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FOR IMMEDIATE RELEASE

2011 State of the Market Report for PJM Released

MARKET MONITOR FINDS PJM WHOLESALE ELECTRICITY MARKETS REMAIN COMPETITIVE

(Eagleville, PA, March 15, 2012) PJM Interconnection's wholesale electric energy and capacity markets produced competitive results during 2011, according to the 2011 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 annual 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 2011 were competitive," Bowring said.

The report noted that gas prices fell and coal prices rose in 2011. Gas prices decreased on average by 10 percent and coal prices increased on average by 19 percent in 2011. PJM LMPs were lower. The load-weighted average LMP was five percent lower in 2011. PJM capacity prices were lower. PJM average capacity prices were 18 percent lower in 2011. Operating reserve charges increased by 1.0 percent in 2011. Congestion costs decreased in PJM by 29.9 percent in 2011.

The report concluded that the market results in 2011 were generally positive for gas fired units, especially new combined cycle units. Total new entrant combined cycle revenues were generally higher in 2011 and exceeded the threshold to incent new entry for most zones.

Five large plants, each over 500 MW, began generating in PJM in 2011. This is the first time since 2006 that a plant rated at more than 500 MW has come online in PJM. Overall, 5,008 MW of nameplate capacity were added in PJM in 2011. Average offered supply increased by 14,478, or 9.3 percent, from 156,003 MW in the summer of 2010 to 170,481 MW in the summer of 2011, including the integration of the ATSI zone in the second quarter.

The report concluded that the market results in 2011 were generally negative for coal fired units, especially older, smaller coal fired units. The profitability of coal units declined as a result

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REMAIN COMPETITIVE**

of declining revenues and increased costs. The situation was worse for units requiring additional investments to meet environmental regulations.

A total of 1,322.3 MW of generation capacity retired in 2011, and it is expected that a total of 18,886 MW will retire from 2011 through 2019, with most of this capacity retiring by the end of 2015. Units planning to retire in 2012 make up 7,189 MW, or 41 percent of all planned retirements. In addition, between 5,764 and 6,936 MW of coal generation is at risk in the PJM market areas that participate in PJM capacity markets.

Bowring stated that the PJM capacity market makes the PJM markets more flexible and more able to adapt to the significant changes that are affecting PJM market participants. 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.” Bowring noted that “there are still areas of market design that need further improvement in order to ensure that the PJM markets continue to adapt successfully to changing conditions.”

The report concluded that the PJM markets and PJM market participants from all sectors face significant challenges as a result of the changing economic environment. PJM and its market participants worked constructively to address these challenges in 2011 and will need to continue to do so to ensure the continued effectiveness of PJM markets.

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, identifies potential anticompetitive behavior by market participants and provides the comprehensive market analysis critical for informed policy 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/2011.shtml

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