BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Investigation into the Value of Continued Participation in Regional Transmission Organizations	**)** **)** **)**	**Case No. 09-90-EL-COI**

COMMENTS

The PJM Power Providers Group ("P3") appreciates the opportunity to offer these comments regarding the Public Utilities Commission of Ohio's (PUCO) Investigation into the Value of Continued Participation in Regional Transmission Organization.[1] The organized wholesale electric markets have provided numerous supply options, increased reliability and other tangible benefits to Ohio's wholesale customers over the course of approximately eight years. While the PUCO does not have direct regulatory authority over wholesale markets generally, and RTOs specifically, it certainly enjoys a unique ability to work with federal regulators and stakeholders to develop state-level retail policies that maximize the benefits of competitive wholesale markets for Ohio consumers.

P3's eleven member companies are actively involved in nearly every aspect of the PJM market. Collectively, P3 companies serve nearly 12.2 million customers and thus, have a vested interest in ensuring that any RTO or ISO structure is properly designed, well-functioning, and delivers the many benefits that transparent, competitive wholesale markets are designed to achieve. P3 attests that the wholesale markets in Ohio are strong and delivering tangible value to Ohio consumers.

[1] P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM region. Combined, P3's eleven member companies own over 75,000 megawatts of power and over 51,000 miles of transmission lines in the PJM region, serve nearly 12.2 million customers and employ over 55,000 people in the PJM region – representing 13 states and the District of Columbia. The views expressed in this testimony do not necessarily reflect the views of individual P3 members. For more information on P3, visit www.p3powergroup.com.

I. PUBLIC UTILITIES COMMISSION OF OHIO - RTO INQUIRIES:

A. RTO INQUIRIES

1. Are FERC's Order 2000 goals and objectives being realized to promote efficiency in wholesale electric markets and to ensure that electric consumers pay the lowest price possible for reliable service?

a. Competitive wholesale markets deliver value to customers.

As FERC has recently stated, "national policy has been, and continues to be, to foster competition in the wholesale electric power markets. This policy was embraced in the Energy Policy Act of 2005 (EPAct 2005) and is reflected in Commission policy and practice."[2] While FERC has continued to stress that RTO formation and participation is not mandatory, it has taken a leadership role in assuring that the six operating RTOs and ISOs meet the minimum characteristics and functions as originally enunciated in FERC Order 2000.

One of the many extremely important features of RTOs in general, and PJM specifically, is the implementation and wide use of the stakeholder process to resolve key market issues. These processes ultimately save all interested parties time and money by adding support to key market fundamentals while reducing costly litigation expenses. The stakeholder process has proven to be an effective tool to ensure that the important opinions and suggestions of state regulators and market participants are taken into account regarding the structure and operation of RTOs. State Commissions and organizations (The Organization of PJM States) routinely intervene in ongoing FERC and PJM dockets regarding RTO operation, policies and governance.

P3 strongly believes that competitive wholesale markets in the PJM region have met the goals of Order 2000 and addressed the many needs of Ohio and the surrounding region, in part by reversing a troubling trend of declining reserve margin in PJM, introducing more supply options to market participants, encouraging and facilitating the deployment of new technologies, promoting demand response and energy efficiency, and improving operating efficiencies and shifting risks away from customers.

On June 30, 2008, The Brattle Group issued a report entitled, "Review of PJM's Reliability Pricing Model (RPM)," finding, in part, that RPM was addressing the infrastructure investment needs that it was intended to address. Johannes Pfeifenberger, a principal of The Brattle Group and coauthor of the report, stated that "RPM's performance has been impressive in terms of attracting new resources and retaining existing resources. These resource commitments satisfy reliability requirements on both a pool-wide and a locational basis." In addition to the thousands of megawatt capacity

[2] FERC Order 719 (Docket Nos RM07-19-000; AD07-7-000: Wholesale Competition in Regions with Organized Electricity Markets), issued October 17, 2008. p2.

