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FOR IMMEDIATE RELEASE

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

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE

(Eagleville, PA November 15, 2012) PJM Interconnection's wholesale electric energy and capacity markets produced competitive results during the first nine months of 2012, according to the *2012 Quarterly State of the Market Report for PJM: January through September*, 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 nine 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."

PJM energy prices were substantially lower. The load-weighted average LMP was 29.2 percent lower in the first nine months of 2012 than in the first nine months of 2011, the lowest nine-month average energy prices since 2002. The hourly average load increased 5.9 percent in the first nine months of 2012 compared to the first nine months of 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 0.9 percent.

Both coal and natural gas prices decreased in the first nine months of 2012, although the decline in gas prices was larger than the decline in coal prices. The fuel cost to produce a MWh from a new entrant combined cycle unit was below that of a new entrant coal plant in the first nine months of 2012. Despite that, new entrant combined cycle energy market net revenues were lower in the majority of zones in the first nine months of 2012. Energy market net revenues declined for new entrant coal and combustion turbine units in every zone in the first nine months of 2012.

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REMAIN COMPETITIVE**

Operating reserve charges decreased by 8.9 percent to \$437.0 million in the first nine months of 2012 compared to the first nine months of 2011. Balancing operating reserve charges for reliability decreased by \$5.3 million, or 7.1 percent, while balancing operating reserve charges for deviations decreased by \$47.4 million, or 27.6 percent.

Congestion costs decreased in PJM by \$449.7 million or 51.4 percent in the first nine months of 2012 compared to the first nine months of 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

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