



Executive Report

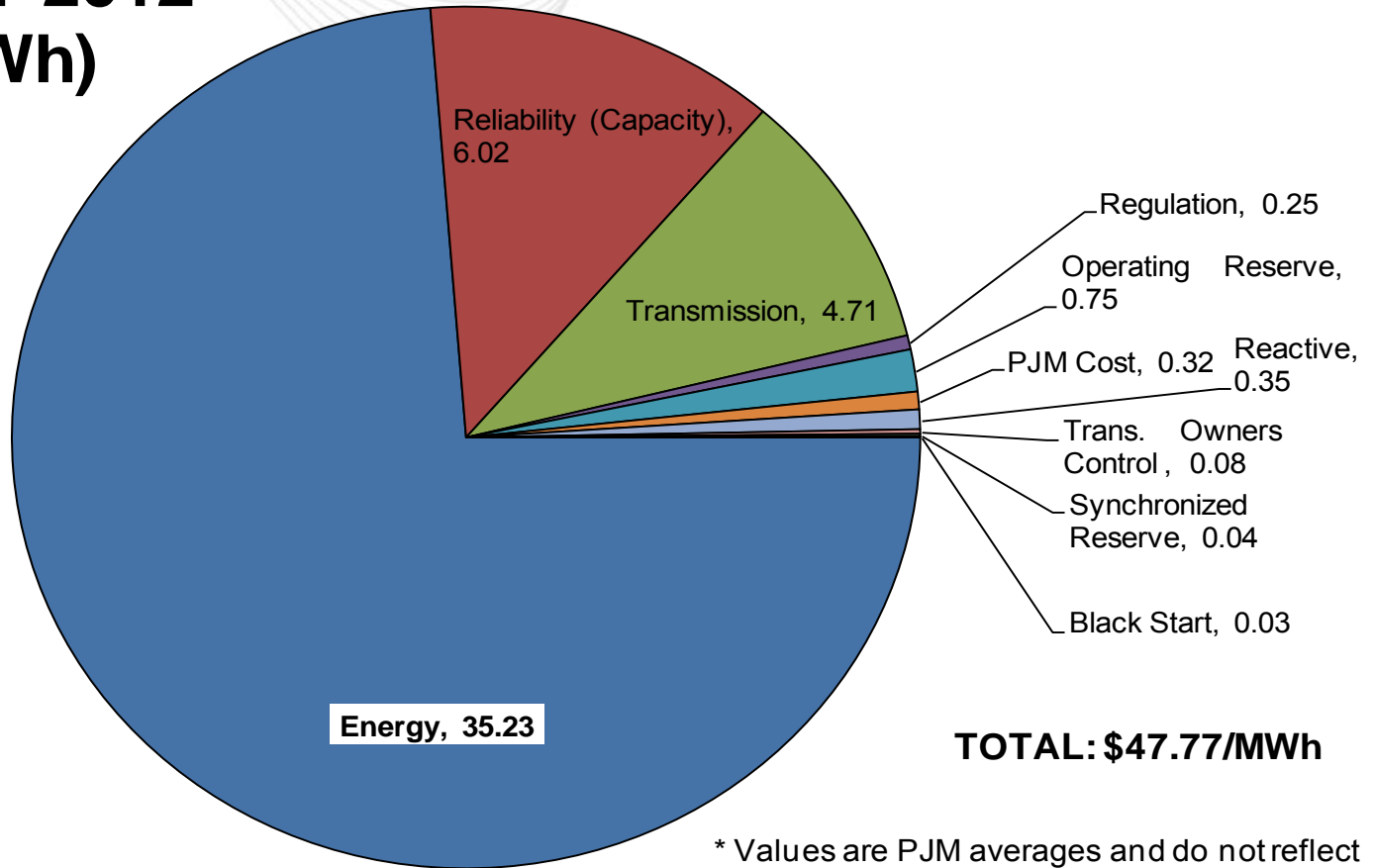
January 31, 2013



Markets Report



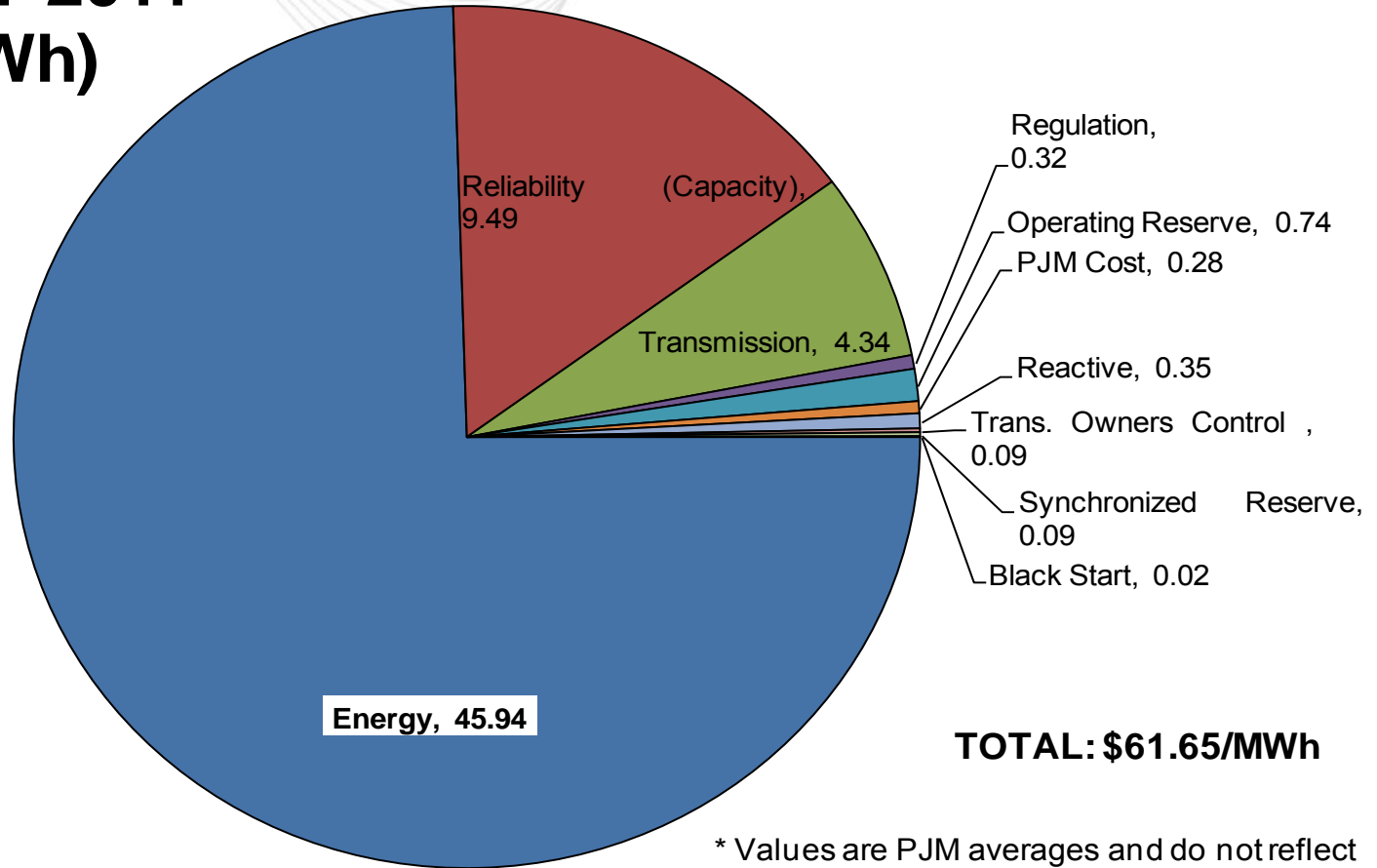
PJM Wholesale Cost Full-Year 2012 (\$/MWh)



* Values are PJM averages and do not reflect potential locational cost differences.



