

Comments of the Dayton Power & Light Company
Concerning the 2007 PJM Strategic Initiative

DPL appreciates the opportunity to offer its views on the initial recommendations of the 2007 PJM Strategic Initiative. We look forward to discussions with other stakeholders at the upcoming PJM Annual Meeting and the forthcoming stakeholder meetings. We would also like to thank PJM for considering our earlier comments in evaluating PJM's long term strategic direction.

- **Network Service and Operations**
 - *PJM develop a “living” technology plan. The plan would be developed initially with the Transmission Owners, vetted for discussion and comments with all of the Members and OPSI; and formally approved annually by the PJM Board.*
PJM develop a business plan for implementing a Web-based communications network utilizing SOA to enable a smart grid network among its Members and States. As a start, PJM recommends using the Powernet plan discussed in the Siemens paper.
 - *PJM enter into discussion with the FERC and OPSI on the issue of “technological obsolescence”; i.e. developing ratemaking procedures in order to incentivize investments in more efficient and reliable electric infrastructure and grid technology for the public good.*
 - *PJM work with State regulatory agencies to support their efforts to advance AMI and AMR technology and deployment consistent with the PJM living technology plan and development of the Powernet protocols to ensure a seamless development of “Prices to DevicesSM” in the future smart grid.*
 - DPL supports PJM initiated discussions with the TO's to gain consensus on a forward looking plan. PJM should not move forward without the full support of the TO's. We believe very strongly that membership in RTO's must provide net benefits. While considering any new initiative such as the network improvements and Smart Grid, PJM must consider the total cost/benefit being borne by transmission customers. With FERC's recent ruling regarding the socialization of high-voltage transmission project costs from the RTEP process (~\$4B of known, proposed upgrades), and other potential uplift charges, more and more costs will be pushed to the member utilities. The impact of the combination of socialized RTEP costs and additional costs from other PJM initiatives need to be considered in total. PJM must ensure that membership in its RTO remains beneficial to utility members.

- **Markets Administration**
 - *PJM complete its development of a perfect dispatch metric to measure and quantify operational excellence.*
 - *PJM improve Member training and retraining programs and explore the development of a PJM markets certification process.*
 - *PJM work with its Members to improve information transparency as part of a broader examination of market monitoring and mitigation.*
 - *PJM continue its efforts to work with policy makers and industry participants to maximize the availability of demand resources.*
 - *PJM continue its efforts to minimize the differences at seams.*
 - *PJM pursue a dialogue with New York and its participants concerning establishment of a planning protocol with New York complementary to PJM's 15-year planning process.*
 - *PJM establish a committee of experts to review credit and clearing mechanisms to reduce barriers to entry and enhance liquidity.*

- *PJM encourage third party efforts to develop user-based forward energy products on a voluntary basis without risk to Members.*
- *PJM establish a bulletin board for the use of buyers and sellers.*
- *PJM work with Members to facilitate long-term power purchase agreements and identify barriers to long-term power purchase contacts.*

- DPL agrees with PJM that there should be continual improvement in the area of efficient and correct dispatch. Information transparency needs to apply more to PJM System Operations dispatch outcomes than market bidding data. Deconstructed bid data will allow sophisticated participants to closely model and predict the costs of competitors as bids are unit specific and likely fuel and fuel transportation specific. No other commodity market discloses a breakdown of competitors costs at a level as proposed by PJM.

In the area of market products, we feel strongly that PJM should not become a market participant. PJM needs to ensure that fair and equitable markets for energy and energy related products develop. Dialog with stakeholders around creating a market platform where creative products developed by market participants could be offered would be beneficial.

- **Market Monitoring and Mitigation**

- *Commission an evaluation of the industry best practices of the definition of market power, the methods for identifying market power abuse, the philosophies and approaches to price mitigation and the degree of information transparency. This evaluation would be the starting point establishing definitional criteria to be included in the PJM tariff.*
- *Commission a review of the qualifications of independent external consultants to perform PJM's market monitoring functions and report back to the PJM Board on the benefits and risks of implementing a structural separation of market monitoring from internal PJM staff functions.*

- DPL applauds PJM for its willingness to review an area where numerous questions have been raised over a period of years. PJM should investigate industry best practices to determine an appropriate future direction. We strongly support the comments proposed by PJM's Ms. Zibelman at the recent FERC technical conference on market monitoring.

- **Governance**

- *The PJM Board conduct regular open forums at the Members Committee annual meeting and at a Members Committee regular meeting in the Fall, and conduct additional open forums at Members Committee meetings as appropriate in conjunction with matters of compelling interest.*
- *The PJM Board members attending Members Committee meetings participate in luncheon discussions with designated Member representatives to discuss topics identified by the Members Committee.*
- *Advance notice will be given of the PJM Board members who will attend each Members Committee meeting.*
- *The PJM Board send representatives to meetings of the TEAC at least annually with advance notice of the PJM Board member(s) attending such meetings.*
- *The PJM Board send representatives to meetings of the TOA-AC at least annually with advance notice of the PJM Board member(s) attending such meetings.*
- *The entire PJM Board meet at least once each year with the Board of Directors of OPSI.*

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- *The PJM Board periodically send representatives to meetings of MACRUC, SEARUC, MARC and NARUC, with advance notice of the PJM Board member(s) attending such meetings.*
- *The PJM Board periodically send representatives to meetings of other institutional entities (such as CERA), with advance notice of the PJM Board member(s) attending such meetings.*
- *Members with minority positions on matters that receive super-majority endorsements will be encouraged to communicate their positions to the PJM Board in writing.*
- *Where the Members Committee does not achieve a super majority vote, PJM staff will post statements of the majority, plurality and minority views on the PJM Web site, giving Members an opportunity to comment on those statements, prior to the PJM Board's taking action.*
- *PJM explore with the Members possible changes to the current voting structure to address Member concerns.*

- DPL believes that the membership interaction with the PJM Board of Managers could be improved. As a participant in MISO, Dayton has first hand experience with the greater opportunities for interaction between the board and stakeholders. These enhanced interactions could easily be adopted without compromising the independence of the board and satisfying stakeholder requests for additional opportunities to observe the board regarding critical stakeholder issues.

Whether it's the board members and/or PJM Management, PJM should increase the interaction with stakeholders as sectors to allow for the discussion of important issues on a periodic basis. We are supportive of the stakeholder generated improvements to the governance process to date and the recently completed changes that further enhance and define the role of PJM and the members in the stakeholder process.

DPL is sympathetic to concerns about major asset owner's under-representation in the governance process. However, small entities need representation as well. The proposed modification to add an additional voting measure, such as buyers and sellers, to the existing sector vote is clearly worth investigating. This would not compromise the value of one participant having one vote. However, it would add additional information that would allow the board to decide on critical cost allocation issues to better determine whether a majority is voting to shift costs inequitably to the minority.