



# State of the Market Report 2006

MRC  
Summary

Joseph Bowring  
Market Monitor

March 21, 2007

- Energy Market results were competitive
- Capacity Market results were competitive
- Regulation Market results cannot be determined to have been competitive or to have been noncompetitive
- Spinning Market results were competitive
- FTR Market results were competitive



- Retention and application of the improved local market power mitigation rules
- Retention of the \$1,000 per MWh offer cap in the PJM Energy Market and other rules that limit incentives to exercise market power
- Implementation of the rules included in PJM's Reliability Pricing Model (RPM) Tariff
- Enhancements to PJM's rules governing operating reserve credits

- Continued enhancements to the cost-benefit analysis of congestion and transmission investments
- Continued enhancement of PJM's posting of market data to promote market transparency.
- Provision of data for external control areas to PJM to enable improved analysis of loop flows in order to enhance the efficiency of PJM markets.
- Evaluation of additional actions to increase demand-side responsiveness to price

- Enhancements to PJM's scarcity pricing rules
- Implementation of targeted, flexible real-time market power mitigation in the Regulation Market.
- Consistent application of local market power rules to all constraints.
- Consideration by the FERC of ending the exemption from offer capping currently applicable to certain units, if those units exercise local market power.



- Components of LMP
- Markup
- Net revenue
- Spot market
- Three pivotal supplier test
- Congestion