PJM Wholesale Cost Full-Year 2011 (\$/MWh)

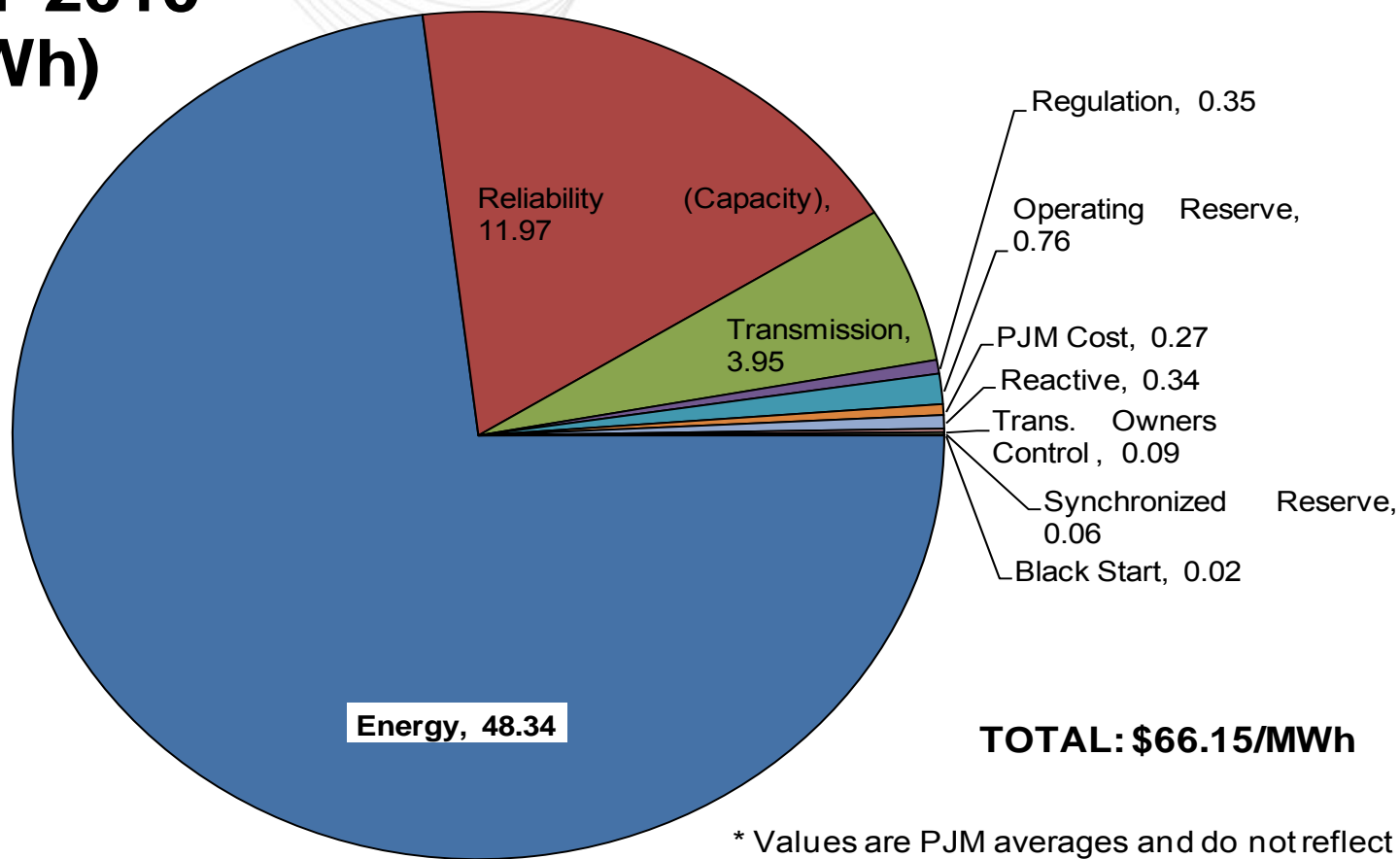


TOTAL: \$61.65/MWh

* Values are PJM averages and do not reflect potential locational cost differences.



PJM Wholesale Cost Full-Year 2010 (\$/MWh)



TOTAL: \$66.15/MWh

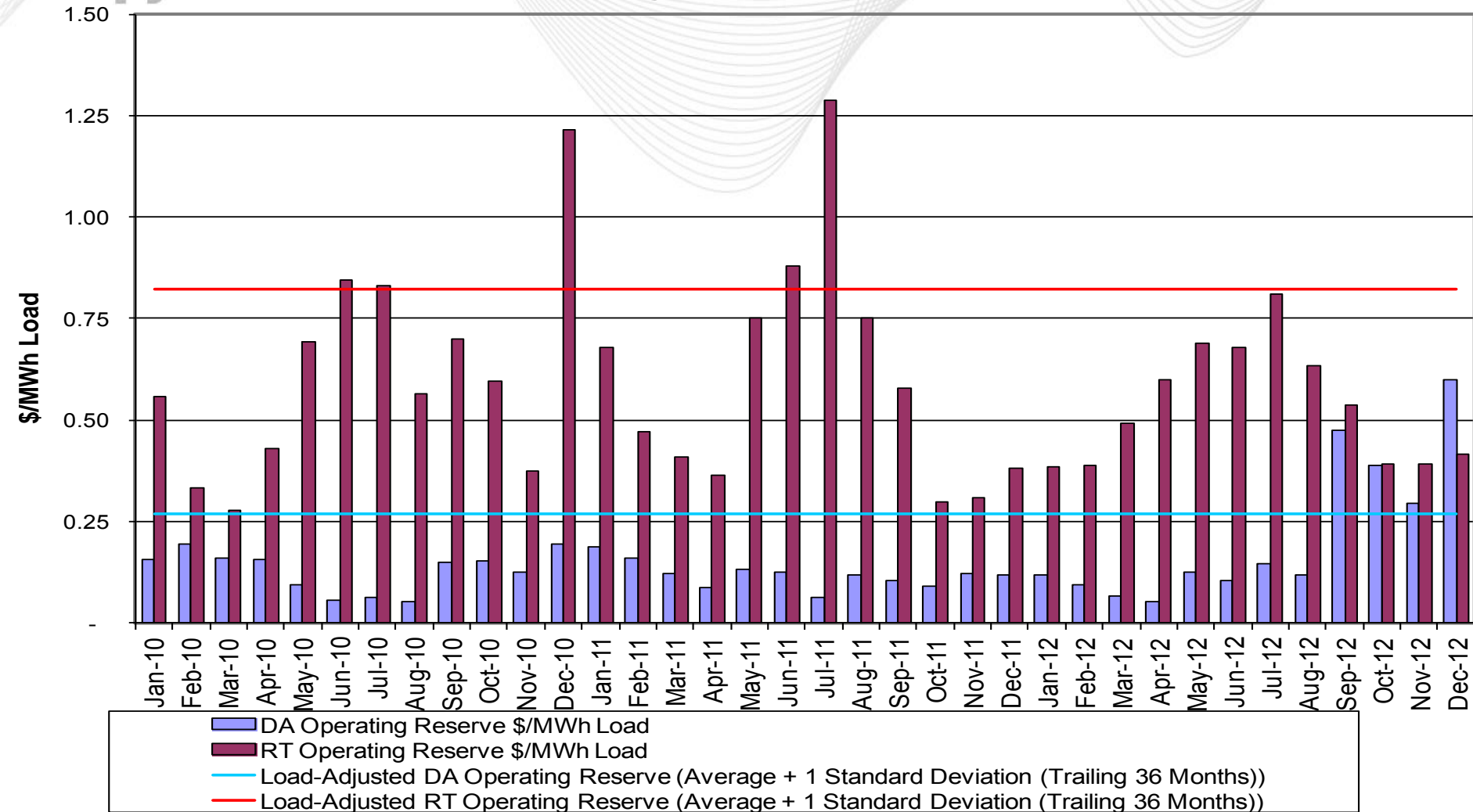
* Values are PJM averages and do not reflect potential locational cost differences.

