



**Federal Energy Regulatory Commission
September 20, 2007
Open Commission Meeting
Talking Points of
Commissioner Suedeen G. Kelly**

**Item E-3: Allegheny Electric Cooperative et al., v. PJM Interconnection LLC
(Docket Nos. EL07-56-000 & EL07-58-000)**

o The complaints filed by the Organization of PJM States and the D.C. Office of the People's Counsel, on behalf of many other consumer groups and electric cooperatives within PJM, as well as an industrial consumer organization, are very significant, because they raise issues that go to the heart of an effective and competitive market. That is the independence of the Market Monitor Unit.

o It is imperative that we have confidence in our institutions and in the rules that govern the market. Therefore I, and I know the rest of my colleagues, have considered, with great deliberation, the issues raised in these complaints.

o Our order concludes that there is not evidence of a tariff violation, but that does not mean there is not a significant problem at PJM. In fact, the evidence establishes that there has been a significant problem. The working environment at PJM has been making it quite difficult for the Market Monitor to perform his job, although the evidence shows that he did maintain his independence and did in fact do his job.

o There has been a very strained relationship, at least between the then-existing PJM management and Dr. Joseph Bowring, PJM's Market Monitor. And there has been an unusual degree of supervision over the Market Monitor by the then-existing PJM management, which has affected the ability of the MMU to do its job.

o These are the particulars behind why we take this interim step of finding the current reporting requirement in the tariff to be unjust and unreasonable, and providing in today's order that the MMU report from now on directly to PJM's Board of Managers, or to an independent committee of the Board.

o I believe that at this time it is important to note that the serious concerns raised by the complainants have been heard by the PJM Board. In fact, the PJM Board has become engaged in the concerns, and has taken steps to remedy the situation. I am pleased that the Board has responded with its Offer of Settlement, and that it responded so positively.

o I thank all of the parties for the actions that they have taken throughout this proceeding. Although the filing of the two complaints last April was the catalyst for today's order, what really set into motion the chain of events that brings us here today was the action of Dr. Bowring.

o As today's order notes, Dr. Bowring first publicly raised concerns about the working situation in the Market Monitoring Unit at the Commission's April 5, 2007 technical conference on market monitoring policies. I thank Dr. Bowring for voicing his concerns. It cannot have been easy for him to raise issues that he certainly knew would cause consternation, including consternation among his colleagues and within PJM management.

o It took Dr. Bowring courage to take a stand, and I commend not only him but all parties in this case for the commendable actions they have taken subsequently, including OPSI's and the joint complainants' efforts to protect their consumers, as well as PJM's significant

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first attempt to try and address the complaints with its Offer of Settlement.

o Thanks to all of the parties, a light has been shined on the issues that merit close attention and, I believe, some regulatory reform. Most notably, the need for more specific tariff provisions that more clearly define the roles and functions within PJM and its MMU, and that ultimately promote a stronger working relationship between the PJM Board and the Market Monitor which will, I believe, engender confidence in market operations.

o All of the parties have indicated in their filings with us a willingness to try and negotiate a resolution of their remaining differences over PJM's Offer of Settlement. I am confident that the parties will make every effort to find common ground and reach an agreement that they all can live with.

o Today's order sets forth a process that offers an excellent opportunity for doing so. First, by giving the parties several options for jointly choosing a facilitator and second, by providing a time frame and a reporting process that will hopefully lead to a quick resolution of the issues. I ask the parties to take full advantage of this opportunity.