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On Thursday, May 28, 2020 9:31 AM, PJMStakeholder <PJMStakeholder@protonmail.com> wrote:

May 27, 2020

Mr. Ake Almgrem
Chair, PJM Board

Mr. Manu Asthama
CEO, PJM

Via Mr. David Anders
Director of Stakeholder Affairs, PJM
David.Anders@pjm.com

Dear Messrs. Almgrem and Asthana:

We write to express our concerns regarding PJM Interconnection, L.L.C.'s ("PJM") Independent Market Monitor, Monitoring Analytics LLC, headed by Dr. Joseph Bowring (collectively, "IMM"). We regrettably write this letter anonymously, out of concern for potential retribution. However, we firmly believe that the issues we raise must be spoken aloud.

The GreenHat default has carried significant repercussions for PJM, including its management, its tariff and policies, and its market participants. PJM's management has undergone massive changes, including replacement of PJM's CEO, CFO and other senior management, and addition of the new CRO. The Financial Risk Mitigation Senior Task Force has spent many hours working on revisions to PJM's tariff to prevent another such incident. Much of the change has been guided by the Report of the Independent Experts on the GreenHat Default.

Yet one area remains unchanged and entirely outside the consideration of post-GreenHat changes: the PJM IMM. The IMM was made aware of the concerns raised by market participants at the same time as PJM. The IMM is tasked with monitoring PJM's markets and preventing harm to those markets.(1) And yet, the IMM did not take any steps to investigate or address the issues identified by the market participants. The IMM did not investigate GreenHat. The IMM did not flag these concerns in any way that is visible to PJM's stakeholders. FTR markets were a particular focus of the IMM during the period of time immediately prior to the GreenHat default in June 2018 – however, that focus was on eliminating long-term FTR products and the repeatedly-rejected claim that all FTR revenues should be returned to load,(2) rather than the real, present danger to the FTR market, and the broader PJM markets, posed by insufficiently collateralized large positions, such as that held by GreenHat.

While we fully support the Report of the Independent Experts and believe that the steps PJM has taken as recommended by that report are helpful, we believe that the PJM Board needs to also consider the role of the IMM (or lack thereof) in this situation. A market monitor tilting at windmills and ignoring true threats to the PJM markets is not in PJM's best interest. In the view

of market participants, the IMM has appeared to escape from the GreenHat default unscathed, seemingly taking no responsibility for the actions it should have taken to help prevent the default and resulting harm to the markets. The IMM should face similar repercussions as PJM for its failure to identify imminent harm. Those repercussions should include management changes, as well as accountability and reform.

We request that the PJM Board direct the Independent Experts, or a similarly composed group of experts with market participants, to analyze the role and function of PJM's Independent Market Monitor. This would continue the process of reform initiated by the Report of the Independent Experts. In the absence of reform, significant risk remains to the market.

We also strongly urge the PJM Board to consider whether it is prudent to renew its contract with Monitoring Analytics, LLC at the end of its term of service.(3) The IMM has demonstrated that it lacks competency in the FTR markets, by failing to understand the nature and purpose of the product, as well as failing to identify the potential for catastrophic harm over a prolonged period of time. If the IMM had properly identified the risk of default in a timely manner, it is possible that the majority of this harm to the PJM markets and its participants could have been prevented.

Respectfully submitted,
A Concerned PJM Stakeholder

(1) Market Monitoring Services Agreement, Monitoring Analytics Rate Schedule FERC No. 46 at § 27, <https://www.pjm.com/directory/merged-tariffs/mmsa46.pdf>.

(2) See Long Term FTRs Proposal First Read, Markets and Reliability Committee (May 24, 2018), https://www.monitoringanalytics.com/reports/Presentations/2018/IMM_MRC_LT_FTR_Proposal_First_Read.pdf

(3) The Market Monitor's Service Agreement has a six year term, extending from January 1, 2020 to December 31, 2025.