- Horizontal lines on some of the charts in this report represent average *plus (or minus)* 1 standard deviation of the series for the previous 36 months. They are clearly labeled in the legends.
- The levels represented by these horizontal lines are intended to trigger an explanation by PJM staff when an observation above (or below) the threshold level is registered.
- An observation above (or below) the threshold level does not necessarily imply an extraordinary circumstance, neither does an observation that fails to exceed the threshold level preclude an explanation.
- PJM staff always welcomes questions about any of the observations or data presented in these charts.



PJM Operating Reserve Costs

PJM Operating Reserve Costs (\$/MWh Load)



- Beginning in December 2008, the daily Balancing Operating Reserves (BOR) rate was replaced with six different BOR rates: RTO BOR for Reliability Rate, RTO BOR for Deviations Rate, East BOR for Reliability Rate, East BOR for Deviations Rate, West BOR for Reliability Rate, West BOR for Deviations Rate.
- Reliability rates are charged to all real-time load and exports, whereas deviation rates, as before, are charged only to real-time deviations. RTO rates are charged to the whole footprint, whereas East and West rate adders are charged based on location.
- The table in the following slide shows average daily balancing operating reserves rates for each month since the implementation of the new regime.



Balancing Operating Reserves

Average Daily Balancing Operating Reserves Rates

	RTO Balancing OR for Reliability Rate	RTO Balancing OR for Deviations Rate	East Balancing OR for Reliability Rate	East Balancing OR for Deviations Rate	West Balancing OR for Reliability Rate	West Balancing OR for Deviations Rate
Jan-10	0.08877	1.42239	0.00424	0.08343	0.04994	0.07479
Feb-10	0.06185	0.79917	0.00211	0.10527	0.04562	0.11142
Mar-10	0.01709	0.55292	0.00183	0.14467	0.10064	0.18216
Apr-10	0.02536	1.11371	0.00484	0.08296	0.11100	0.07556
May-10	0.04804	1.61537	0.14359	0.22852	0.05724	0.06020
Jun-10	0.04381	1.44084	0.55261	0.24011	0.00875	0.18277
Jul-10	0.04799	2.04987	0.22568	0.36353	0.01065	0.30951
Aug-10	0.04251	1.52535	0.10592	0.28674	0.02023	0.16399
Sep-10	0.02930	1.53687	0.04698	0.47124	0.13339	0.43455
Oct-10	0.05837	1.39121	0.01149	0.38136	0.17563	0.16621
Nov-10	0.06018	0.89932	0.01922	0.14665	0.08183	0.01741
Dec-10	0.18050	3.19513	0.08357	0.26682	0.04655	0.12997
Jan-11	0.15439	1.82916	0.01202	0.17183	0.02243	0.03392
Feb-11	0.06432	1.36271	0.01282	0.16902	0.07311	0.12646
Mar-11	0.05425	1.20405	0.01615	0.04971	0.08673	0.20724
Apr-11	0.02806	1.22859	0.00704	0.06499	0.07397	0.04729
May-11	0.07365	2.32717	0.00207	0.03173	0.09827	0.03555
Jun-11	0.11619	2.51066	0.03832	0.49231	0.07686	0.04446
Jul-11	0.11453	4.14255	0.02562	1.88266	0.01524	0.04011
Aug-11	0.07095	2.53974	0.17452	0.78744	0.04283	0.18184
Sep-11	0.03360	1.74142	0.02579	0.23505	0.12150	0.32493
Oct-11	0.03154	0.90356	0.00807	0.07474	0.09308	0.09237
Nov-11	0.00978	0.93670	0.00056	0.06477	0.12848	0.12618
Dec-11	0.02099	1.23393	-	0.22200	0.15191	0.05087
Jan-12	0.02660	1.35979	0.00252	0.18449	0.14091	0.02380
Feb-12	0.00857	1.28538	-	0.31873	0.20187	0.16205
Mar-12	0.02460	1.58009	-	0.39319	0.19783	-
Apr-12	0.01235	1.87911	-	0.56542	0.23364	0.07724
May-12	0.01806	2.42121	0.00162	0.07043	0.17787	0.17711
Jun-12	0.01740	2.39376	0.02040	0.04715	0.20784	0.08207
Jul-12	0.03531	3.04870	0.16578	0.37698	0.06350	0.24881
Aug-12	0.02451	3.03750	0.00332	0.09759	0.14078	0.23290
Sep-12	0.01645	2.32678	-	0.13891	0.06042	0.10834
Oct-12	0.01300	1.75129	0.00568	0.10958	0.00649	0.05553
Nov-12	0.01693	1.91660	0.00130	0.02520	0.00287	0.01091
Dec-12	0.05552	0.99621	0.00274	1.68487	0.00053	0.27922

Reliability rates are \$/MWh of Real-Time Load plus Exports. Deviations rates are \$/MWh of Real-Time Deviations.



