FOR IMMEDIATE RELEASE

PJM IMPLEMENTS INNOVATIVE PAY FOR PERFORMANCE MODEL
FOR REGULATION SERVICE
New market structure will attract new technologies to regulation service

(Valley Forge, Pa. – Oct. 2, 2012) – PJM Interconnection yesterday successfully implemented its new Performance-Based Regulation rules, a means to align compensation with actual performance for resources that provide regulation service.

Regulation service, a separate market from energy and capacity, corrects for short-term changes in electricity use that might affect the stability of the power system.

“This new compensation structure creates greater incentive compensation for high performing existing resources—and incentive for development of new, fast responding technologies, such as batteries or flywheels, to participate in this market,” said Andrew L. Ott, senior vice president – PJM Markets. “Ultimately, as the actual performance of regulation providers is better matched with the amount of resources needed, the system should realize greater efficiency and savings.”

PJM uses a variety of resources to meet frequency regulation needs. These resources differ in the speed in which they can increase and decrease their production, and differ in the accuracy of their response to the dispatch signal. Prior to this new structure, the regulation market did not distinguish between various levels of performance, and all resources were paid the same if they met minimum performance standards.

PJM also implemented a structure for shortage pricing yesterday. Shortage pricing establishes new rules for setting prices when PJM is operating at or close to a shortage of operating reserves. Reserves are resources that are not supplying the system but are quickly available to provide energy if needed. PJM seeks to have enough energy reserves to handle the loss of the largest generating unit on the system at the time.

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 60 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 59,750 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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