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FOR IMMEDIATE RELEASE

2012 Quarterly State of the Market Report for PJM: January through March Released

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE

(Eagleville, P.A. May 17, 2012) PJM Interconnection's wholesale electric energy and capacity markets produced competitive results during the first three months of 2012, according to the 2012 Quarterly State of the Market Report: January through March, 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 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 three months of 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."

Both coal and natural gas decreased in price in the first quarter of 2012, although the decline in gas prices was significantly larger than the decline in coal prices. PJM LMPs were substantially lower. The load-weighted average LMP was 32.7 percent lower in the first three months of 2012 than in the first three months of 2011, resulting in the lowest first quarter prices since 2002. The hourly average load increased 6.5 percent in the first three months of 2012 compared to the first three months of 2011, 86,310 MW versus 81,018 MW, as a result of the integration of the Duke Energy Ohio/Kentucky (DEOK) control zone on January 1, 2012, and the integration of the ATSI zone in 2011.

The market results in the first quarter of 2012 continued to be generally positive for new combined cycle gas units. The result of the continued decline in gas prices compared to coal prices was that the fuel cost to produce a MWh from a new entrant combined cycle unit fell below that of a new entrant coal plant in the first quarter of 2012. New entrant combined cycle net revenues were higher in about half the zones in the first quarter of 2012. The market results in the first quarter of 2012 continued to be generally negative for coal fired units. Net revenues declined for new entrant coal units in every zone in the first quarter of 2012.

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REMAIN COMPETITIVE**

Operating reserve charges decreased by 20.7 percent to \$99.3 million in the first three months of 2012 compared to the first three months of 2011. Balancing operating reserve charges for reliability decreased by \$0.8 million, or 3.5 percent, while balancing reserve charges for deviations decreased by \$24.6 million, or 42.4 percent.

Congestion costs decreased in PJM by \$237.1 million or 65.9 percent in the first three months of 2012 compared to the first three months of 2011. 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.

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/2012.shtml

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