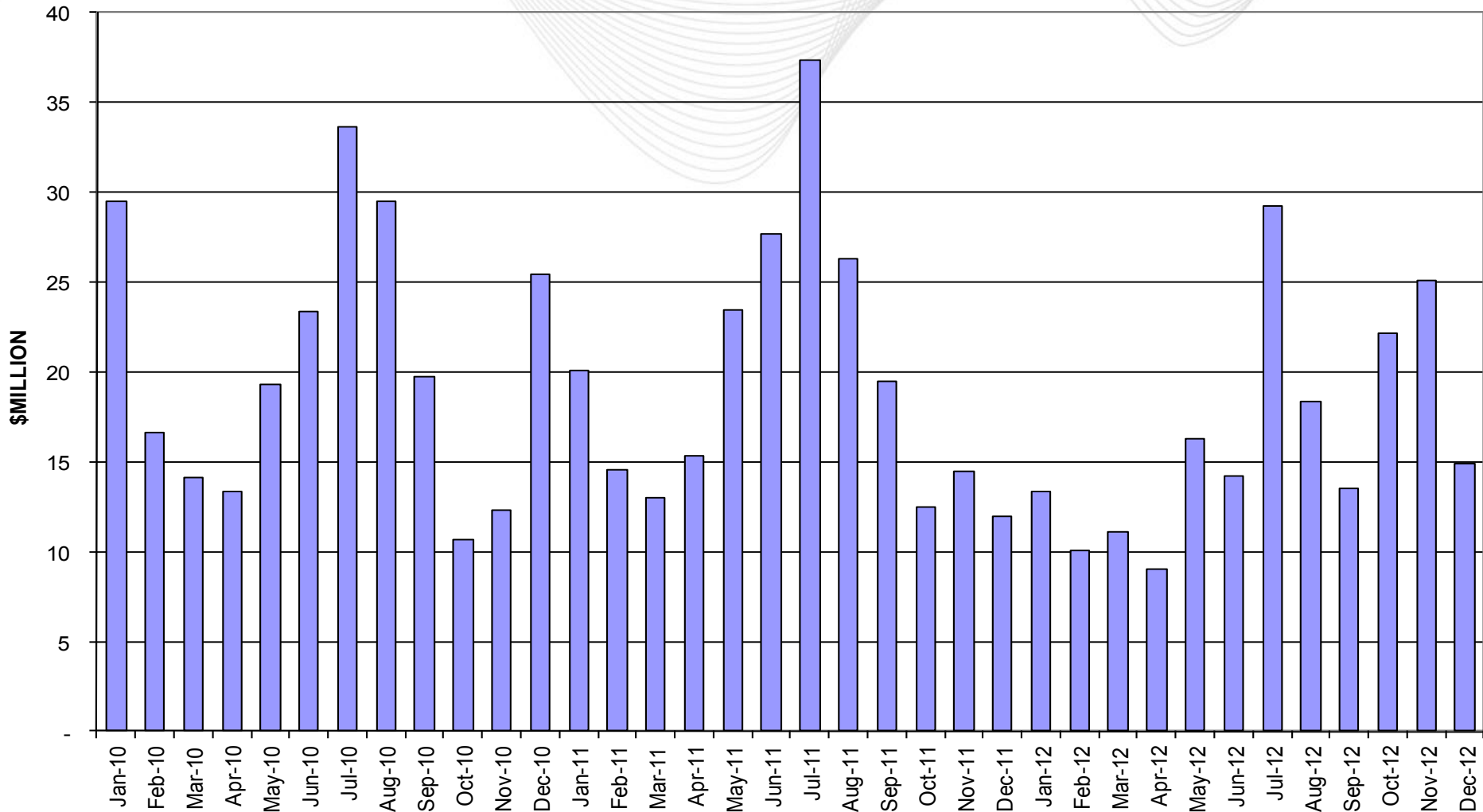
DA OR Charges & East BOR Rates

- In September PJM started committing reliability steam units that run in Real Time for Black Start and Voltage support in the Day Ahead Market in order to reduce the inconsistency between steam units run in Day Ahead opposed to what was actually run in Real Time, thus mitigating high RTO BOR Deviations rates.
- The high level of total DA OR charges in December is in part due to that factor. PJM was also running multiple units in the DA Market as black start units, for APSOUTH interface control, for CLEVELAND interface control, and for SENECA area voltage control.
- During the month of December 2012 PJM had to run additional generation for reliability to support outages in the JC area for repair work due to damage from Hurricane Sandy.
- Additionally, at the end of December 2012 and early January 2013 there was a spike in natural gas prices due to forecasted cold weather over the holidays. This spike impacted the offer prices of the aforementioned units and caused extraordinarily high BOR rates for the East on the days of 12/28-12/31.



