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Mr. Ake Almgren
Vice Chair, PJM Board of Managers
PJM Interconnection, LLC
2750 Monroe Boulevard,
Valley Forge Corporate Center
Audubon, Pennsylvania 19403

July 18, 2017

Re: July 26, 2017 Liaison Committee Meeting Final Agenda

Dear Mr. Almgren:

The members of the Liaison Committee (“LC”) and I greatly appreciate the Board of Managers’ (“Board”) July 6, 2017 correspondence offering support for the agenda topics provided below. We anticipate that sector representatives are likely to address the concept of resiliency during our discussion. It is also possible that some sectors may offer preliminary views on PJM’s Demand Response Strategy white paper, though we agree that an in depth discussion of that matter should be deferred to a later meeting. Upon consideration of the Board’s much welcomed feedback, the July 26, 2017 LC meeting agenda follows:

- 1. Opening Remarks (15 minutes)**
- 2. Capacity Markets and Public Policy (50 minutes)**

PJM senior staff recently confirmed that the two-step capacity repricing construct debuted at the August 2016 Grid 20/20 forum is now a concrete proposal to reform the Reliability Pricing Model (“RPM”) capacity market. In ongoing stakeholder discussions, the Capacity Construct and Public Policy Senior Task Force (hereafter the “Task Force”) is deliberating the nature and extent of any current or prospective problem posed by various state policy actions that may confound PJM’s resource adequacy objectives. The Task Force may continue the process of vetting potential RPM modifications proposed by PJM and others through the fourth quarter of 2017. However, LC members understand that the Board may be asked to consider unilateral action to propose to the Federal Energy Regulatory Commission (“FERC”) changes to RPM before the end of 2017 should this stakeholder process stagnate. Given the expedited timeline, LC members seek to join the Board in a discussion regarding the necessity for reforms, PJM’s capacity repricing proposal and other options to modify RPM in response to the

influence of public policy on wholesale markets, and the timing of any proposed reforms. We anticipate that individual sectors may offer a view on desirable market-design attributes that are currently absent from PJM's proposal as well as the merits of specific features. The sectors may also offer a view on the role of seasonal products and DR within this framework.

3. Energy Market Price Formation Reforms (50 minutes)

PJM recently published a series of whitepapers describing a suite of potential changes to the energy markets that are intended to address perceived price formation concerns. Those concepts include repricing energy market offers from price-taker resources when marginal, ending negative energy market offers for certain resource classes, allowing inflexible units to set price, and implementing a regional carbon pricing. PJM released a draft resiliency road map during the June 19, 2017 Members Committee webinar indicating that some of these concepts could be implemented as early as 2018. There have also recently been notable and public discussions regarding the competitiveness of the Energy Market as experienced by certain market participants and their ability to protect their minority interests in the market. LC members seek to discuss the merits of these potentially significant efforts with the Board, and the interaction, if any, with the concerns regarding competitiveness that have been articulated. We welcome the Board's views on whether the integration of carbon pricing into the Energy Market should be included within this topic or as a stand-alone item.

4. Closing Remarks (5 minutes)

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The LC members and I greatly appreciate the Board's consideration of these important issues and look forward an engaging discussion during our July 26, 2017 meeting at the Marriott Waterfront in Baltimore, Maryland.

Very truly yours,



Michael R. Borgatti
Director – RTO Services
Gabel Associates, Inc.
Liaison Committee Chair

CC: Mr. Howard Schneider, PJM Interconnection, LLC
Mr. Andy Ott, PJM Interconnection, LLC
Mr. Dave Anders, PJM Interconnection, LLC