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THE PJM COMPETITIVE ELECTRICITY MARKET: THE RESULTS ARE IN

THE PJM MARKET BENEFITS CONSUMERS

- PJM's RTO operations produced benefits and economic value yielding as much as \$2.3 billion in annual savings for the region:

Reliability-resolving transmission constraints, gains in economic efficiency from regional reliability planning – from \$470-\$490 million in annual savings;

Generation Investment-reduced reserve requirements and increased demand response – from \$640 million-\$1.2 billion in annual savings;

Energy Production Costs-efficiency of centralized dispatch over a large region – from \$340-\$445 million in annual savings; and

Grid Services-cost effective procurement of synchronized reserve, regulation – from \$134-\$194 million in annual savings.

"PJM Value Proposition, November, 2008"

- PJM saved \$199 million in 2011 -- an amount almost equal to its operating costs -- by increasing efficiency in how generation is scheduled to meet electric demand requirements, particularly, the scheduling of more costly combustion turbines used to meet demand shortfalls. Accumulated savings since 2008 are \$455 million
- In 2009, energy prices fell 45.1%, load fell 4.4% and congestion also declined by 66% percent. The decrease in prices was the result of a decrease in fuel costs and in load. "The fact that declines in input costs translated directly into significant price decreases is evidence that the energy market is competitive." Prices in PJM are set, by marginal units operating at, or close to, their marginal costs. This is evidence of competitive behavior and competitive market outcomes."
"2009 State of the Market Report for PJM"
- The real-time fuel cost adjusted, load-weighted, average LMP [Locational Marginal Pricing] was 10.5 percent lower in 2009 than the load-weighted, average LMP in 2008.
"2009 State of the Market Report for PJM"
- PJM's total congestion costs were \$719 million down a "staggering" 66% from 2008.
"2009 State of the Market Report for PJM"

THE PJM MARKET IMPROVES SYSTEM RELIABILITY

- PJM's Regional Transmission Planning program uses a 15-year planning horizon that incorporates both reliability and economic transmission projects. Its board has authorized over \$7 billion of new transmission investment since the program's inception in 2000.

"Progress of Organized Wholesale Electricity Markets in North America," ISO/RTO Council, October 16, 2007

America: Powered by Competition

- An August 2011 Brattle Group study found that PJM's RPM is performing well. "... RPM has been successful in attracting and retaining cost-effective capacity sufficient to meet resource adequacy requirements"
- In 2009, demand response resources in the PJM capacity market soared as 7,374.4 MW bid into the June, 2009 auction, up from 4,167.5 MW in June 2008.
"2009 State of the Market Report for PJM"
- PJM's July, 2007 Reliability Pricing Model (RPM) auction received 1,300 megawatts (MW) of demand response (the voluntary reduction in the use of electricity), on the highest peak day of the year, more than doubling the response it received during its record peak during the summer of 2006. That's more than 500 MW of new, additional demand response offered into this auction – equal to a power plant, and it's four times the amount from the April auction.
"PJM Reliability Pricing Model Producing Results," PJM Press Release, July 13, 2007
- In the PJM market, energy users can collect money through an auction process for pledging to cut energy use in future periods. In May, PJM conducted an auction to ensure it will have the resources it believes it will need in 2012-13. About 6% of the winning bids came from those who pledged to cut energy use by a total of 8,000 megawatts in that future period."
"Electricity Prices Plummet," Wall Street Journal, August 12, 2009
- PJM members have invested \$683 million in transmission since the first Regional Transmission Expansion Plan (RTEP) in 2000. Another \$639 million in transmission investment is currently under construction. There is another \$4.2 billion planned or under consideration. These coordinated investments have added transmission and equipment within and across utility service territories to improve reliability and interconnect new generation.
PJM Interconnection
- PJM has added over 13,000 MWs of generation since 1999, outpacing load growth and improving resource adequacy and deliverability to maintain the system's reliability.
PJM Interconnection

THE PJM MARKET BENEFITS THE ENVIRONMENT

- ISOs and RTOs host a disproportionate amount of wind generation: 74 percent of installed wind capacity is located in ISO and RTO regions even though only 44 percent of wind energy potential and 53 percent of electric demand is in these areas.
"Facilitating Wind Development: the Importance of Electric Industry Structure," B. Kirby & M. Milligan, National Renewable Energy Laboratory (NREL), May 2008

THE PJM MARKET IS COMPETITIVE

- The independent Market Monitoring Unit (MMU) released a report assessing the competitiveness of the markets managed by PJM for the first nine months of 2011, including market structure, participant behavior and market performance. The MMU concluded that for that period:
 - The Energy Market results were competitive
 - The Capacity Market results were competitive

- “The RPM construct is consistent with the appropriate market design objectives of permitting competitive prices to reflect local scarcity conditions while explicitly limiting market power”

“2011 Quarterly State of the Market Report for PJM: January through November”