PJM Regulation Costs

PJM Regulation Costs

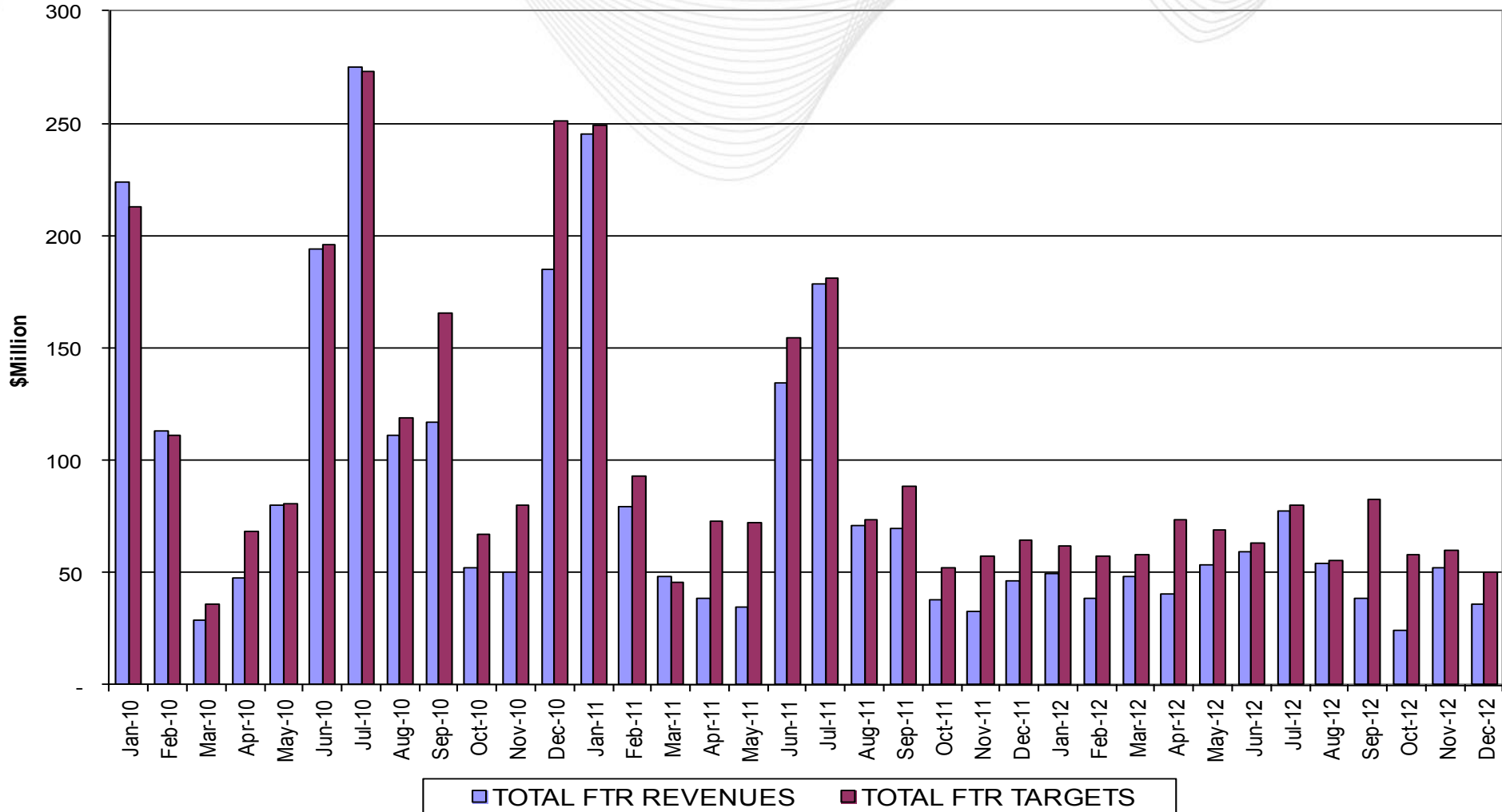




FTR Revenues vs. FTR Target Allocation

FTR TARGET ALLOCATIONS AND TOTAL FTR REVENUES

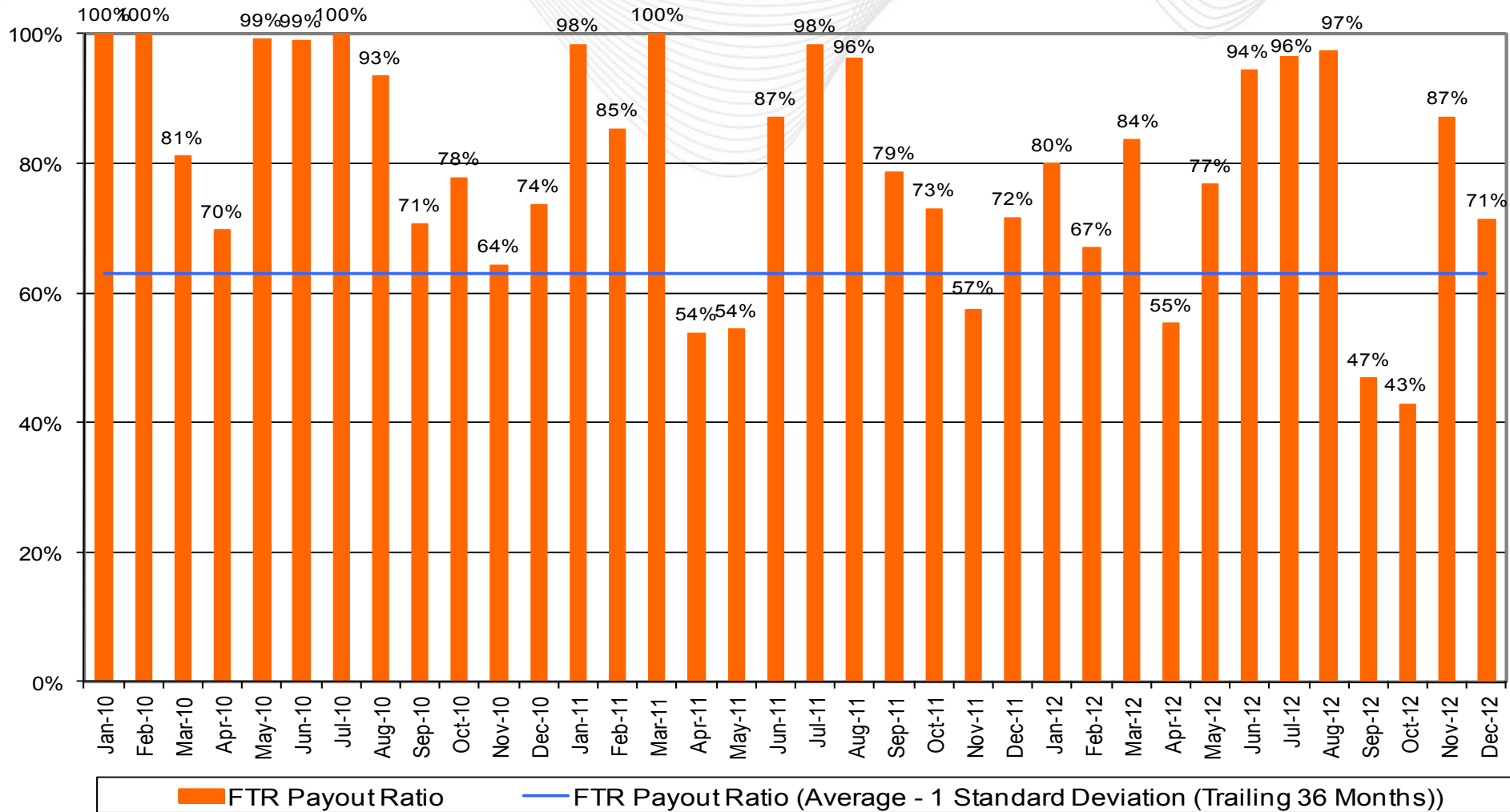
PY 2012-2013 Deficit through December:
\$107 Million





PJM FTR Payout Monthly

PJM FTR Payout Ratio





- FTRs in December 2012 fell \$14.4 million short of their targets, corresponding to a payout ratio of 71.4%. The deficit through the first seven months of the 2012/13 Planning Year (“PY”) stands at \$107 million and the revenue adequacy ratio at 76.1%. Cumulative FTR revenue shortfall for the 2011/12 PY as of the end of December 2011 was \$103 million.
- The transmission elements PJM incurred the largest revenue shortfall in December 2012 are listed below:
 - Leonia 230 KV LEO-NEW (PSEG) \$4.8M
 - Harwood 230 KV HAR_SUS (PPL) \$3.0M
 - Deans 500 KV 500-1 (PSEG) \$2.1M
 - Carl PN 115 KV CAR-ROX (PENELEC) \$2.0M
 - Maywood 230 KV MAY-SAD (PSEG) \$1.6M
 - Bridgewa 230 KV BRI-MID (PSEG) \$1.4M
 - Rising 45 TR1 (MISO FG) \$1.2M
 - Brokaw 345/138 (MISO FG) \$1.2M
 - Deans 500 KV 500-3 (PSEG) \$1.1M



