PJM’s Capacity Auction Attracts Diverse, Competitive Resources to Maintain a Reliable Grid
Increased participation from demand response, energy efficiency and renewable resources

(Valley Forge, Pa. – May 23, 2018) – PJM Interconnection today released the results of its annual capacity auction, which successfully procured diverse and competitive power supplies for the 65 million people PJM serves.

The auction procures power supply resources to meet electricity needs for three years from now in the PJM service area, which includes all or parts of 13 states and the District of Columbia. PJM procured 163,627 megawatts of resources for the period of June 1, 2021, to May 31, 2022.

The auction produced a price of $140/megawatt-day for much of the PJM footprint, compared to $76.53/MW-day last year. Prices are higher in some regions due to transmission limits.

Overall in most locations prices in this year’s capacity auction were higher than prices in last year’s auction due to several factors, including:

- Continuing low energy prices, which causes generators to seek revenues in the capacity market through higher offers
- An increase in the reference resource cost resulting from a decrease in energy revenues and an adjustment for inflation
- A decrease in total cleared capacity, including a reduction in the number of new generators

Those factors driving higher prices were partially offset by a lower reliability requirement because of lower forecasts of future electricity demand.

“PJM’s markets continue to retain and attract a diverse set of resources and promote competition to support reliability of the grid,” said PJM President and CEO Andy Ott. “The high-performing resources participating in our markets ensure that customers have reliable electricity at the lowest reasonable cost.”

The auction attracted a year-to-year increase in the amount of demand response, energy efficiency and renewable resources that commit to meet PJM’s strict performance standards.

A total of 11,126 MW of demand response cleared in the auction, representing an increase of 3,305 MW compared to last year’s auction. A total of 2,832 MW of energy efficiency also cleared, an increase of about 1,100 MW. A total of 1,417 MW of wind cleared in the auction, representing an increase of 529 MW. Solar increased more than fourfold, with around 570 MW clearing.

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Demand response consists of retail customers who commit to voluntarily reduce their electricity usage during periods of high system demand and power prices. Energy efficiency accounts for the permanent installation of efficient lighting, refrigerators, air conditioners, motors, weatherization and process improvements that exceed then-current building codes, appliance standards, or relevant state or federal standards.

These resources can either bid as an annual resource or, if they can only produce power seasonally, aggregate with another resource to meet PJM’s performance standards. For example, wind generators, whose capacity is greater in the winter, combined through the auction clearing mechanism with demand response and solar resources, whose capacity is greater in the summer.

The auction cleared 500 MW more coal generation than last year’s auction. The auction also cleared 1,000 MW more gas-fired generation than last year’s auction, including one new combined cycle plant. The auction cleared 19,900 MW of nuclear generation, about 7,400 MW less than last year’s auction.

The total procured capacity in the auction represents a 21.5 percent reserve margin, compared to a 15.8 percent required reserve for the 2021–2022 delivery year. A healthy reserve shows that PJM will have more than adequate resources to meet electricity use needs and can lower the price for electricity.

In five areas, the Eastern MAAC region, American Transmission Systems (ATSI), Baltimore Gas & Electric, ComEd, and Public Service Electric & Gas Co. (PSE&G), capacity prices are higher than the overall PJM price. For Eastern MAAC, the price is $165.73/MW-day; for ATSI, the price is $171.33/MW-day; for Baltimore Gas & Electric, the price is $200.30/MW-day; for ComEd, the price is $195.55/MW-day; and for PSE&G, the price is $204.29/MW-day.

(The Eastern MAAC region consists of PSE&G, Jersey Central Power & Light, PECO, Atlantic City Electric, Delmarva Power and Rockland Electric. PSE&G has a different price than the rest of the Eastern MAAC region).

A detailed report of the results is available on the PJM website.

2021/2022 Capacity Prices

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<th>Delivery Area</th>
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2021/2022 Capacity Prices

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 65 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 over 84,042 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. PJM’s regional grid and market operations produce annual savings of $2.8 billion to $3.1 billion. For the latest news about PJM, visit PJM Inside Lines at insidelines.pjm.com.

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