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2011 Quarterly State of the Market Report for PJM: January through June Released

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE

(Eagleville, P.A. August 15, 2011) PJM Interconnection's wholesale electric Energy and Capacity Markets produced competitive results during the first six months of 2011, according to the 2011 Quarterly State of the Market Report: January through June, released today by Monitoring Analytics, LLC, the Independent Market Monitor for PJM.

Market Monitor, Joseph Bowring, announced findings of the report today. The report is the Independent Market Monitor'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 for each of the PJM markets.

"Our analysis concludes that the results of the PJM Energy and Capacity Markets in the first six months of 2011 were competitive," Bowring said.

Bowring also stated that "the MMU continues to recommend improvements to PJM's market design in order to enhance the competitiveness and efficiency of PJM markets."

The report found that real time load-weighted average energy prices increased 5.9 percent in the six months of 2011 compared to the first six months of 2010, \$48.47 per MWh versus \$45.75 per MWh, and that real time hourly average load increased 0.9 percent in the first six months of 2011 compared to the first six months of 2010, 78,823 MW versus 78,106 MW. Energy Market results for the first six months of 2011 generally reflected supply-demand fundamentals.

Operating reserve charges increased by 10.1 percent in the first six months of 2011 compared to the first six months of 2010. Reliability credits decreased \$9,827,203, or 18.2 percent, in the first six months of 2011 compared to the first six months of 2010, and deviation credits increased \$10,216,220, or 11.8 percent.

Congestion costs decreased in PJM by \$83.7 million or 13 percent in the first six months of 2011 compared to the first six months of 2010. Congestion reflects the underlying characteristics of the power system, including the nature and capability of transmission facilities, the cost and geographical distribution of generation facilities and the geographical distribution of load.

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REMAIN COMPETITIVE**

The Independent Market Monitor (also known as the Market Monitoring Unit or MMU) evaluates the operation of PJM's wholesale markets to identify ineffective market rules and tariff provisions, proposes improvements to market rules and tariff provisions when needed, identifies potential anticompetitive behavior by market participants and provides the comprehensive market analysis critical for informed policy decision making. Joseph Bowring, the Market Monitor, ensures the independence and objectivity of the monitoring program.

For a copy of the State of the Market Report, visit Monitoring Analytics at:
http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2011.shtml

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