PJM FTR Payout Calendar Year

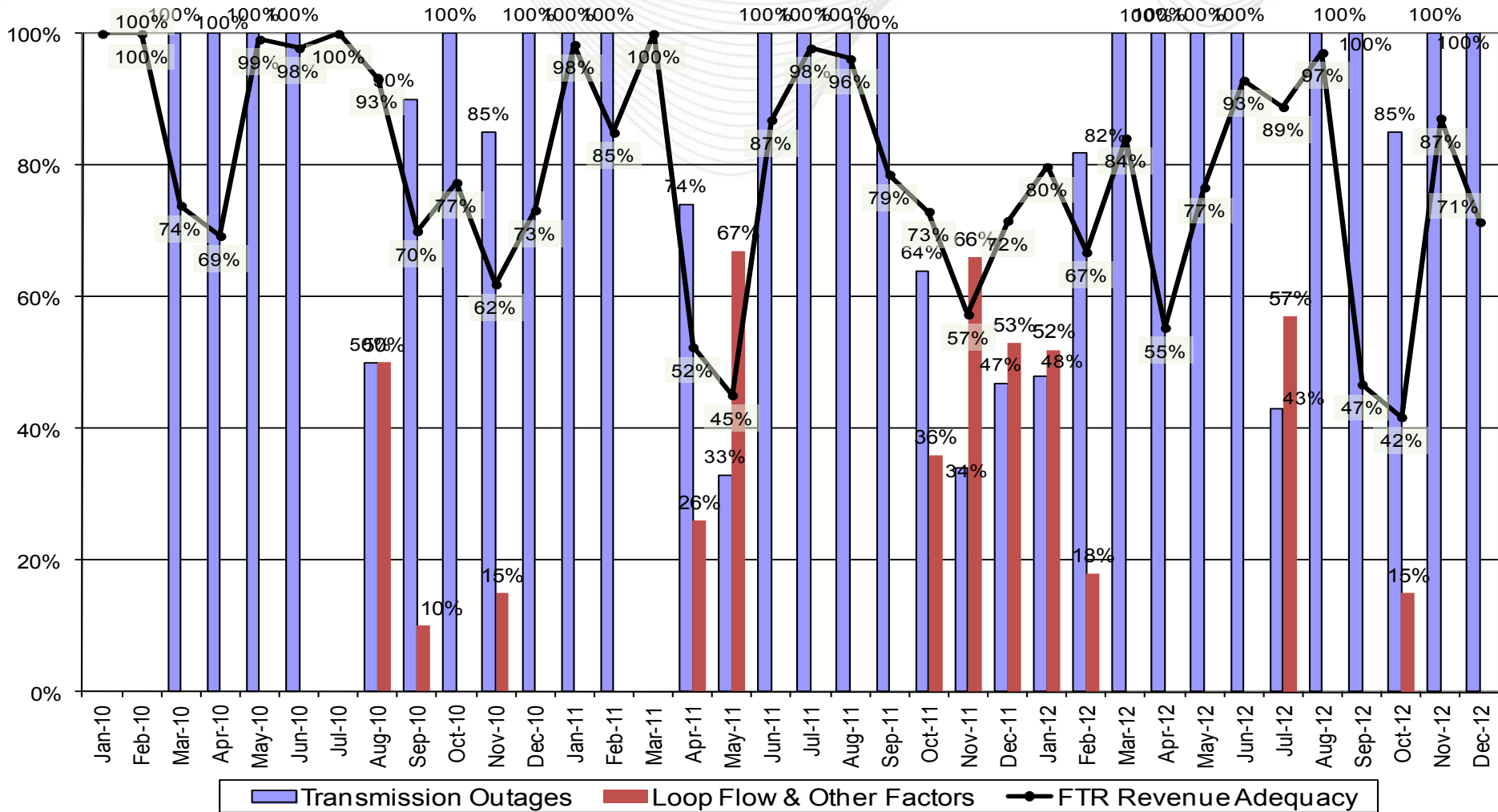
PJM Calendar Year FTR Payout Ratio





PJM FTR Revenue Shortfall Components

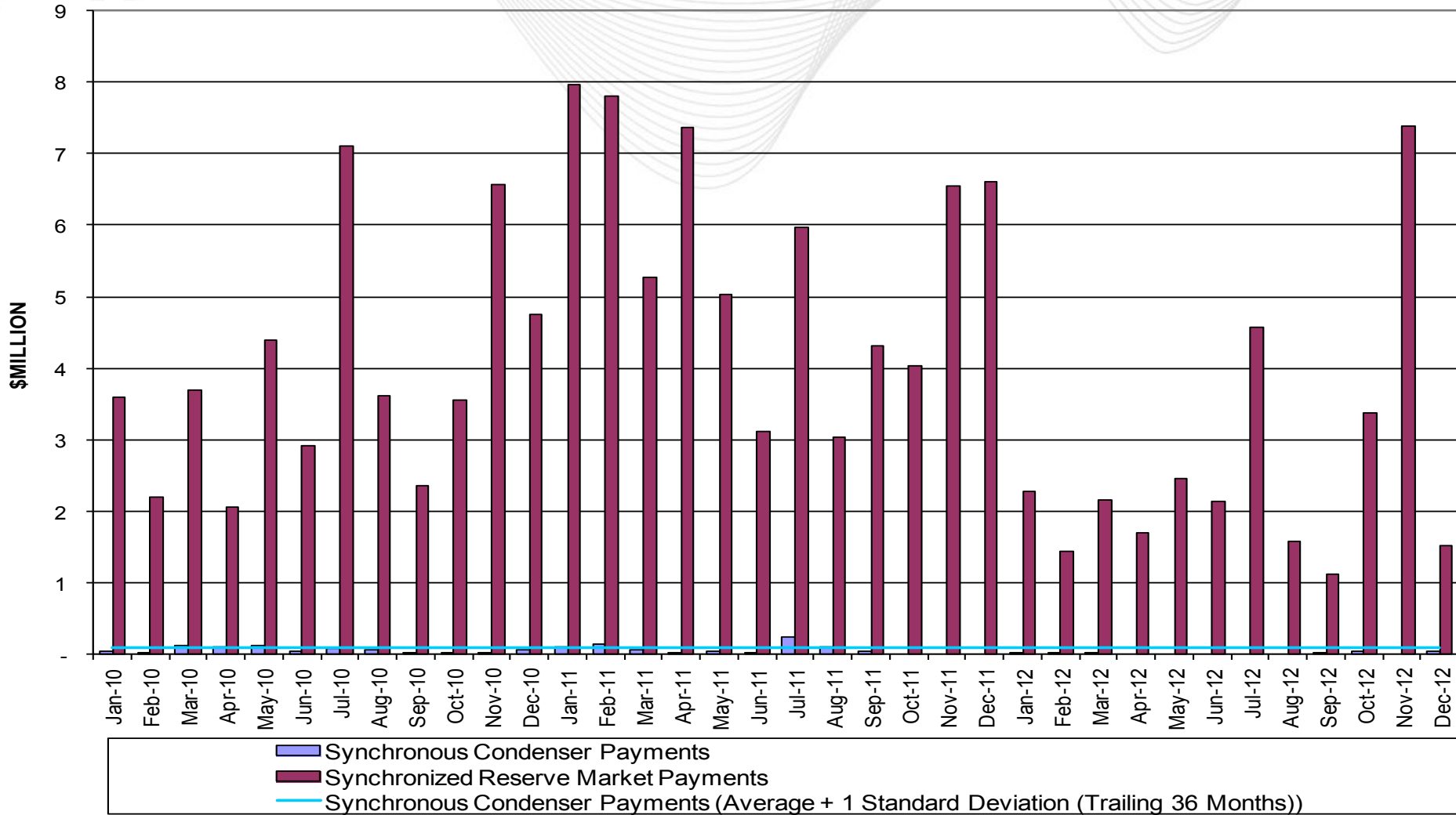
FTR Revenue Shortfall Breakdown





PJM Synchronized Reserve Costs

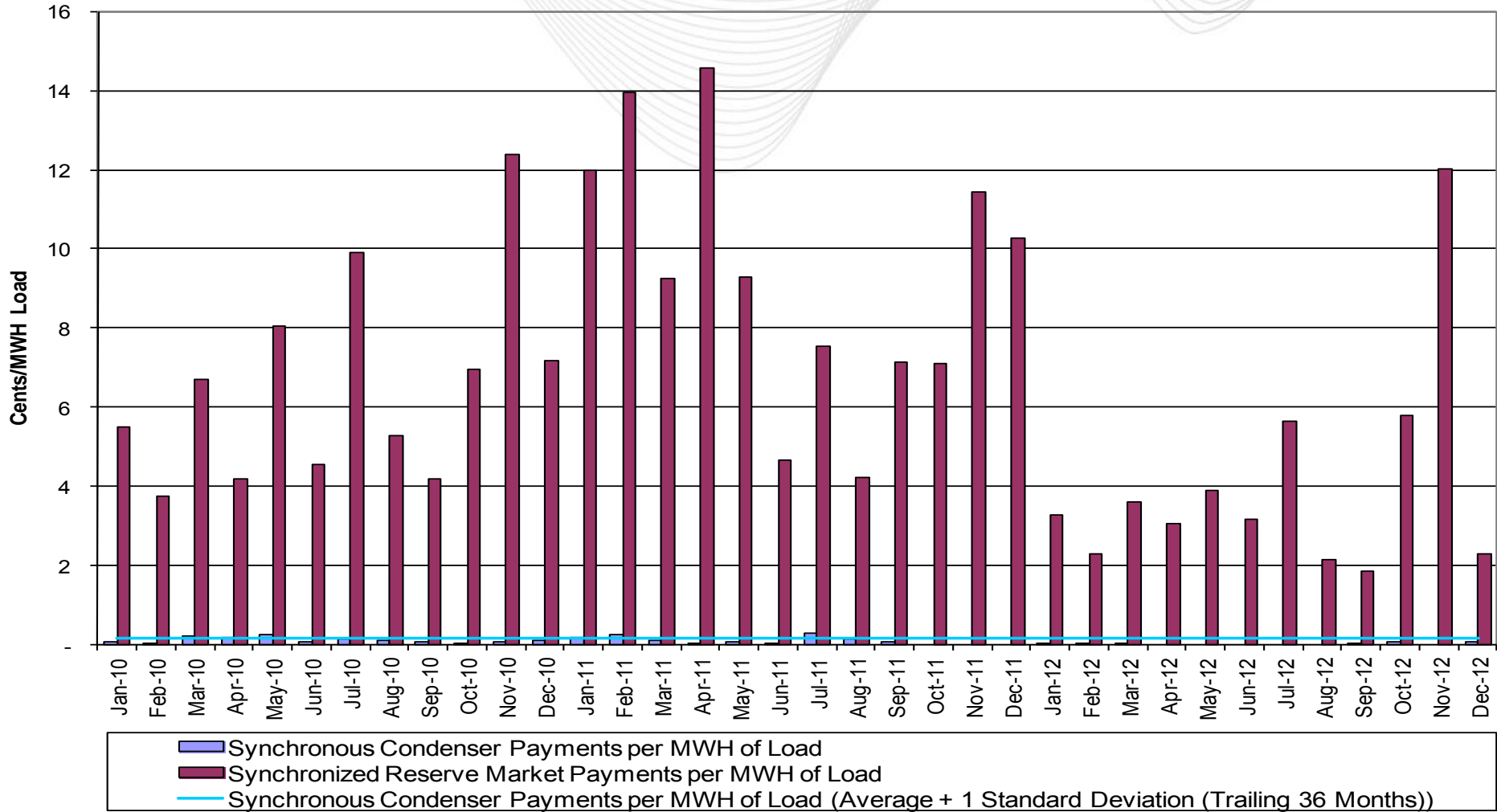
PJM Synchronous Condenser & Synchronized Reserve Costs





