



Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, PA 19403
Phone: 610-271-8050
Fax: 610-271-8057

FOR IMMEDIATE RELEASE

2012 State of the Market Report for PJM Released

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE

(Eagleville, PA March 14, 2013) PJM Interconnection's wholesale electric energy and capacity markets produced competitive results in 2012, according to the *2012 State of the Market Report for PJM*, released today by Monitoring Analytics, LLC, the Independent Market Monitor for PJM.

The Independent Market Monitor, Joseph Bowring, announced findings of the report today. The report is the Independent Market Monitor's annual 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 2012 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."

PJM energy prices were substantially lower. The load-weighted average LMP was 23.3 percent lower in 2012 than in 2011, the lowest annual average energy prices since 2002. The hourly average load increased 5.4 percent in 2012 compared to 2011 as a result of the integration of the ATSI control zone on June 1, 2011, and the Duke Energy Ohio/Kentucky (DEOK) control zone on January 1, 2012. But for those additions, load would have decreased by 2.0 percent.

Both coal and natural gas prices decreased in 2012. Net revenues from energy and capacity markets decreased in 2012 for a new entrant combined cycle energy, a new entrant combustion turbine and a new entrant coal plant in PJM in 2012. Energy market net revenues declined for new entrant coal and combustion turbine units in every zone in 2012. New combined cycle units continued to be cheaper than existing coal units. The fuel cost to produce a MWh from a new entrant combined cycle unit was below that of a new entrant coal plant for February through June but greater for January and July through December. However, the fuel cost of a new entrant combined cycle unit was below that of existing coal plants given that nearly all coal plants in PJM are 20 years or older.

-MORE-

**Page 2 of 2 / MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS
REMAIN COMPETITIVE**

Operating reserve charges increased by 7.6 percent to \$648.7 million in 2012 compared to 2011. Day-ahead operating reserve charges increased by \$78.8 million, or 90.2 percent, balancing operating reserve charges for reliability decreased by \$15.0 million, or 16.5 percent, balancing operating reserve charges for deviations decreased by \$33.8 million, or 8.9 percent and reactive services charges increased by \$11.1 million, or 27.4 percent.

Congestion costs decreased in PJM by \$470.0 million or 47.0 percent in 2012 compared to 2011. Congestion reflects the underlying characteristics of the power system, including the nature and capability of transmission facilities, the cost and geographic distribution of generation facilities and the geographic distribution of load.

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, monitors compliance with and implementation of the market rules, identifies potential anticompetitive behavior by market participants and provides comprehensive market analysis critical for informed policy and 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/2012.shtml

#####