UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Compensation for Generating Units Subject to Local Market Power Mitigation In Bid-Based Markets	Docket Nos. PL04-2-000
PJM Interconnection, L.L.C.	EL03-236-000

NOTICE OF TECHNICAL CONFERENCES

(January 28, 2004)

As previously announced in a notice issued January 12, 2004, conferences will be held on February 4 and 5, 2004, to discuss issues related to local market power mitigation and the methods of compensating must-run generators in organized markets.[1] The conferences will be held on February 4 and 5 beginning at 9:00 a.m. The conferences will take place at the offices of the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426. The Commissioners may attend all or part of the conferences.

The conference to be held on February 4, 2004, will focus on broad general principles for pricing of must-run generating units and the general framework the Commission should use to address this issue. The conference to be held on February 5, 2004, will focus on PJM's specific proposal regarding compensation for must-run generating units in Docket No. EL03-236 and how it fits within the broader framework.

The February 4, 2004 technical conference will include perspectives from key industry experts and market participants on local market power mitigation and Reliability Must-Run (RMR) issues. This conference will be structured as three panels with brief presentations and question and answer periods.

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[1] In an Order issued December 19, 2003, the Commission directed staff to convene a two-part technical conference on compensation of must run generating units. Compensation for Generating Units Subject to Local Market Power Mitigation in Bid-Based Markets, 105 FERC ¶ 61,312 (2003).

The subject areas to be considered at the conferences are given below, along with the agenda and confirmed speakers for the February 4, 2004 conference. A detailed list of questions that may be relevant for any panel or day of the conferences is included as an attachment to this Notice.

Issues to be discussed at each panel –

- Description and extent of local market power concerns
- Interaction between local market power concerns and RMR issues
- How important is additional infrastructure in mitigating local market power
- What are the appropriate ways to mitigate local market power and also meet reliability needs?
    - Spot market price mitigation
    - Market design changes
    - RMR contracts
    - Infrastructure solutions
- What mix of short-run and long-run solutions should be adopted?
- Prospects for successful implementation of solutions
- Is there a single policy that is applicable to all markets?

Region-specific issues (to be addressed during Afternoon Sessions #1 and #2 on February 4th and on February 5th)

- Effectiveness and success of current local market power mitigation approach
- Current concerns or issues (e.g., price impact, inadequate infrastructure, insufficient generator revenues) about local market power mitigation and possible solutions
- Proposed solutions being considered
- Infrastructure needs within region

Agenda for the February 4, 2004 Conference

Morning Session #1 (9:00 – 9:20)

Presentation on capital commitment/investment decision-making
Frank Napolitano, Lehman Brothers Inc.

Morning Session #2 (9:30 – 12:15)

Frank Napolitano	Lehman Brothers Inc.
Michael Schnitzer	The NorthBridge Group, representing Exelon Corp.
Bill Hogan	Harvard University
Roy Shanker	Consultant to generators and financial market participants
David Patton	Potomac Economics, MISO Market Monitor
Joe Bowring	PJM Market Monitor
Roy Thilly	Wisconsin Public Power Inc.
Abram Klein	Edison Mission Marketing & Trading

Afternoon Session #1 (1:30 – 3:00)

Mark Reeder	New York Public Service Commission
Steve Wemple	Con Edison Energy
Bob Ethier	ISO-NE Market Monitor
Steve Corneli	NRG Power Marketing Inc
Gunnar Jurgensen	Northeast Utilities/Select Energy
John Anderson	John Hancock

Afternoon Session #2 (3:15 – 4:45)

Keith Casey	CAISO
Danielle Jassaud	Public Utility Commission of Texas
John Meyer	Reliant Resources, Inc.
Judi Mosley	Pacific Gas & Electric Company

The February 5, 2004 PJM-specific technical conference will focus on the alternative local market power mitigation and RMR proposals and comments that have been filed in the Docket No. EL03-236-000 proceeding. The structure of this conference will be more informal than the general conference. PJM and the participants sponsoring alternative policies will present and discuss their proposals. Opportunity for additional comment will be provided. Issues addressed at the February 4 conference may be discussed at the PJM-specific conference.

Transcripts of the conference will be immediately available from Ace Reporting Company (202-347-3700 or 1-800-336-6646), for a fee. They will be available for the public on the Commission's e-Library two weeks after the conference. The Capitol Connection offers the opportunity for remote listening and viewing of the conference. It is available for a fee, live over the Internet, via C-Band Satellite. Persons interested in receiving the broadcast, or who need information on making arrangements should contact David Reininger or Julia Morelli at the Capitol Connection (703-993-3100) as soon as possible or visit the Capitol Connection website at http://www.capitolconnection.gmu.edu and click on “FERC”.

Questions about the February 4 conference should be directed to:

Michael Coleman
Office of Markets, Tariffs, and Rates
888 First Street, N.E.
Washington, D.C. 20426
202-502-8236
michael.coleman@ferc.gov

Questions about the February 5 PJM conference should be directed to:

David Kathan
Office of Markets, Tariffs, and Rates
888 First Street, N.E.
Washington, D.C. 20426
202-502-6404
david.kathan@ferc.gov

Magalie R. Salas
Secretary

Attachment to Notice of Technical Conference

Detailed Questions
Technical Conferences
February 4 and 5, 2004

1) What is local market power and why should it be mitigated? When should a supply offer be mitigated?

2) What are load pockets and what infrastructure is needed to resolve them?

3) What are the goals of local market power mitigation, and how do they fit with the goals of attracting and retaining needed infrastructure investment?

4) When does scarcity occur within a local area or load pocket?
   a. What distinguishes between short and long-term scarcity?
   b. How does one distinguish between scarcity pricing and monopoly rents?

5) How is infrastructure developed in load pockets?

6) What are the options for local market power mitigation?
   a) Bid Offer caps
      a. Unit-specific
      b. Seller-specific
      c. Region-specific
   b) RMR contracts
   c) Other

7) Which roles are appropriate and preferred for the following entities, and who should be responsible for addressing local market power and infrastructure development?
   a. Should RTOs and ISOs:
      i. Administer markets that appropriately value resources over time and location?
      ii. Administer local market power mitigation measures?
         1. What degree of discretion is appropriate?
      iii. Develop and enforce capacity obligations?
      iv. Negotiate contracts (e.g., RMR contracts) and auctions for

resources?

b. Should LSEs
    i. Have the responsibility to procure sufficient resources including in load pockets?
    ii. Pay for resources that RTOs and ISOs procure on their behalf?
c. State commissions
d. FERC

8) What approaches produce price signals and market structures that attract investment in load pockets?
    a. Relax market power mitigation
        i. Safe harbor bid adders (e.g., PUSH)
    b. Local installed capacity obligations (LICAP)
        i. Enforcement through capacity deficiency rate
        ii. Enforcement through spot price penalty
        iii. Duration of obligation
    c. Pricing of the value of operating reserves (scarcity pricing)
    d. State-approved curtailment plans
    e. Infrastructure related Credit Issues

9) For transparent market prices to attract and retain needed investment where and when needed, should these prices reflect:
    a. Short run marginal cost
    b. "Going forward" cost
    c. Long run marginal cost
    d. Sunk investment cost
    e. Other

10) Are long-term commitments necessary for investment in infrastructure (generation, transmission or demand response) to resolve or remove load pockets?

11) Under what conditions is an RTO-administered auction to acquire capacity in a local area warranted?
    a. Who can call for an auction?
    b. What resources will be able to bid into auction? Transmission? Existing generation units? Demand Response?

12) What are appropriate combinations of the market power mitigation measures and the local resource adequacy measures?