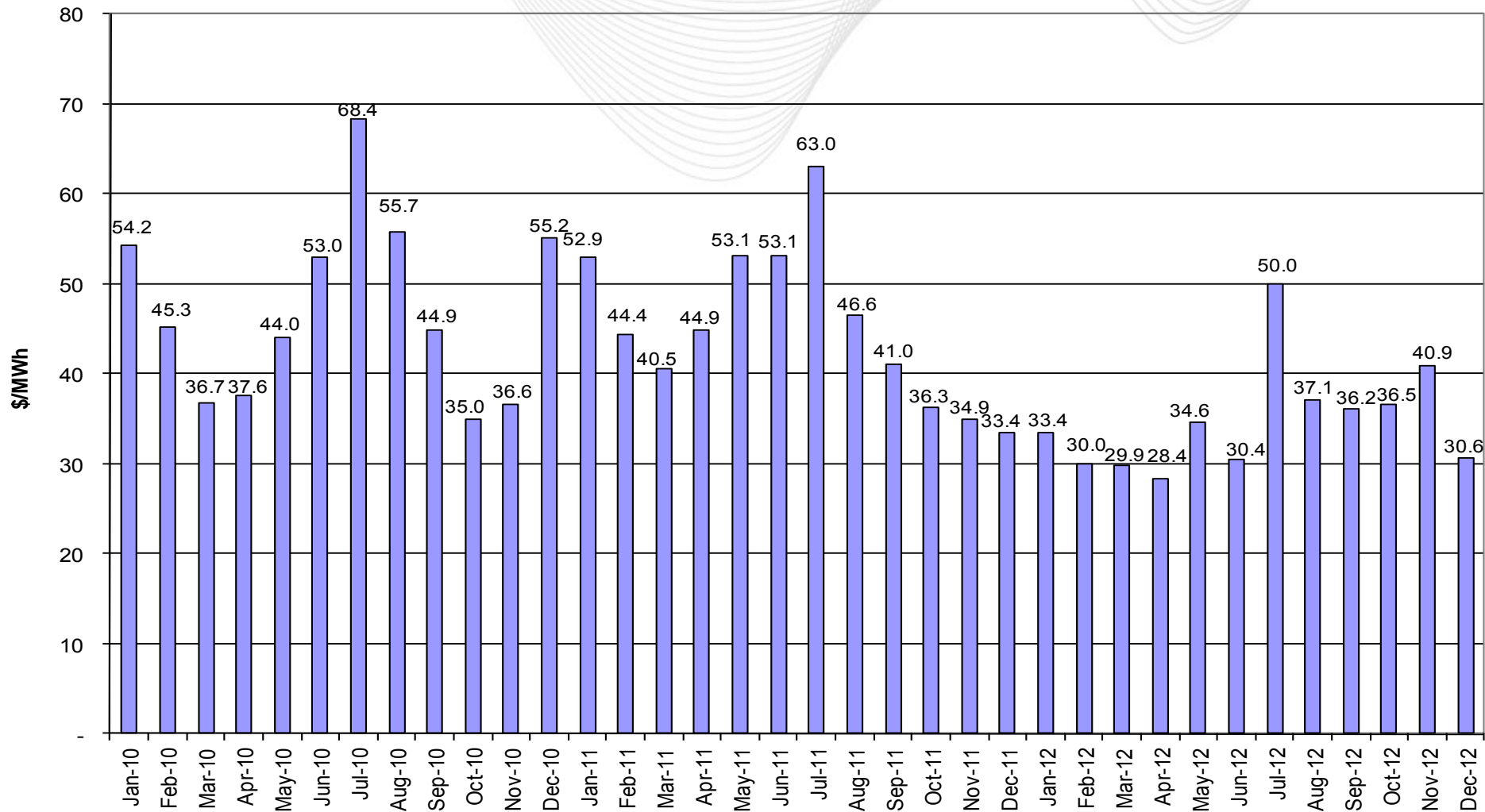
PJM Load-Adjusted Synchronized Reserve Costs

