



Organization of PJM States, Inc. (OPSI)

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July 27, 2012
(Via E-mail attachment only)

Mr. Howard Schneider
Chairman
PJM Interconnection LLC
955 Jefferson Avenue
Norristown, PA 19403

Re: Independent Market Monitoring Unit

Dear Chairman Schneider:

I write on behalf of the Board of the Organization of PJM States, Inc. (“OPSI”), which voted unanimously to send this letter by a motion approved on July 23, 2012.

As you are aware, the contract between PJM and the independent market monitor, Monitoring Analytics, Inc., expires July, 2014. Given the critical importance of the independent market monitoring function, the OPSI Board believes it is appropriate to request that you inform us of the PJM Board’s plan to ensure the smooth continuation of the independent market monitoring function beyond the expiration of the current contract. Given the detailed processes set forth in Attachment M of the PJM Tariff, including the requirement for potentially obtaining the approval of the Federal Energy Regulatory Commission (“FERC”) for options other than extending the current market monitoring unit’s contract, we do not believe that it is premature to make this request of the PJM Board.

OPSI also wishes to make it clear that it believes an external and truly independent market monitor is required to ensure against manipulation of the market. Indeed, OPSI believes that the independent market monitor must possess the authority to recommend in real-time, mitigation on both a prospective and retroactive basis, and recommend to FERC sanctions on market participants. Additionally, OPSI believes that the independent market monitor must continue to be free to comment on salient market issues and market designs, current and proposed, to PJM and its members, to state commissions, and to FERC.

The OPSI Board has been pleased with the high level of competence and knowledge, unquestioned integrity and independence of judgment demonstrated by the independent market

monitoring unit since the end of the 2007 litigation. It is the preference of the OPSI Board to work proactively with the PJM Board and avoid another round of the type of litigation that took place in 2007. Thus, the OPSI Board requests that you inform it by September 14, 2012, of PJM's specific plan for ensuring that the independent market monitoring services continue without any disruptions. This would allow time for the plan to be reviewed prior to the OPSI annual meeting to be held October 1-3, 2012.

Sincerely,

Greg R. White, President
Organization of PJM States Inc.

CC: OPSI Board Members
Mr. Terry Boston, President and CEO
PJM Board of Managers
Denise Foster, Vice President, State & Member Services
Dave Anders, Manager, PJM Stakeholder Affairs