



FOR IMMEDIATE RELEASE

PJM RELIABILITY PRICING MODEL AUCTION DRAWS LARGEST AMOUNT OF NEW CAPACITY SO FAR

(Valley Forge, Pa. – Feb. 1, 2008) – The fourth PJM Interconnection base residual auction for capacity using the Reliability Pricing Model (RPM) continued the trend of increased generation and demand resources available to serve consumers. Results of the fourth auction, which was for the planning year June 2010 through May 2011, were posted today.

“For this auction by itself we saw the largest net increase in capacity since we began the RPM auctions,” said Andrew L. Ott, PJM vice president-Markets. “We added a net 1500 megawatts of resources.”

“Looking at the combined results of the four base auctions, the net minimum increase in capacity was 10,000 megawatts compared to what would have been available absent RPM,” Ott added. “In other words, there will be 10,000 megawatts of capacity ready to keep the lights on for consumers that wouldn’t have been there without RPM.”

The recent auction produced a clearing price for most of the PJM region of \$174.29 per megawatt-day. The clearing prices for the previous delivery year, 2009-2010, were \$237.33 in the Baltimore-Washington area, \$191.24 in the Mid-Atlantic region and \$102.04 in the western portion of the PJM market area.

Prices were reduced in the Baltimore-Washington and Mid-Atlantic areas and increased in the western portion of the region due to capacity exports and load growth.

RPM sends price signals that attract resources to the areas where they are most needed. Capacity prices can vary by region depending on capacity supplies and transmission capacity. In this auction, only the Delmarva Peninsula south of the Chesapeake and Delaware Canal was constrained. The RPM clearing price there is \$186.12.

“Customers’ use of electricity continues to grow every year, but the addition of new capacity to provide electricity for them has slowed,” Ott said. “RPM provides the needed incentive to add more generation and demand response and to retain existing generation.”

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The RPM ensures that electricity providers have enough capacity—power to be drawn from when needed—to reliably serve the 51 million people in the PJM region. PJM members that sell electricity to end-use customers must have access to adequate power supplies. They can use generation, transmission or demand response, including energy-efficiency programs. They can meet their supply requirements by owning resources (self-supply) or contracting for them (bilaterals).

The RPM auctions procure capacity needed after participants have specified self-supply and contracted (bilateral) resources. The next base residual auction will be in May 2008. It will be for the delivery year 2011-2012.

Capacity prices are paid by electricity providers at a wholesale level, and the price that is passed through to retail consumers differs by company.

PJM Interconnection ensures the reliability of the high-voltage electric power system serving 51 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 6,038 substations and 56,250 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.

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