retained and incremental capacity committed, the Report found that over 14,500 MW of resources were incrementally committed that likely would not have been in the absence of RPM, including:

- 4,248 MW of generation additions of various types, including 3,069 of new gas, coal, and renewable generation committed through RPM auctions, and

- close to 1,800 MW of demand resources ("DR") in addition to approximately 1,400 MW of interruptible load for reliability ("ILR") resources.[3]

By all accounts, RTOs and ISOs have come a long way, but additional modifications continue to be made. As discussed in more detail below, in its 2008 State of the Market Report (SOM Report), the PJM Independent Market Monitor (IMM) found that the results of the PJM markets were competitive, but also recommended that certain modifications be made. These suggested modifications and enhancements are typical of any ongoing, growing market structure that will be vetted through the stakeholder process.

b. Take a long-term view of the market.

P3 recommends that the Ohio Commission take a long-term view of the markets. It has been ten years since FERC Order 2000. If wholesale markets are going to continue to deliver value to Ohio customers, market policies must be designed to be sustainable over a number of years. It is very difficult and unwise to draw judgments on markets at a single moment in time. Instead, year-to-year trends viewed over the course of several years will yield the most instructive perspective. Over time, wholesale markets should produce a sustainable and reliable supply of power sufficient to meet the demands of consumers at prices that are consistent with competitive markets. A certain degree of regulatory stability will be required in order to meet this goal.

c. Separate the price from the policies.

According to FERC, increased wholesale prices are primarily the result of the increase in costs of both fuel and new construction. These increases are not limited to RTOs (or retail choice states, in particular), but rather are being experienced across the entire country.[4]

[3] The Brattle Group: Review of PJM's Reliability Pricing Model (RPM), dated June 30, 2008. Statement of Johannes Pfeifenberger, "The Brattle Group Analyzes PJM's Capacity Market Results and Recommends Changes," dated June 30, 2008, p.1

[4] FERC Staff Presentation: Increased Costs in Electric Markets, June 18, 2008.

Dr. Joe Bowring, PJM's IMM, has recently stated that as a result of higher fuel prices and higher construction costs, electricity prices are increasing everywhere, regardless of market structure. To that point, he concluded that "given higher fuel prices, higher electricity prices do not mean that there is something wrong with the wholesale power market.[5] In his most recent State of the Market report, the IMM observed that prices in PJM fell 16% from 2007 to 2008 when adjusted for fuel. Had fuel prices been the same in 2008 as they were in 2007, average prices in PJM would have been $51.79 per MWH instead of $71.13.[6]

Although at times competitive markets may produce prices that cause political discomfort, that does not mean that markets are broken. Indeed, the first half of 2008 was marked by dramatic and pronounced increases in the global costs of fuel. Likewise, the second half of 2008 was marked by an even more dramatic and pronounced fall in the global costs of fuel. Prices will fluctuate, both up and down, in a competitive market. Despite the fluctuations, however, consumers over time benefit from competitive markets, which incent producers to generate energy as efficiently as possible to help ensure a market for their products. Although difficult at times, the Commission should look past the prices of the moment and remain focused on the underlying market fundamentals and wholesale market design policies to determine if the wholesale market is indeed delivering value to consumers.

2. Are RTOs providing value to Ohio's customers through more effective management and use of the grid by:

(a) Addressing discrimination in access to transmission service?
(b) Eliminating of pancaked transmission rates?
(c) Regional transmission scheduling, tariff administration, and settlements?
(d) Enhancing reliability?
(e) Improved utilization of transmission assets and management of transmission congestion?
(f) Regional unit commitment and security constrained economic dispatch?
(g) Regional procurement of Ancillary Services and consolidation of Balancing Authorities?
(h) Regional transmission planning?

