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FOR IMMEDIATE RELEASE

2015 State of the Market Report for PJM

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS COMPETITIVE

(Eagleville, PA March 10, 2016) PJM Interconnection's wholesale electric energy, capacity and regulation markets produced competitive results during 2015, according to the *2015 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 assessment of the competitiveness of the wholesale electricity markets managed by PJM in 13 states and the District of Columbia. The report includes analysis of market structure, participant behavior and market performance for each of the PJM markets.

"Our analysis concludes that the results of the PJM Energy, Capacity and Regulation Markets in 2015 were competitive," Bowring said.

Energy market prices decreased significantly from 2014 as a combined result of lower fuel prices and lower demand. The load-weighted average real-time LMP was 31.9 percent lower in 2015 than in 2014, \$36.16 per MWh versus \$53.14 per MWh. If fuel costs in 2015 had been the same as in 2014, holding everything else constant, the load-weighted LMP would have been higher, \$41.91 per MWh instead of the observed \$36.16 per MWh. While fuel costs contributed to lower prices, the load-weighted average LMP would still have been 21.1 percent lower in 2015 than in 2014 even if fuel costs had not decreased.

Energy prices in PJM in 2015 were set, on average, by units operating at, or close to, their short run marginal costs, although this was not always the case during high demand hours. This is evidence of generally competitive behavior and resulted in a competitive energy market outcome.

Net revenue is a key measure of overall market performance as well as a measure of the incentive to invest in new generation to serve PJM markets. In 2015, average energy market net revenues decreased by 23 percent for a new combustion turbine, 27 percent for a new combined cycle, 66 percent for a new coal plant and 38 percent for a new nuclear plant. While net revenues were lower for new entrant units in 2015 than in 2014, the comparison to 2014 reflects the very high net revenues in January 2014. Net revenues in 2015 continued to exceed the net cost of new entry for new gas-fired units in most eastern PJM zones.

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Page 2 of 2 MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS COMPETITIVE

Total energy uplift charges decreased by \$646.3 million or 67.3 percent in 2015 compared to 2014, from \$960.5 million to \$314.2 million.

Total payments for demand response programs increased by \$127 million or 18.2 percent, from \$698.5 million in 2014 to \$825.6 million in 2015. The capacity market is the primary source of revenue to participants in PJM demand response programs. In 2015, payments to demand response resources in the capacity market increased \$136.4 million while payments in the economic program decreased by \$9.5 million, a 53.2 percent decrease.

Congestion costs decreased by \$546.9 million or 28.3 percent, from \$1,932.2 million in 2014 to \$1,385.3 million in 2015. Congestion reflects the underlying characteristics of the power system, including the capability of transmission facilities, the fuel cost and geographic distribution of generation facilities and the geographic distribution of load. Congestion is neither good nor bad, but is a direct measure of the extent to which there are multiple marginal generating units dispatched to serve load as a result of transmission constraints and the costs of operating those units.

ARR and self-scheduled FTR revenues offset 30.7 percent of total congestion costs for the 2014 to 2015 planning period and offset 85.8 percent of total congestion costs for the first seven months of the 2015 to 2016 planning period.

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/2015.shtml