

FOR IMMEDIATE RELEASE

**PJM Report on Cold Weather Performance Shows
Grid Performed Well, Need for Pricing Reform**

(Valley Forge, Pa. – Feb. 26, 2018) – PJM Interconnection’s [report](#), released today, on grid performance during the winter’s cold snap shows that the grid and the generation fleet performed well during one of the coldest stretches since the 2014 Polar Vortex. With excellent coordination and cooperation with PJM members, the PJM grid remained reliable.

Though not as severe as the 2014 Polar Vortex, the cold snap demonstrated the robustness of the grid and the effectiveness of the changes implemented since the Polar Vortex. Thanks to the reliable operations from PJM members and operators, the system performed well in the cold snap, evidence that the grid in the PJM region remains strong, diverse and reliable, according to the report, *PJM Cold Snap Performance Dec. 28, 2017 to Jan. 7, 2018*.

Between Dec. 28, 2017, and Jan. 7, 2018, PJM experienced one of its top 10 winter peak demand days. On Jan. 5, 2018, demand reached 137,522 megawatts, which is the sixth highest overall winter peak demand. During the cold snap, the grid and the generation fleet performed well. Even during peak demand, PJM had excess reserves and capacity.

However, there was an 11-fold increase in uplift charges during the cold snap period. The report also says the spike in uplift charges during the cold snap shows the need to reform pricing for energy and reserves.

Uplift is paid to generators when locational marginal prices do not cover the costs of units needed to serve load. Over the last several years, uplift charges have been relatively low in PJM, averaging approximately \$389,000 per day. By contrast, during the peak days of the cold snap, uplift charges averaged approximately \$4.3 million per day.

“We must enhance market pricing so that prices accurately reflect the cost of serving load including the actions taken by dispatchers,” said PJM President and CEO Andrew L. Ott. “The need for out-of-market uplift payments is a symptom that pricing for reserves and energy is incorrect.

“Uplift is not transparent, and that increases risk to suppliers and introduces a risk premium to their customers.”

The report says PJM and stakeholders need to evaluate and implement reforms in a timely manner, including the manner in which reserves are procured and priced, enhancements to shortage pricing, and the calculation of locational marginal pricing.

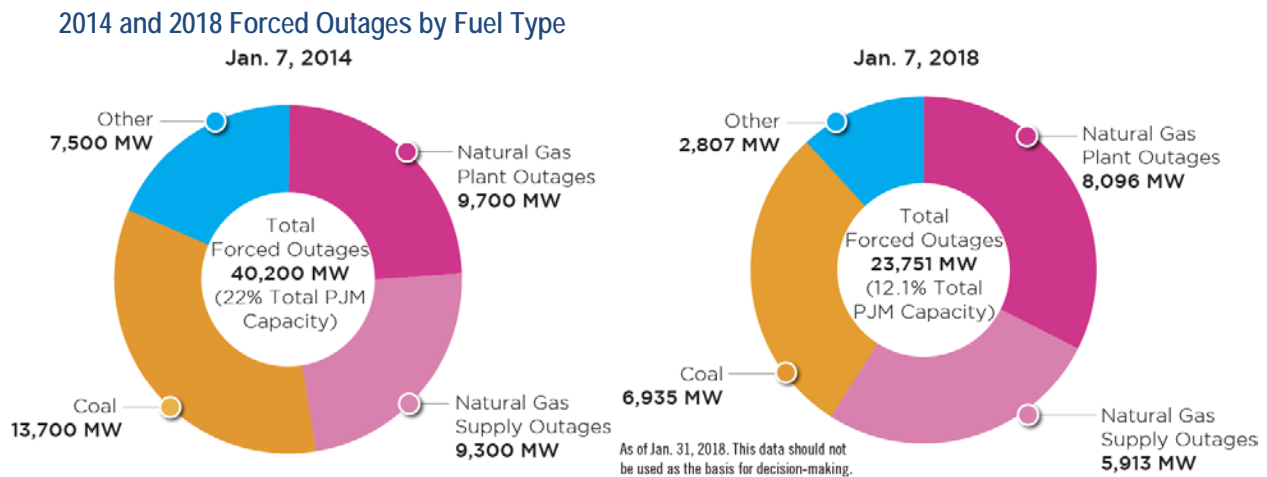
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PJM’s current method of pricing energy was chosen because it was simple in both concept and implementation. There always have been circumstances under this method where prices could fail to reflect all elements relevant to sending the right market signals.

When an inflexible unit that is scheduled to serve demand is precluded from setting price, the price does not accurately reflect the true incremental cost to serve load.

According to the report, overall, there was a significant reduction of forced/unplanned generator outages compared to the winter of 2014 to 2015. The reduction in forced outages is partially attributed to the wind chill impact being lower during the cold snap than it was in 2014 and 2015. Despite stressed conditions and the situation not being 100 percent comparable to the Polar Vortex, forced outages, both at the plant level and in the area of gas supply, were all significantly reduced.



While the grid performed well, the report noted that there are always areas for additional improvement and indicated that fuel security and stressed operations should be areas of focus for PJM and its members. Additional fuel security measures could include enhanced gas-electric coordination and fuel-oil supply and transportation tracking. The report also called for additional modeling and analysis of operations in extreme cold weather over an extended period.

[PJM Interconnection](#), founded in 1927, ensures the reliability of the high-voltage electric power system serving 65 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 over 82,000 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. PJM’s regional grid and market operations produce annual savings of \$2.8 billion to \$3.1 billion. For the latest news about PJM, visit PJM Inside Lines at insidelines.pjm.com.