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FOR IMMEDIATE RELEASE

2013 Quarterly State of the Market Report for PJM: January through September Released

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE

(Eagleville, PA November 14, 2013) PJM Interconnection's wholesale electric energy and capacity markets produced competitive results in the first nine months of 2013, according to the *2013 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 2013 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."

A combination of increased, weather related, demand, and higher fuel costs led to an increase in energy prices compared to the first nine months of 2012. The load-weighted average LMP increased 13.5 percent in the first nine months of 2013 compared to the first nine months of 2012, from \$35.02 per MWh to \$39.75 per MWh.

The price of natural gas was higher and the price of coal was relatively flat in the first nine months of 2013 compared to the first nine months of 2012. As a result of the relative changes in fuel costs, coal-fired units were more competitive with gas-fired units, coal output increased by 6.2 percent in the nine months of 2013 and gas output decreased by 16.1 percent in the same period, continuing the short term reversal of the trend towards reduced coal output.

The results of the energy market dynamics in the first nine months of 2013 were generally positive for new coal units. The combination of higher energy prices and higher gas prices relative to coal prices resulted in significantly higher energy market net revenues for a new entrant coal plant in all PJM zones. In the first nine months of 2013, average energy market net revenues for a new entrant coal plant were 133 percent greater than in the first nine months of

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REMAIN COMPETITIVE**

2012 while average energy market net revenues for a new entrant gas fired combined cycle unit were 15 percent lower.

Operating reserve charges increased by 33.7 percent to \$652.9 million in the first nine months of 2013 compared to the first nine months of 2012. Day-ahead operating reserve charges decreased by \$11.7 million, or 13.7 percent, balancing operating reserve charges for reliability decreased by \$28.2 million, or 40.6 percent, and balancing operating reserve charges for deviations decreased by \$2.1 million, or 0.8 percent. Reactive services charges increased by \$145.1 million, or 294.0 percent. PJM began categorizing the costs of operating reserves paid to black start units as black start charges in December 2012 and these black start charges were \$68.9 million in the first nine months of 2013.

Congestion costs increased in PJM by \$83.5 million or 19.6 percent in the first nine months of 2013 compared to the first nine months of 2012. Congestion reflects the underlying characteristics of the power system, including the nature and capability of transmission facilities, the fuel cost and geographic distribution of generation facilities and the geographic distribution of load.

The correct FTR payout ratio for the first four months of the 2013 to 2014 planning period was 78.3 percent, a decrease from the 81.5 percent for the first four months of the 2012 to 2013 planning period. Monthly Balance of Planning Period Auction revenue increased by a \$17.1 million (29.0 percent) from \$59.0 million in 2012 to \$76.1 million in 2013. Monthly Balance of Planning Period Auction bids increased by 600,000 MW (6.5 percent) from 9.2 million MW in 2012 to 9.8 million MW in 2013. Monthly Balance of Planning Period Auction cleared MW increased by 400,000 MW (44.2 percent) from 0.9 million MW in 2012 to 1.3 million MW in 2013.

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/2013.shtml

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