PJM's ongoing Value Proposition clearly shows regional benefits through more effective management and operation of the grid. PJM has recently detailed the hundreds of millions of dollars in savings that has resulted from its more efficient management and operation of the grid. The overall benefits and economic value in its cumulative operational efficiencies amounts to approximately $2.3 billion in yearly savings to customers in the PJM region. The reliability savings alone, for example in utilizing broad

[5] Testimony of Dr. Joe Bowring before the Pennsylvania Public Utility Commission, October 23, 2008.

[6] 2008 State of the Market Report for PJM – volume I, Monitoring Analytics, dated March 11, 2009 (2008 SOM Report), p. 11

system-wide redispatch procedures to resolve transmission constraints, amounts to approximately an $80 - $100 million savings per year[7].

Equally as important, by planning for future reliability needs on a regionwide rather than utility-by-utility or state-by-state basis, PJM's Regional Transmission Expansion Planning (RTEP) process helps focus on transmission upgrades that meet reliability criteria and increase economic efficiency, amounting to annual savings of approximately $390 million.[8]

3. Are the RTOs' locational marginal pricing (LMP) policies providing value to Ohio's consumers?

Yes. PJM's Locational Marginal Pricing (LMP) mechanism has been evaluated by PJM's IMM with the conclusion that it is producing transparent and competitive price bids. Specifically, PJM's IMM noted in the 2008 SOM Report that PJM LMPs are a direct measure of market performance. As to price, the IMM found that it "is a good, general indicator of market performance, although the number of factors influencing the overall level of prices means that it must be analyzed carefully." [9] "The overall results support the conclusion that prices in PJM are set, on average, by marginal units operating at or close to the marginal costs. This is strong evidence of competitive behavior and competitive performance."[10]

4. Are the RTOs' ancilliary services markets and the integration or co-optimization of those markets with the RTOs' energy markets efficient and providing benefits to Ohio's consumers.

In the recently-released 2008 SOM Report, the IMM found that nearly every ancillary services market operated by PJM are producing results that are competitive. Overall, the Report found competitive the results for PJM's Energy, Capacity, Synchronized Reserve and Day Ahead Scheduling Reserve Markets and the Financial Transmission Rights Auction.[11] In part, the IMM found that "the overall market results support the conclusion that prices in PJM are set, on average, by marginal units operating

[7] PJM Value Proposition: PJM Efficiencies Offer Regional Savings.

[8] PJM Value Proposition, 2009, page 1. www.pjm.com

[9] 2008 SOM Report, supra, at p. 10-11.

[10] 2008 SOM Report, supra, at p. 10

[11] 2008 SOM Report, supra, at p. 2

at, or close to, their marginal costs. This is evidence of competitive behavior and competitive market outcomes."[12]

Although the IMM could not conclude that the Regulation Market was either competitive or noncompetitive, Dr. Bowring noted that "the application of the three pivotal supplier test for structural market power in the Regulation Market beginning on December 1, 2008, should resolve these issues."[13]

5. Are the RTOs' market monitoring and mitigation policies effective in ensuring competitive prices and providing value to Ohio's consumers?

Every bid and every transaction that occurs in PJM is subject to the scrutiny of the Independent Market Monitor, Dr. Joe Bowring. As stated above, Dr. Bowring has not only concluded that the results of the market are competitive, but has also found that the prices are consistent with a competitive market, by stating that "while PJM has experienced price spikes, these have been limited in duration and, in general, prices in PJM have been well below the marginal cost of the highest cost unit installed on the system."[14]

Moreover, the PUCO, through OPSI, continues to play a key role in ensuring the effectiveness of the Market Monitor. The PUCO was a key party in the 2008 FERC-approved settlement agreement with PJM regarding certain market monitoring activities. In accepting the settlement, FERC noted that the "comprehensive revisions" would "assure the independence of the market monitor and preserve the integrity and smooth operation of the PJM market."[15]

Furthermore, FERC Order 719 required additional improvements to enhance the market monitor functions, thereby improving the performance and transparency of the RTO or ISO, by increasing the independence of the market monitor by, among other things, requiring the MMU to report to the RTO or ISO board, rather than management; requiring the RTO or ISO to provide data access to the MMU and resources to personnel; clarifying the role of the MMU in market mitigation, [16] and, in part based upon requests from PUCO and other state commissions, thereby "significantly expanding" the material the state commissions may receive.[17]

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[12] 2008 SOM Report, supra, at p. 13

[13] 2008 SOM Report, supra., at p 12

[14] 2008 SOM Report, supra., at p. 12

[15] FERC News Release: March 21, 2008: FERC Docket Nos: EL07-56-000, EL07-58-000.

