From: Sudhakara, Raghusimha [mailto:SUDHAKARAR@coned.com]
Sent: Monday, November 19, 2012 11:50 AM
To: MOPR Questions; Anders, David
Cc: Miller, Richard B. - EMPG; Comes, Margaret - Regulatory; Quinlan, Pamela J
Subject: PJM MOPR Reforms: Proposed Changes by Rockland

Dear Mr. Anders,
Rockland is interested in supporting Package 1 but would like to propose certain clarifying language. We are including, in this email, our proposed changes. Our first comment here refers to a design element while the following three refer to specific tariff language. Also please find attached to this email a document that contains our proposed modifications that are highlighted in yellow. The yellow highlighting has been used to distinguish our proposed changes from the previously red-lined version of the document. Please note that the previous red-line changes are not Rockland proposed.

1. For units that fail to obtain an exemption and thus subject to mitigation, Rockland would support maintaining the offer floor at 90% of Net CONE as currently exists. Rockland notes that the subjective nature of the determination of Net CONE and, that it is highly sensitive to certain inputs has been nearly universally acknowledged. Given this inherent uncertainty, and given the overall objective of the RPM market design to fairly compensate generation to recover its costs while also sending the correct price signal to ensure development of resource-adequacy driven new generation, we believe it is appropriate to err on the lower side to maintain the balance. Further, the agreement reached by stakeholders in processes past where, the since FERC-approved, 90% was chosen is an appropriate compromise, was fundamentally sound and, no events in the interim would suggest that an alternate level is necessary. Specifically, in its November 17, 2011 order at paragraph 47 (Docket ER11-2875) FERC reaffirmed its April order and noted that the 90% threshold represents a "conduct screen [that] is an estimate of new entry costs, and some resources will have legitimately lower costs than the threshold… [and] we therefore continue to hold that the 90 percent screen reflects a reasonable balance of these factors."

2. In the section on competitive entry exemption (Tariff (7)(iii)) where the prohibited agreements or arrangements are enumerated, the proposal qualifies section (A) with material but does not do so for section (B). We believe that the word "material" should be in both those sections because they describe similar types of incentives.

3. We would propose adding a qualifier to "general industrial development" in section (7)(iii)(C) that would instead state "to incent or promote efficient generation facilities as part of general industrial development in the area". This would enhance clarity by specifying that programs that provide payments to one or other types of industrial development are not prohibited under competitive exemption merely because they are not sufficiently "general" in nature. We believe that such an addition would be non-discriminatory because both new and

existing generators can be more efficient after a significant capital investment, which is the typical trigger for economic development incentives.

4. We also propose to modify the definition of a long-term contract in section (7)(iii) to be changed to a contract with a term greater than or equal to 5 years. We believe that this is an appropriate definition given that financing of new generation investments are typically of terms much longer than 5 years which thus represents the market-implied threshold for a contractual term.

We would be happy to discuss or explain our positions. Once again, we would like to emphasize that our primary intent with these suggested changes is to arrive at a broadly acceptable proposal and, to ensure greater clarity of language and, reduced ambiguity when it comes to both legal and substantive interpretations.

Thank you,
Raghu Sudhakara

Raghu Sudhakara
Con Edison
Energy Policy & Regulatory Affairs
+1.212.460.2331
sudhakarar@coned.com

<<MOPR Tariff Revisions - Rockland.docx>>