect the locational marginal prices. Dr. Canchi explained the need for transparent and objective rules to apply transmission penalties for efficiency and consistency in the markets.

IV. FUEL COST POLICIES

Dr. Catherine Tyler Mooney provided an update on the Market Monitor’s market power review of fuel cost policies to ensure that such policies are algorithmic, verifiable and systematic. At the time of the meeting, the Market Monitor had accepted fuel cost policies for 53 percent of PJM units.

Dr. Tyler Mooney explained the reasons why offers must be mitigated to short run marginal costs to support a competitive PJM energy market. She also provided a brief overview of the collection of cost input information through the Market Monitor's MIRA system.

Dr. Tyler Mooney explained the Market Monitor's objectives in seeking agreement on fuel cost policies relating to market power concerns. Dr. Tyler Mooney explained that a fuel cost policy needs to be algorithmic, verifiable and systematic in order for the Market Monitor to validate cost offers.

Dr. Tyler Mooney responded to concerns raised by stakeholders that fuel cost policies could not account for participant procurement actions during emergencies. Dr. Tyler Mooney explained that fuel cost policies can and do account for fuel pricing during emergency situations.

V. REGULATION/BATTERIES

Dr. Howard Haas explained the Market Monitor's position on issues concerning resources in the PJM Regulation Market and the treatment of electric storage facilities under the PJM market rules.

Dr. Haas explained the current status of stakeholder discussions aimed at developing rules for the rational procurement of regulation from fast and slow regulation providing resources.

VI. REACTIVE POWER

Jeffrey Mayes explained the Market Monitor's position on the procurement of reactive services in PJM markets, including the FERC's general inquiry regarding its reactive rates policies in Docket No. AD16-17 and numerous investigations initiated by the FERC regarding individual units' reactive rates.

Mr. Mayes explained that the Market Monitor believes that the recovery of reactive capability costs through cost of service rates has become obsolete in PJM's market design, which allows for market-based recovery of investment in resources.

Mr. Mayes explained terms that the Market Monitor is seeking to include in individual participant reactive rate schedules and/or associated settlements, including that power factors be based on PJM tests, that separate rates be stated for each unit and that revenues received under reactive rate schedules be appropriately considered in developing cost-based offers in PJM markets.

VII. REQUEST FOR STAKEHOLDER FEEDBACK

Joe Bowring solicited and responded to questions and comments from stakeholders concerning the Market Monitor's implementation of the PJM Market Monitoring Plan.

VIII. FUTURE MEETINGS

The MMUAC plans to meet late in 2017 at a time and place to be determined.

Attendance

In Person

Last Name	First Name	Company Name	Email Address
Bowring	Joe	Monitoring Analytics	joseph.bowring@monitoringanalytics.com
Canchi	Devendra	Monitoring Analytics, LLC	Devendra.Canchi@monitoringanalytics.com
Foladare	Kenneth	IMG Midstream LLC	ken.foladare@tangibl.com
Griffiths	Dan		daniel.whitman.griffiths@gmail.com
Haas	Howard	Monitoring Analytics	howard.haas@monitoringanalytics.com
Johnson	Carl	Customized Energy Solutions, Ltd.	cjohnson@ces-ltd.com
Kogut	George	New York Power Authority	george.kogut@nypa.gov
Mayes	Jeffrey	Monitoring Analytics, LLC	Jeffrey.Mayes@monitoringanalytics.com
O'Connell	Robert	PPGI Fund A/B Development, LLC	boconnell@pandafunds.com
Pratzon	David		dpratzon@gtpowergroup.com
Scarpignato	David	Calpine Energy Services, L.P.	David.Scarpignato@calpine.com
Tyler Mooney	Catherine	Monitoring Analytics, LLC	Catheriny.Mooney@monitoringanalytics.com

Teleconference

Last Name	First Name	Company Name	Email Address
Anders	David	PJM Interconnection	michael.borgatti@gabelassociates.com
Carmean	Gregory		gfilomena@ces-ltd.com
Dugan	Chuck	East Kentucky Power Cooperative, Inc.	cnorton@amppartners.org
Esposito	Pati	TransCanada Power Marketing Ltd.	baondayko@aepes.com
Farber	John		kwpatten@aepes.com
Lacy	Catharine	Dominion Virginia Power	catharine.m.lacy@dom.com
McAlister	Lisa	American Municipal Power, Inc.	lmcAlister@amppartners.org
Sasser	Jonathan	Customized Energy Solutions, Ltd.	jsasser@ces-ltd.com
Vennekotter	Kristin	American Municipal Power, Inc.	kvennekotter@amppartners.org