

MARKET MONITORING ISSUES

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Discussions during October 2007

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- Regulation and market monitoring
- Legal obligations
- Level of service expected
- Consumer protection issues
- Whether monitoring is a science or an art

Legal Obligations

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- Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities
- Tariffs are not mere contracts but have force of law and are binding on consumer and utility
- The State Legislature has vested the PUC with exclusive jurisdiction over reasonableness, adequacy and sufficiency of public utility services

What are we monitoring?

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- Adequate service
- Efficient service
- Safe service
- Reasonable service
- Proper use of approved tariffs
- Non-discrimination in providing service

Jurisdictional Issue

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- PUC regulates distribution utilities
- PJM regulated by FERC and not states
- Wholesale energy prices affect distribution service
- What can be done?
- PJM has a market monitoring unit
- States believe more access to data is needed

Independence of Market Monitor

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- Market monitors independence called to question
- OPSI and its member states filed at FERC
- Other market participants joined proceeding
- After several formal filings and responses, PJM made an offer of settlement
- PJM and OPSI negotiate possible settlement
- Impasse; all parties file
- FERC assigns its chief of staff to arbitrate

Negotiations and Settlement

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- Several rounds of settlement negotiations over four months
- Settlement filed in December 2007
- FERC approved settlement in March 2008
- Market monitoring unit removed from PJM and created an independent company with a multi-year contract
- OPSI has a 5-member advisory committee

Future steps

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- Independent market monitor (IMM) will have complete access to information in PJM
- Firm budget (similar process as OPSI)
- States can request data (based on certain criteria)
- IMM and OPSI advisory committee expected to coordinate on issues of regional as well as individual state interest