[16] FERC Order 719 – pp 169-247

[17] Id, at p 235.

6. Are the RTOs' resource adequacy requirements and the resulting capacity markets (or, in the case of PJM, its Reliability Pricing Model and Fixed Resource Requirement) reasonable and providing benefits to Ohio's consumers? Are these policies effective in promoting needed resource investment and long-term contracts which could help finance such investment? Do these policies promote an appropriate level of investment that is consistent with the needs and preferences of Ohio consumers?

The Commission can best promote long-term contracts by stating its support for robust market designs such as those found in PJM. Buyers will be less willing to enter into long-term arrangements until it becomes clear that these markets will not be dismantled or changed in ways significant enough to undermine fundamental market design elements upon which price determinations are based. The market should be able to mature once this recognition gains acceptance.

The Commission could further promote long-term hedging by adopting policies in favor of transparently-designed service procurement auctions and requests for proposals. This appears to be what the Commission is attempting to do with the upcoming FirstEnergy Auctions.

Furthermore, PJM's market-based methods for managing congestion across the region allows customers to benefit from a lower level of planning reserves than if each utility planned their system independently. Lower planning reserves translate into a decreased need for the construction of new electric generating resources, and in turn reduce the capital cost for new generation to be recovered from end use customers.

7. Are RTOs effective in facilitating transmission planning and needed transmission investments that benefit Ohio's consumers? Are they effective in facilitating transmission planning and investment that may be needed for the development of renewable energy resources?

Both FERC and PJM continue to take a proactive, transparent, non-discriminatory and inclusive approach to transmission planning. In February, 2007, FERC issued Order No. 890, which in part, required transmission planners – including RTOs and ISOs – to submit compliance filings for both reliability and economic planning plans.

As now-Chairman Wellinghoff stated, Order No. 890 was not only aimed at continuing to make the transmission system open and transparent, but it "put demand resources, for the first time, on an equal footing with other resources in directly contributing to the reliability and efficient operation and expansion of the electric transmission system. Of particular relevance was our finding that demand resources capable of performing the needed functions should be permitted to participate on a

comparable basis in the open, transparent transmission planning process that Order No. 890 requires."[18]

P3 notes that PJM continues to provide the necessary and effective planning of the transmission grid through its Regional Transmission Expansion Planning (RTEP) process. In its recently released 2008 RTEP Report, PJM stated that more than $13.2 billion of transmission upgrades and additions, representing 1,400 distinct transmission projects, have been authorized by PJM's Board since the inception of the RTEP process in 1997.

To address specific Ohio transmission needs, the PJM Board approved more than $5 million in planned transmission upgrades during 2008.[19] The RTEP process is also instrumental in facilitating Ohio's renewable energy requirements by offering a structure that assures the consistent, equal opportunity for necessary interconnections of renewable resources is available and accessible. There are approximately 29 diverse, renewable interconnection requests pending in PJM's queue, representing plants fueled by wind, hydro, methane and biomass.[20]

8. Are the RTOs policies and practices effective in facilitating long-term contracts between load serving entities and generation developers or suppliers that may be needed to support the construction of additional base load generation facilities?

