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**PJM COMPLETES FIRST
RELIABILITY PRICING MODEL AUCTION**

*New Electric Capacity Auction Provides
Financial Incentive for Needed Resources*

(Valley Forge, Pa. – April 16, 2007) – PJM Interconnection has reached a significant milestone in its development of a forward electricity market with the completion of the first annual capacity auction under its Reliability Pricing Model (RPM). Auction results were posted at the close of business Friday.

Successful bidders in the auction included new generation resources and demand response resources.

“The auction went smoothly and participation was active,” said Andrew L. Ott, PJM vice president–Market Services. “Because they’re above the cost of new entry, the clearing prices in Eastern and Southwestern MAAC should create considerable interest from the investment community to add resources in these tight areas.”

“These results match the goals of the RPM to send pricing signals that will attract investment in new capacity resources where they are most needed.” Ott said.

The auction cleared 311 megawatts (MW) of new capacity (unit upgrades or new generating units) and 127 MW of demand response offers. A key feature of the RPM was the ability of demand response to compete with and to be paid the same as generation.

Resource clearing prices are \$40.80 per megawatt-day (MW-day) for most of the market area; \$197.67 per MW-day in Eastern MAAC (New Jersey, PECO and Delmarva Power); and \$188.54 per MW-day in Southwestern MAAC (Baltimore Gas and Electric Company and Pepco). The RPM allows higher prices for capacity where supplies are short. Actual prices paid by utilities and other load serving entities will be slightly lower, \$177 per MW-day in Eastern MAAC and \$140 per MW-day Southwestern MAAC, after taking into account the benefits of existing transmission lines to import capacity.

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“The RPM clearing prices are slightly higher than expected due to higher load growth and the continuing reduction in available capacity,” Ott noted. “At the same time, the prices provide incentives for new demand response and new generation.”

PJM’s first RPM auction began on April 2 and closed on April 6. It was for delivery of capacity during the 2007/2008 planning year (June 1, 2007 to May 31, 2008). The auctions procure needed capacity after participants have specified self-supply and contracted (bilateral) resources. As part of the phase-in to the RPM, two more auctions will be conducted this year. After that, annual auctions will procure capacity three years prior to the required need to provide opportunity for planned resources to compete to supply the needed capacity service.

PJM’s long-standing capacity requirement ensures that there are sufficient resources in place to meet the peak demand for electricity plus a reserve margin. It helps to keep the lights on. 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).

PJM’s analysis shows that the RPM will yield lower costs overall than the previous model. Recent low capacity prices would not continue as supplies grow tighter because of load growth, generation retirements and lack of new generation construction.

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 the world’s largest 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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