



MARKET MONITORING ISSUES

Energy Market Committee
December 5, 2001

Joseph E. Bowring
Manager
PJM Market Monitoring Unit



Current MMU Issues

- PJM West market analysis for cost capping
 - Preliminary results do not provide support for exempting any of the 500 KV lines from cost capping
 - Will finalize and present results
- PJM West ACAP market
 - The market is not competitive at this time
 - Limited number of suppliers participating
 - Low LSE demand



Current MMU Issues

- MMU report to PAPUC on capacity markets in first quarter of 2001
- Report finds that a single entity did exercise market power
- PAPUC opened an investigation based on the MMU report
 - November 30
 - PAPUC requested comments by January 15

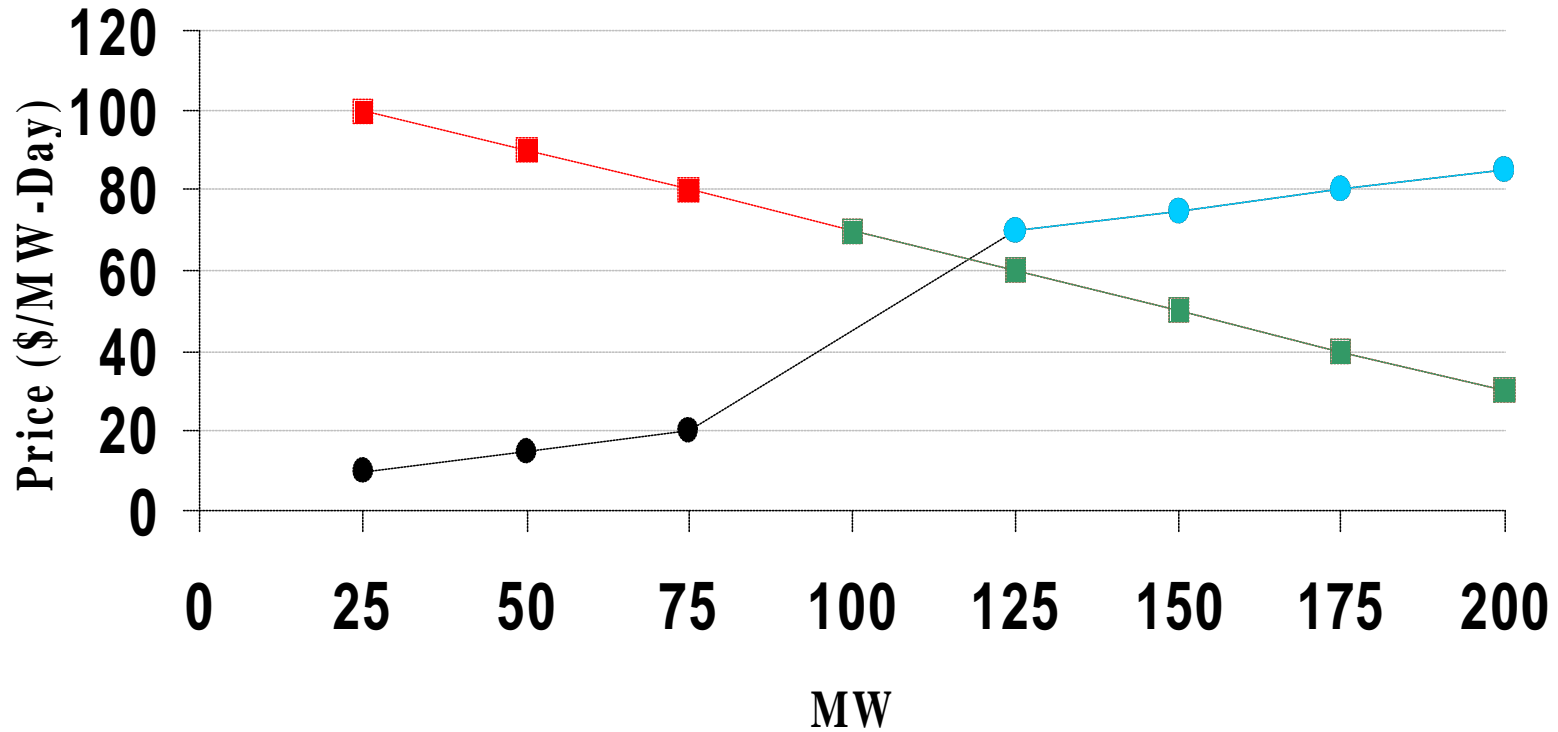


Current MMU Issues

- MMU will implement offer screens for the ICAP market
- Will post exact details of screen
- Short term implementation (until long term ICAP market changes in 6/03)
- Interval markets only
- Only if pivotal supplier
- If market is short, \$177/MW-day
- Use marginal costs
 - All relevant marginal costs
 - All relevant opportunity costs
 - External energy market forward spreads
 - Foregone optionality
- If offer fails screen
 - Discussion with seller



Capacity Credit Market Supply and Demand



● Offer ■ Bid ● Offers NOT Cleared ■ Bids NOT Cleared

Market clears 75 MW at \$20/MW-Day