PJM provides transparent, liquid spot prices for energy and capacity that form the basis for price determinations between contracting parties. The fact that both short run and long run marginal costs have increased, leading those customers that have been either under artificially low rate caps or prior long-term contracts when energy prices were not as high, does not indicate either a flawed market design or the inability of customers to secure long-term contracts.[21]

In FERC's recent Order 719, FERC declined to standardize long-term contracts, and adopted the "bulletin board proposal" that will require each RTO and ISO to dedicate a portion of its website for market participants to post offers to buy or sell power.[22] P3 supports FERC's conclusion that RTOs play an important role in facilitating long-term

[18] Statement of Chairman (Commissioner) Jon Wellinghoff on OATT Planning Compliance Filings, dated May 15, 2008.

[19] PJM 2008 Regional Transmission Expansion Plan (RTEP 2008), dated February 27, 2009. p 2 and 7.

[20] RTEP 2008, at p 243.

[21] Testimony of Roy J. Shanker, PH.D., before the Pennsylvania Public Utility Commission, *En Banc* Public Hearing on "Current and Future Wholesale Electricity Markets." December 18, 2008, pp 14-16.

[22] FERC Order 719 (Docket Nos RM07-19-000; AD07-7-000: Wholesale Competition in Regions with Organized Electricity Markets), issued October 17, 2008. p. 164

contracting, and believe that long-term contracts are best left to the markets and the private sector.

9. Are the RTOs' transmission cost allocation methodologies and policies resulting in value for Ohio's consumers?

PJM has continued its work on its cost allocation principles in accordance with FERC Order 890 and 890-A. In its May 15, 2008 Order on Compliance, FERC found that PJM satisfied all nine of the planning principles required by Order No. 890, subject to clarification, in part, of PJM's cost allocation methodology contained in its Schedule 12.

On August 13, 2008, PJM filed necessary revisions to its tariff in its second compliance filing to PJM's transmission planning process. PJM's cost allocation principles, contained in amendments to Schedule 6 of the PJM OA, are the result of a stakeholder process through the PJM Regional Planning Process Working Group ("RPPWG"). The amendments were approved by both the RPPWG as well as (unanimously) by the PJM Markets and Reliability Committee.

Among other tariff changes, the filing addressed how PJM will determine comparability of demand resources for purposes of transmission planning, and proposed two new subsections to its OA to provide that PJM will identify all demand response and generation solutions that are proposed through the market, as well as any other comparable alternative technologies.

10. Are the RTOs' Financial Transmission Rights and other transmission congestion hedging policies and practices effective and providing value to Ohio's consumers?

The PJM's IMM has recently concluded that the "FTR auction results for the 2008 to 2009 planning period were competitive and succeeded in providing all qualified market participants with equal access to FTRs."[23] PJM also positively noted that PJM has made a section 205 filing with FERC to amend section 15.2 of its Operating Agreement to address potential shortfalls and market gaming issues surrounding defaults.[24]

[23]Id., at p. 61

[24] Id. At p. 57

11. Are the RTOs demand response programs, policies toward behind-the-meter generation, and other Load Modifying Resources effective and providing value to Ohio's consumers over and above state sponsored programs?

In a recently released study entitled the "2008 Assessment of Demand Response and Advanced Metering," FERC Staff noted "significant" gains in advanced metering penetration, DR program participation, and state and federal regulatory activity designed to promote DR programs and to reduce barriers to their implementation, including retail metering and pricing structures. These advances occurred in all major sectors: at the state, federal and company level[25]

- As the PUCO knows, Ohio was specifically mentioned in the Report as one of the states that has promoted demand response through legislation and utility regulation.
- The ratio of advanced meters to installed meters has seen a "significant increase" from less than 1% in 2006 to a current 4.7%;
- There has been a increase in utilities that offer real-time prices;
- Approximately 8% of U.S. customers now participate in a demand response program;
- The Mid-Atlantic, Midwest, and Southeast regions of the U.S. account for the largest DR contributions to the market power system.[26]

