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## **PJM PAPER IDENTIFIES VALUE OF MARKETS IN ATTRACTING NEW INVESTMENT**

*PJM Markets effectively manage entry and exit of resources*

(Valley Forge, Pa. – May 6, 2016) – PJM Interconnection asserted today that its markets are a more efficient means of attracting cost-effective new generation resources while minimizing risk to consumers. PJM’s analysis on the effectiveness of its markets is outlined in a detailed study published yesterday.

The [“Resource Investment in Competitive Markets”](#) paper was developed to help policymakers, PJM members and other stakeholders understand the value markets provide and appreciate trade-offs in market efficiency that may result from potential public policy decisions.

“In addition to the well-recognized contributions that markets make to reliable electricity—such as operational efficiency, transparent price signals and the ability to accommodate innovative technologies—this study had some surprises,” said PJM CEO Andrew Ott.

“Once the cost of risk on consumers is taken into account, customers of merchant generation in PJM are procuring electricity at prices generally lower than under traditionally regulated structures,” Ott said.

The paper addresses the market’s effect on the entry of new resources, innovation, the exit of resources and public policy decisions. It was developed by a team of PJM thought-leaders, economists, analysts and industry experts.

The analysis shows that markets are providing adequate returns to incent new generation investment and that returns for investors in regulated generation are notably higher than the risk models predict, given the lower risks they face.

Other key findings are:

- Markets provide a transparent environment that allows any project or technology to demonstrate its value to the customer and to flourish or fail based on its merit.
- PJM’s markets are producing prices that efficiently and reliably signal the entry of efficient, new resources and the exit of older, uneconomic resources.
- No evidence suggests that older but economically viable resources are not being adequately compensated or are forced to retire prematurely.
- When pursuing other social or environmental public policy objectives, policymakers must weigh the trade-offs of taking actions that defeat efficient market outcomes.

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“Although PJM markets excel at handling a changing resource mix, our continuing ability to rely on market forces to do so is threatened,” said Ott. “The possibility of actions to promote other policy interests can distort wholesale market price outcomes and threaten the ability of markets to efficiently assure resource adequacy.”

The paper can be found at <http://www.pjm.com/documents/reports.aspx#other>

*PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 61 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region’s transmission grid, which includes 72,075 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. Visit PJM at [www.pjm.com](http://www.pjm.com).*