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PJM SETTLEMENT, INC. NOW HANDLING PJM MEMBER TRANSACTIONS

New subsidiary reduces members' credit risk

(Valley Forge, Pa. – Jan. 5, 2011) – A new PJM Interconnection subsidiary, PJM Settlement, Inc., has begun handling all settlements and issuing billing statements for PJM members' wholesale electricity market and other transactions. The change reduces members' credit risk.

"PJM Settlement, Inc. benefits our members by providing clear legal standing to collect unpaid balances of defaulted payments on behalf of other members, who have to share the costs of a payment default," said Suzanne Daugherty, vice president, chief financial officer and treasurer.

The change provides PJM unambiguous authority to continue to net a member's offsetting financial positions, minimizing members' costs to transact in PJM markets. Daugherty explained that PJM Settlement, Inc. now has "flash title" to act as a counterparty to members' pool transactions, which enables its legal standing. Outside of the new legal status, the transition should be seamless to members, with merely a logo change on their billing statements and settling invoices with a different bank account but no additional costs.

The Federal Energy Regulatory Commission approved PJM's proposal to create the entity on Dec. 30, 2010. This title clarity complies with a recent FERC ruling on credit policy requirements for grid operators.

The PJM subsidiary will issue billing statements, receive and remit payments from members, and manage credit. All members of PJM automatically are members of PJM Settlement Inc., and, although there is a rate structure for its services, the fees from PJM Settlement, Inc. will "net to zero" when balanced with credits from PJM, resulting in no additional costs to members.

PJM Settlement Inc., a Pennsylvania nonprofit corporation, has a service agreement with PJM to provide and retain services, including PJM staff support. The new entity is subject to the same yearly SAS 70 audits that PJM has undertaken and passed for a decade.

PJM Interconnection, founded in 1927, 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 56,500 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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