In its May 15, 2008, Order on Compliance Filing, FERC accepted PJM's revised Schedule 6 to its Amended and Restated Operating Agreement that included, in part, an improved settlement process for economic demand response programs. PJM had stated that the modifications will provide measurement and verification rules that further ensure that economic demand response reflects true response to price, reduce settlement disputes and improve the overall efficiency of the program. Specific revisions will allow PJM to:

- Clarify that only demand reductions in response to price are eligible for energy settlements;
- Establish of objective criteria to assist with the identification of inappropriate market activity;
- Authorize PJM to prohibit participation in the PJM Energy Markets for repeated rule violations, and to refer such market participant activity to the PJM Market Monitoring Unit and/or FERC;
- Establish specific rules governing the participation of aggregated demand response; and
- Establish flexible notification and bidding rules to enhance participation of self-scheduled and dispatchable demand response in the PJM Market.[27]

[25] 2008 Assessment of Demand Response and Advance Metering. FERC Staff Report. December, 2008

[26] 2008 Staff Assessment report, Id., at p. i.

12. Are the RTOs policies and practices relating to the treatment of Price Responsive Demand (PRD) consistent with facilitating the development of PRD through dynamic and time-differentiated retail pricing? (PRD is consumer demand that predictably responds to changes in wholesale prices as a result of dynamic or time-differentiated retail rates.)

As this Commission knows, on March 9, 2009, Ohio PUC Commissioner, Paul Centolella, and Andrew Ott, Senior Vice President – Markets, for PJM Interconnection, authored a paper entitled, "The Integration of Price Responsive Demand into PJM Wholesale Power Markets and System Operations ("Paper")." The Paper detailed how Price Responsive Demand (PRD) can be efficiently integrated into wholesale power markets and system operations in a manner consistent with reliability standards. P3 is continuing to review this Paper and its suggestions for integrating PRD into wholesale power markets.

P3 supports the introduction of an Operating Reserve Demand Curve that will provide predictability and stability during time of physical scarcity in PJM. The establishment of an effective Operating Reserve Demand Curve was one of four specific elements that the Paper detailed as necessary for ensuring system reliability while promoting a successful PRD program.[28] P3 is also reviewing PJM's response to FERC Order 719 in which it has developed a straw proposal for a demand curve that would allow higher price signals to be sent earlier, giving demand a longer time to respond to keep the system out of emergency conditions and avoiding a harsh switch from non-scarcity prices to much higher scarcity prices.[29]

13. Are the RTOs' queue and interconnection policies providing value to Ohio's consumers?

PJM has been actively working via a stakeholder process - through its re-chartered Regional Planning Process Working Group ("RPPWG") – to modify and strengthen its queuing process in accordance with its FERC-approved Open Access Transmission Tariff ("PJM OATT") and FERC's April 10, 2008 Order Approving Contested Settlement in Docket No. EL08-36-000 ("Dominion Settlement Order").[30]

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[27] Order on Compliance, issued May 15, 2008, Docket No. OA08-32-000, pp 7-9; News Release: PJM Revises Rules to Improve Demand Response Settlements, dated April 16, 2008.

[28] The other three elements were: instituting a transparent Forecast Demand Response Curve, allowing optional hedging by PRD load, and allowing non-discriminatory curtailment of load in a generation emergency.

[29] Paper, supra, at pp 8-9; P.Sotkiewicz, *PJM Scarcity Pricing Straw Proposal ,* Task Force 719 Meeting (January 9, 2009).

[30] Dominion Resources Services, Inc. v PJM Interconnection, LLC., 123 FERC ¶ 61,025 (2008).

