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2015 State of the Market Report for PJM: January through June

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS COMPETITIVE

(Eagleville, PA August 13, 2015) PJM Interconnection's wholesale electric energy, capacity and regulation markets produced competitive results during the first six months of 2015, according to the *2015 Quarterly State of the Market Report for PJM: January through June*, 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 the first six months of 2015 were competitive," Bowring said.

Energy market prices decreased significantly from the first six months of 2014 as a combined result of lower fuel prices and lower demand. The load-weighted average real-time LMP was 39.5 percent lower in the first six months of 2015 than in the first six months of 2014, \$42.30 per MWh versus \$69.92 per MWh.

Energy prices in PJM in the first six months of 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 the high demand hours in February. This is evidence of generally competitive behavior and resulted in a competitive 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. While net revenues were uniformly lower for new entrant units in the first six months of 2015 than in the first six months of 2014, net revenues for new entrant gas and coal units were generally higher in the first six months of 2015 than in the first six months of every other year since 2009. The comparison to the first six months of 2014 reflects the very high net revenues in January 2014. In the first six months of 2015, average energy market net revenues decreased by 24 percent for a new CT, 26 percent for a new CC, 58 percent for a new CP, 70 percent for a new DS, 45 percent for a new nuclear plant, 24 percent for a new wind installation, and 10 percent for a new solar installation.

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Total energy uplift charges decreased by \$590.1 million or 71.0 percent in the first six months of 2015 compared to the first six months of 2014, from \$831.5 million to \$241.4 million.

Congestion costs decreased by \$523.6 million or 36.3 percent, from \$1,442.3 million in the first six months of 2014 to \$918.6 million in the first six months of 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. ARRs and FTRs served as an effective, but not total, offset against congestion. ARR and FTR revenues offset 88.3 percent of the total congestion costs in the Day-Ahead Energy Market and the balancing energy market within PJM for the 2014 to 2015 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