

PJM Capacity Auction Secures Record Amounts Of New Generation, Demand Response, Energy Efficiency

Auction Maintains Reliable Power Supplies for Consumers

VALLEY FORGE, Pa., May 18, 2012 /PRNewswire/ -- With an unprecedented amount of electric generation retiring within the next three years, PJM Interconnection's capacity market secured record amounts of new generation, demand resources and energy efficiency to keep the grid reliable.

PJM today announced the results of its capacity market, the annual [Reliability Pricing Model \(RPM\)](#) auction, for resources to meet power supply needs between June 1, 2015, and May 31, 2016. The RPM auction procured a record amount of new generation in one year, 4,900 megawatts (MW). In addition, capacity imported from west of PJM increased about 8 percent from last year to 4,335 MW.

The RPM establishes contracts with power producers who commit to make their facilities available to provide electricity for the PJM system for a year. Prices are established through competitive bidding. PJM's auction also includes demand response and energy efficiency providers.

This year, the auction procured 164,561 MW of capacity resources at a base price of \$136 per MW. A megawatt is enough electricity to power 800 to 1,000 homes. PJM's all-time peak demand is 158,448 MW. Prices were higher in northern Ohio and the Mid-Atlantic region.

"PJM is effectively, efficiently and reliably handling a massive shift in generation from coal to natural gas," said Andy Ott, PJM senior vice president – Markets. "The RPM auction is addressing, in a quick and orderly manner, what could have been a prolonged and uncertain process to identify replacement resources. Simply put, RPM was put to the test and performed well."

Ott added, "Nevertheless, much work needs to be done, including transmission upgrades required by plant retirements in order to deliver power supplies to population centers."

In addition to new generation, most of it natural gas-fired, the capacity auction also procured 14,833 MW of demand response, a 5 percent increase over last year, and energy efficiency, a 12 percent increase. The amount of demand response was also a record for PJM, as well as for renewable generation. Solar increased to 56 MW of solar — a 22 percent increase over last year — and wind increased to 796 MW — a 15 percent increase.

"Capacity prices were higher than last year's because of retirements of existing coal-fired generation resulting largely from environmental regulations which go into effect in 2015," Ott said. "The retirements impacted northern Ohio to a larger extent than the rest of PJM for several reasons including inherent transmission restrictions, and the level of retirements in that area relative to the rest of PJM. Yesterday, PJM's board approved significant upgrades to address the transmission issues."

In northern Ohio served by FirstEnergy, the price will be \$357 per megawatt.

The price of capacity in much of the Mid-Atlantic area will be \$167 per megawatt. The area includes the regions served by Atlantic City Electric, Baltimore Gas and Electric Company, Delmarva Power, Jersey Central Power and Light Company (JCP&L), Metropolitan Edison Company (Met-Ed), PECO, Pennsylvania Electric Company (Penelec), Pepco, PPL Electric Utilities, Public Service Electric and Gas Company (PSE&G) and Rockland Electric Company.

Ott noted that the 2015 capacity prices' overall effect on retail consumers' electricity rates is expected to be moderated by other factors. "Capacity is a fairly small component of the retail price of electricity, and the cost of capacity at the retail level tends to be averaged out over several years," Ott explained. "In addition, if natural gas prices remain low, that would tend to restrain retail electricity prices."

Concurrent with the capacity auction, PJM's planning process is ensuring that electric transmission improvements are built to deliver power where it is needed. Yesterday, the PJM Board approved \$2 billion in [electric transmission system upgrades](#) to strengthen the transmission grid in response to the announced retirements of nearly 14,000 MW of coal-fired generation because of environmental regulations.

"The transparent way in which PJM's planning process identifies needed transmission upgrades is working in tandem with the capacity market results we are announcing today," said Terry Boston, president and chief executive officer. "Together, they are proving to be the best mechanisms for responding to the challenges of this unprecedented change in fuel mix and will help us keep the lights on."

Although the RPM auction procured sufficient resources to meet the projected demand, some generating units may need to remain available beyond their proposed retirement dates until transmission upgrades are completed. These units would be operated under "reliability must run" agreements.

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 62,000 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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