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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 September Released*

(Eagleville, PA – November 13, 2009) – PJM Interconnection’s wholesale electric energy markets produced competitive results in the first three quarters of 2009, according to the *2009 Quarterly State of the Market Report for PJM: January through September*, 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 three quarters of 2009 were competitive,” Bowring said. “One of the Market Monitor’s core functions is to recommend retention of key market rules, specific enhancements to those rules and implementation of new rules that are required for continued competitive results in PJM markets and for continued improvements in the functioning of PJM markets.”

The recommendations in the *Quarterly State of the Market Report* include: enhanced scarcity pricing rules to incorporate locational scarcity pricing without lifting offer capping, without increasing the current overall offer cap of \$1,000 per MWh and with an offset against capacity market revenues to prevent double payment of scarcity revenues; improved pricing and management of power flows at the interfaces between PJM and its neighbors including measures to reduce gaming incentives; improved measurement and verification for PJM’s demand side programs; elimination of all internal buses from eligibility for up-to congestion pricing; improved incentives in the Capacity Market; and the requirement that capacity resources make competitive offers in the Day-Ahead Energy Market.

The report finds competitive results for PJM’s Day-Ahead and Real-Time Energy markets, PJM’s Capacity Market, Regulation Market, Synchronized Reserve Markets and Day Ahead Scheduling Reserve Market and the Financial Transmission Rights Auctions in the first three quarters of 2009.

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The report also concludes that:

- Load weighted average real time prices in PJM declined 48.8 percent in the first three quarters of 2009, when compared to the first three quarters of 2008.
- Average hourly real time load declined 4.5 percent in the first three quarters of 2009, when compared to the first three quarters of 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 Monitoring Analytics at:

[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 more than 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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