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DEMAND RESOURCES AND ENERGY EFFICIENCY CONTINUE TO GROW IN PJM'S RPM AUCTION

Renewable resources offer more capacity

(Valley Forge, Pa. – May 13, 2011) – Renewable resources, including demand response and energy efficiency, made up nearly 68 percent of the new capacity available and about 10 percent of the resources clearing PJM Interconnection's recently completed capacity auction.

PJM today announced the results of its Reliability Pricing Model (RPM) capacity auction for resources to meet customers' electric power demand in the June 1, 2014, to May 31, 2015, delivery year. RPM commits resources three years in advance to be made available to preserve reliability.

"The increase in demand resources follows the introduction of two new demand resource products in addition to the existing product—one available throughout the year and another available for an extended summer period," said Andrew Ott, PJM senior vice president – Markets. "There was more than a 50 percent increase in the amount of demand resources that cleared this year over last year.

"In addition, investment in new generation and upgrades to existing generation resources are occurring showing that generation owners are investing capacity revenues to maintain and enhance existing units."

PJM's analysis shows that, since the first auction in 2007, the RPM has retained and attracted 40,787 megawatts (MW) of power capacity resources compared to what would have happened without the RPM.

The RPM auction procured 149,974 MW of capacity resources including 14,118 MW of demand response (a 52-percent increase compared to last year's auction results), 822 MW of energy efficiency, 695 MW of wind power and 45.6 MW of solar power. Because wind and solar are intermittent, only part of their output is counted on for reliable power supplies. The wind clearing the auction represents 5,349 MW of wind offered, and the solar power represents 120 MW of solar energy. More than 757 MW of new generation was located in transmission-constrained areas. The installed capacity represents a 19.6 percent reserve margin for the RTO.

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The resources clearing price for all resources except for limited demand response in PJM will be \$125.99 per megawatt-day (MW-day). In the northern New Jersey area, which is transmission-constrained, the price will be \$225 per MW-day, a decrease of about \$20 over last year.

In PJM's MAAC area the price of capacity will be \$136.50 MW-day, a decrease of about \$100 from last year. (The MAAC price applies to the transmission zones of Baltimore Gas and Electric Company, Metropolitan Edison Company, Pennsylvania Electric Company, PPL Electric Utilities, Atlantic City Electric, Delmarva Power, Jersey Central Power and Light Company, PECO, Public Service Electric and Gas Company, and Rockland Electric Company.) The non-MAAC region, will pay the RTO price of \$125.99, an increase of about \$100. This region includes western Pennsylvania, western Maryland, Ohio, Indiana, Michigan, Kentucky and Virginia.

"The convergence of prices between the eastern and western regions of the market is primarily driven by the significant reduction in forecasted load growth through 2014/2015," Ott said.

The RPM ensures that electricity providers have enough capacity – power to be drawn from when needed – to reliably serve the 54 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 and energy-efficiency programs. The RPM auction procures any remaining needed capacity.

Demand response is a voluntary, temporary reduction in the use of electricity. A key feature of the RPM is the ability of demand response and energy efficiency to compete with and to be paid the same as generation. Energy efficiency represents conservation and other means to permanently reduce electricity usage by generally large industrial or commercial customers.

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 54 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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