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MARKET MONITOR FINDS

PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE AT MID YEAR

*2009 Quarterly State of the Market Report for PJM: January through June Released*

(Eagleville, PA – August 14, 2009) – PJM Interconnection’s wholesale electric energy markets produced competitive results in the first half of 2009, according to the *2009 Quarterly State of the Market Report for PJM: January through June*, released today by Monitoring Analytics, LLC, the Independent Market Monitor for PJM.

Market Monitor Joseph Bowring commented on the findings of the report today. The report is the Market Monitoring Unit’s quarterly assessment of the competitiveness of the wholesale electricity markets managed by PJM in 13 states and the District of Columbia. It analyzes market structure, participant behavior and market performance.

“Our analysis concludes that the results of the PJM markets in the first half of 2009 were competitive,” Bowring said. “The Market Monitor’s annual recommendations of rules and rule changes required for continued competitive results and for continued improvements in the functioning of the markets, remain the same.”

Those recommendations include: enhancements to PJM’s scarcity pricing rules to create stages of scarcity and corresponding stages of locational scarcity pricing without lifting offer capping; improved pricing and management of power flows at the interfaces between PJM and its neighbors including measures to reduce gaming incentives; improvements in cost-based data submission by generation owners to permit better monitoring and better evaluation of the impacts of environmental costs on markets; and improved measurement and verification for PJM’s demand side programs.

The report finds competitive results for PJM’s Energy, Capacity, Regulation Market, Synchronized Reserve and Day Ahead Scheduling Reserve Markets and the Financial Transmission Rights Auctions. The results of the Regulation Market results were a change from prior conclusions. Bowring noted that “the application of the three pivotal supplier test for structural market power in the Regulation Market beginning on December 1, 2008 resolved the competition issues in the regulation market.”

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REMAIN COMPETITIVE**

The report also concludes that:

- Load weighted average prices in PJM declined 40.3 percent in the first half of 2009, when compared to calendar year 2008.
- Average hourly load declined 4.4 percent in the first half of 2009, when compared to calendar year 2008.
- The overall results support the conclusion that prices in PJM are set, on average, by generating units operating at or close to their short run marginal costs. This outcome is strong evidence of competitive behavior.

The Market Monitoring Unit evaluates the operation of PJM's wholesale markets to identify ineffective market rules and tariff provisions, identifies potential anticompetitive behavior by market participants and provides the comprehensive market analysis critical for informed policy decision making. Dr. Bowring, the market monitor, ensures the independence and objectivity of the monitoring program. The Market Monitoring Unit submits the State of the Market Report to the PJM Board and to the Federal Energy Regulatory Commission.

For a copy of the State of the Market Report, visit:

[http://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2009.shtml](http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2009.shtml)

*PJM Interconnection ensures the reliability of the high-voltage electric power system serving 51 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region's transmission grid, which includes 6,038 substations and 56,350 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. Visit PJM at [www.pjm.com](http://www.pjm.com).*

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