Several tariff revisions regarding PJM's queuing process have been approved over the past year.[31] On April 9, 2009, PJM made two filing with FERC suggesting modifications to the PJM OATT to improve its interconnection queuing processes. The recommended modifications are the culmination of work which initially began in the RPPWG, and represents a "meaningful stakeholder process to, among other things, evaluate proposed modifications to PJM's current interconnection queue and study processes and submit recommendations to PJM's Markets and Reliability Committee and Members Committee for endorsement of the proposed tariff revisions."[32]

14. Is the resolution of seams issues being thoroughly addressed and resolved by the RTOs operating in Ohio?

Both PJM and MISO have reported significant strides in completing work on the Joint and Common Market (JCM) they have been working on since 2002. The JCM will result in complementary system operations that will ensure a robust, non-discriminatory wholesale electricity market for the customers in 23 states, the District of Columbia and the Canadian province of Manitoba.

In particular, PJM and the Midwest ISO consider the larger issue of how to address loop flow on the two RTOs' seam essentially resolved[33]. While other potential seams issues remain, both RTOs remain committed to further refining the congestion management process and identifying mechanisms for mitigating significant loop flow impacts internal to both of their systems. Furthermore, ongoing stakeholder processes are progressing on three initiatives: Blackstart and Restoration, Cross Border Cost Allocation, and a Common Ramp Portal.

An additional JCM meeting/webcast to wrap-up these initiatives will be held in the 2nd Quarter, at which time the RTOs are proposing to shift to appropriate subcommittees, rather than continue work through the separate JCM effort. A website that keeps stakeholders and interested parties informed can be located at: http://www.miso-pjm.com

[31] PJM Interconnection LLC, Letter Order, Docket No. EL08-36-000 (issued Aug. 19, 2008), PJM Interconnection LLC, Letter Order, Docket No. ER09-26-000 (issued Nov. 6, 2008), and PJM Interconnection LLC, Letter Order, Docket No. ER09-755-000 (issued Mar. 25, 2009).

[32] PJM Interconnection LLC, Docket No. ER09-977-000, Docket No. ER09-978-000, dated April 8, 2009, respectively.

[33] Investigation of Loop Flows Across Combined Midwest ISO and PJM Footprint, May 25, 2007, pp 11-12; Northern Indiana Public Service Co. v Midwest Independent Transmission System Operator Inc. and PJM Interconnection, L.L.C., Order Dismissing Complaint, 115 FERC ¶ 61,089, April 21, 2006,

15. Does the RTOs' treatment of financial-only market participants (or virtual traders) provide value to Ohio's consumers?

P3 believes that FERC has struck an appropriate balance of virtual traders' rights and responsibilities in the PJM market. While virtual traders bring value to the state of Ohio and to the broader PJM market – for example, by increasing liquidity and price convergence between the Day-Ahead and Real-Time Markets – they must comply with appropriate PJM tariffs and be subject to oversight by both PJM and FERC.[34]

16. Are the RTOs' administrative expenses and corresponding assessments to member companies reasonable and resulting in value to Ohio's consumers?

Ensuring that administrative expenses in PJM are not excessive, is as much a concern to P3 members as it is to the Ohio Commission. P3 submits that FERC should continue to require necessary, transparent accounting and maintain constant vigilance of costs and expenses of RTOs.

C. RTO Alternatives

1. Are there viable, cost-effective alternatives to the existing RTO memberships of Ohio utilities or to
Ohio utility participation in RTO managed functions (e.g. renewable tracking, reserve sharing
groups, etc.)?

2. Would it be reasonable, cost effective, and viable for the Ohio Commission to pursue the
construct of an Ohio-only RTO?

3. What recommendations could be made to FERC or required of Ohio's RTO member companies that would result in increased value to Ohio's consumers?

In general, P3 believes that the PUCO should continue to work within the existing RTO structures to promote efficient markets that benefit consumers. As FERC has established, RTO membership is voluntary. However, there are certain significant hurdles that need to be overcome in order to leave or change RTOs. Rather than focusing time and resources on that question, P3 would encourage the Commission to work with MISO, PJM and FERC to improve the performance of both RTOs and reduce the barriers between the markets that add costs and reduce efficiencies.

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[34] Motion to Intervene and Comments of the PJM Power Providers Group, Docket No. EL08-14-000, dated December 26, 2008.