



FOR IMMEDIATE RELEASE

[NOTE: Revised on 10/16/2007]

**PJM RELIABILITY PRICING MODEL ATTRACTS
MORE GENERATION, DEMAND RESPONSE**

(Valley Forge, Pa. – October 12, 2007) – The results of PJM Interconnection’s third capacity auction using its Reliability Pricing Model (RPM) show increased generation and demand response supplies to meet capacity requirements. The auction’s results were posted today.

“Significantly, this is the first auction in which total supply growth exceeded demand growth. That’s a very positive sign,” said Andrew L. Ott, PJM vice president-Markets. “Through RPM we’ve retained generation that would have retired, been mothballed or been exported to other regions, plus we’ve attracted significant firm demand response commitments. We’ve seen the amount of new generation increase.”

The price for capacity for portions of the PJM region dropped to \$102.04 per megawatt-day for the June 2009 to May 2010 delivery year from \$111.92 in the auction for 2008-2009 delivery year. The price decrease results from more capacity being available to meet forecasted load. Prices in two sub-regions increased, reflecting transmission constraints and the shorter supply of capacity relative to forecasted demand growth since the last auction.

The current auction cleared 893 MW of demand response. That’s about the amount of capacity provided by a large power plant. (Demand response is a voluntary reduction in the use of electricity. A key feature of the RPM was the ability of demand response to compete with and to be paid the same as generation.)

Since the auctions began, 2,589 megawatts (MW) of new generating capacity were added. Additionally, available capacity in 2009-2010 increased by 9,107 megawatts as a result of the RPM implementation.

RPM sends price signals that attract resources to the areas where they are most needed.

Capacity prices rose in the Southeastern Mid-Atlantic sub-region where demand for electricity is growing faster than capacity supplies. (The sub-region includes the service territories of Baltimore Gas and Electric Company and Pepco.) The capacity price in the sub-region rose to \$237.33 per megawatt-day from \$210.11 in the previous auction.

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Capacity prices were \$191.32 per megawatt-day in the region that includes Allegheny Power; Atlantic City Electric; Delmarva Power; Jersey Central Power & Light Co.; Metropolitan Edison Co.; PECO; Pennsylvania Electric Co.; PPL Electric Utilities; PSE&G; and UGI Utilities, Inc. Transmission limits pushed capacity prices higher in that sub-region.

The RPM auction provides a way for electricity providers to have enough capacity—power to be drawn from when needed—to reliably serve the 51 million people in the PJM region. The most recent auction was the third of three held this year since the new pricing model began.

PJM's long-standing capacity requirement ensures that there are sufficient resources in place to meet consumers' demand for electricity plus a reserve margin. 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 needed capacity after participants have specified self-supply and contracted (bilateral) resources. This was the final auction for this year. The next auction will be held in January 2008 and will be an annual auction to procure capacity three years prior to the required need to provide opportunity for planned resources to compete to supply the needed capacity service.

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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