**PJM Load-Adjusted Synchronous Condenser & Synchronized Reserve Costs
(Cents per MWH of Load)**





PJM Load-Weighted Average LMP 2010-2012



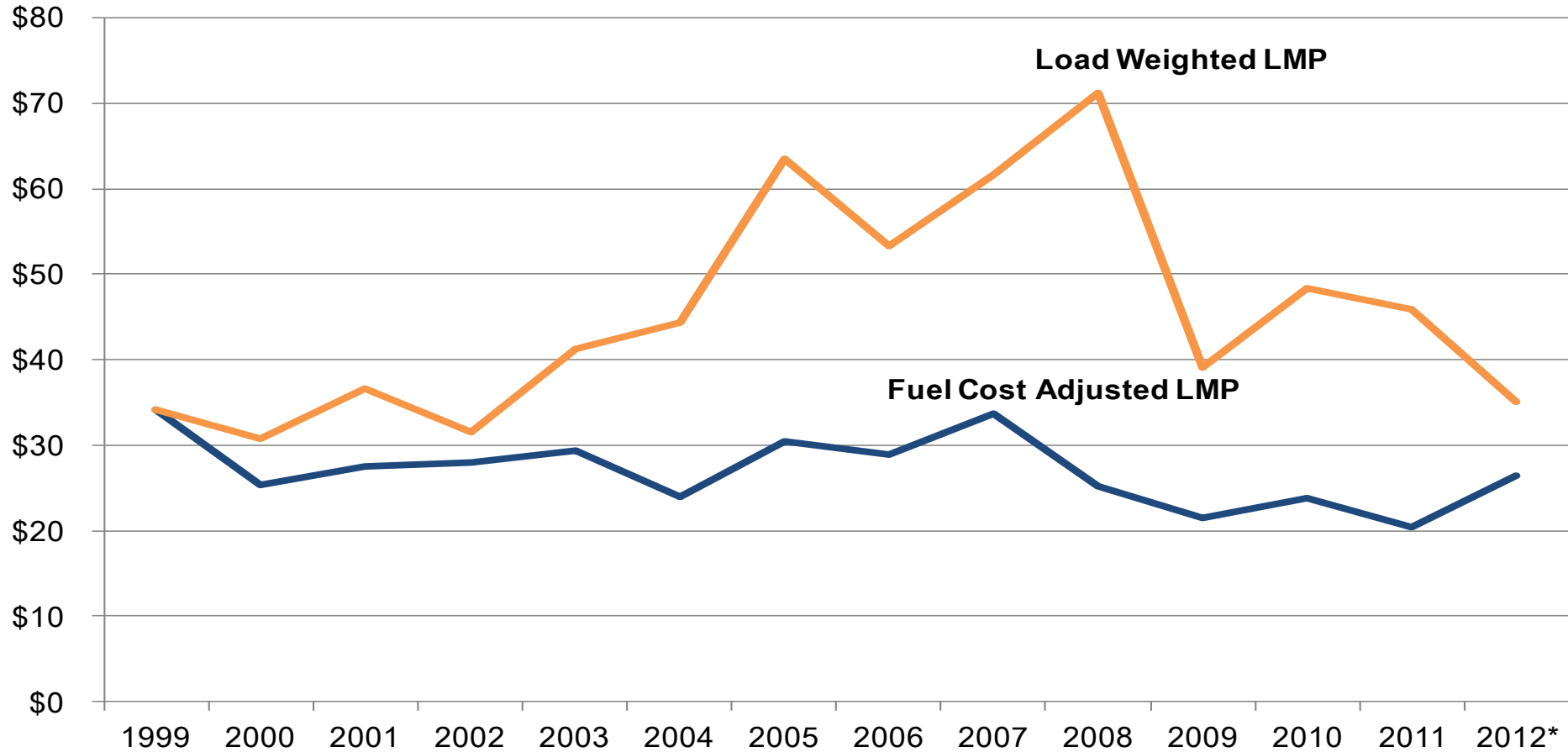


PJM Load-Weighted Fuel Cost-Adjusted LMP

Fuel Cost Adjusted LMP

Referenced to 1999 Fuel Prices

*Through September

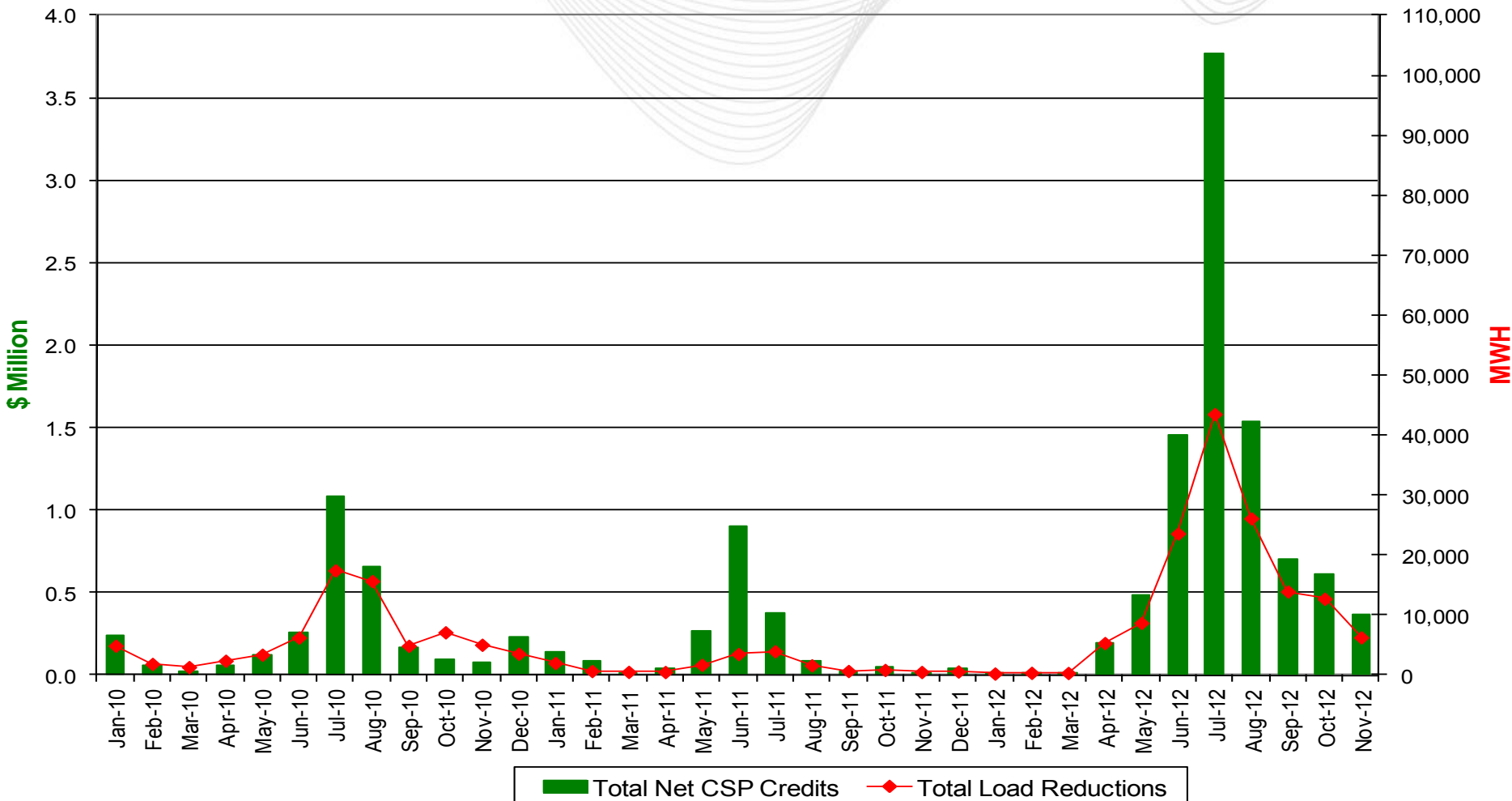




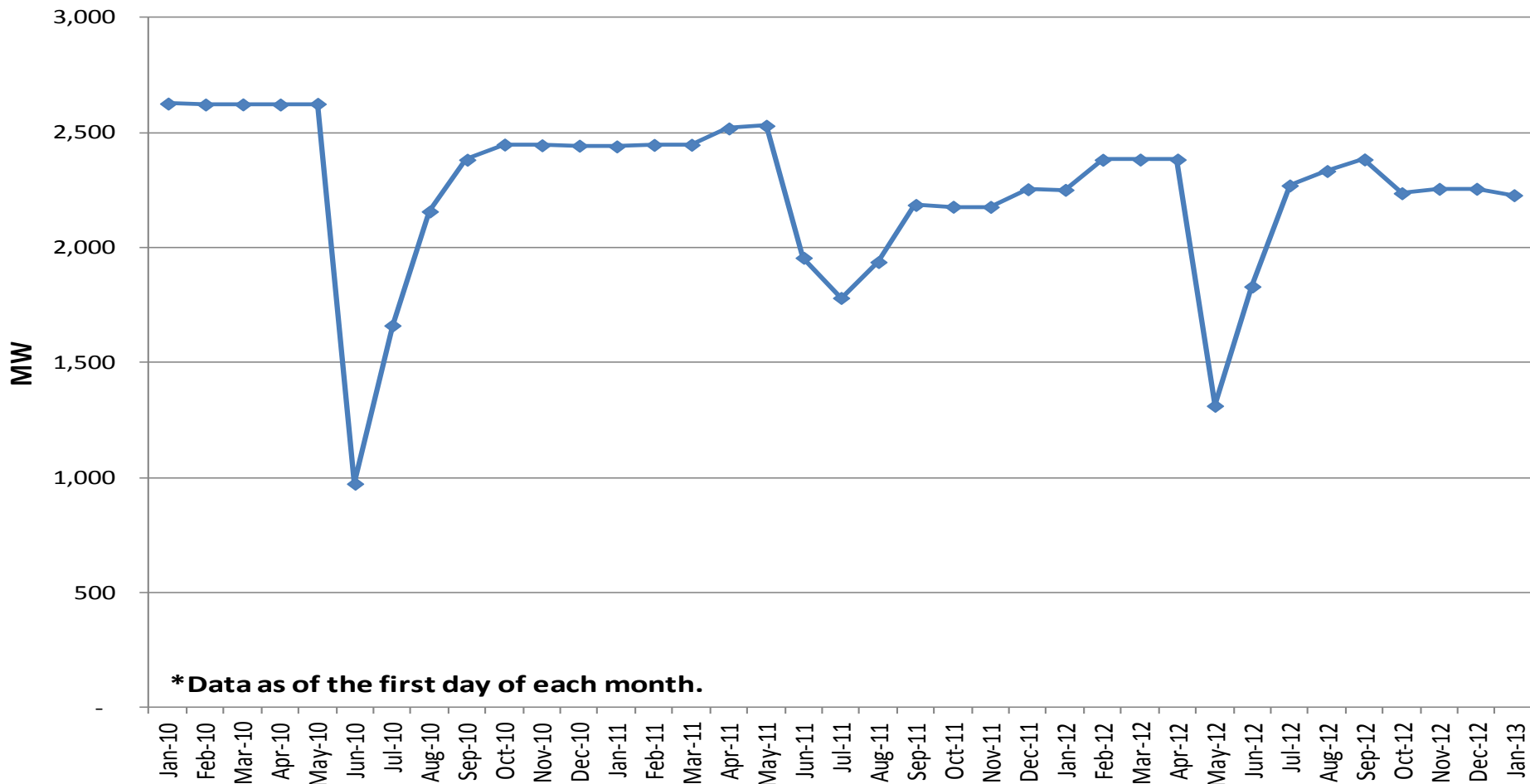
PJM DSR Activity

PJM Economic Demand Response Activity

*Data for last few months are subject to significant change due to the settlement window.



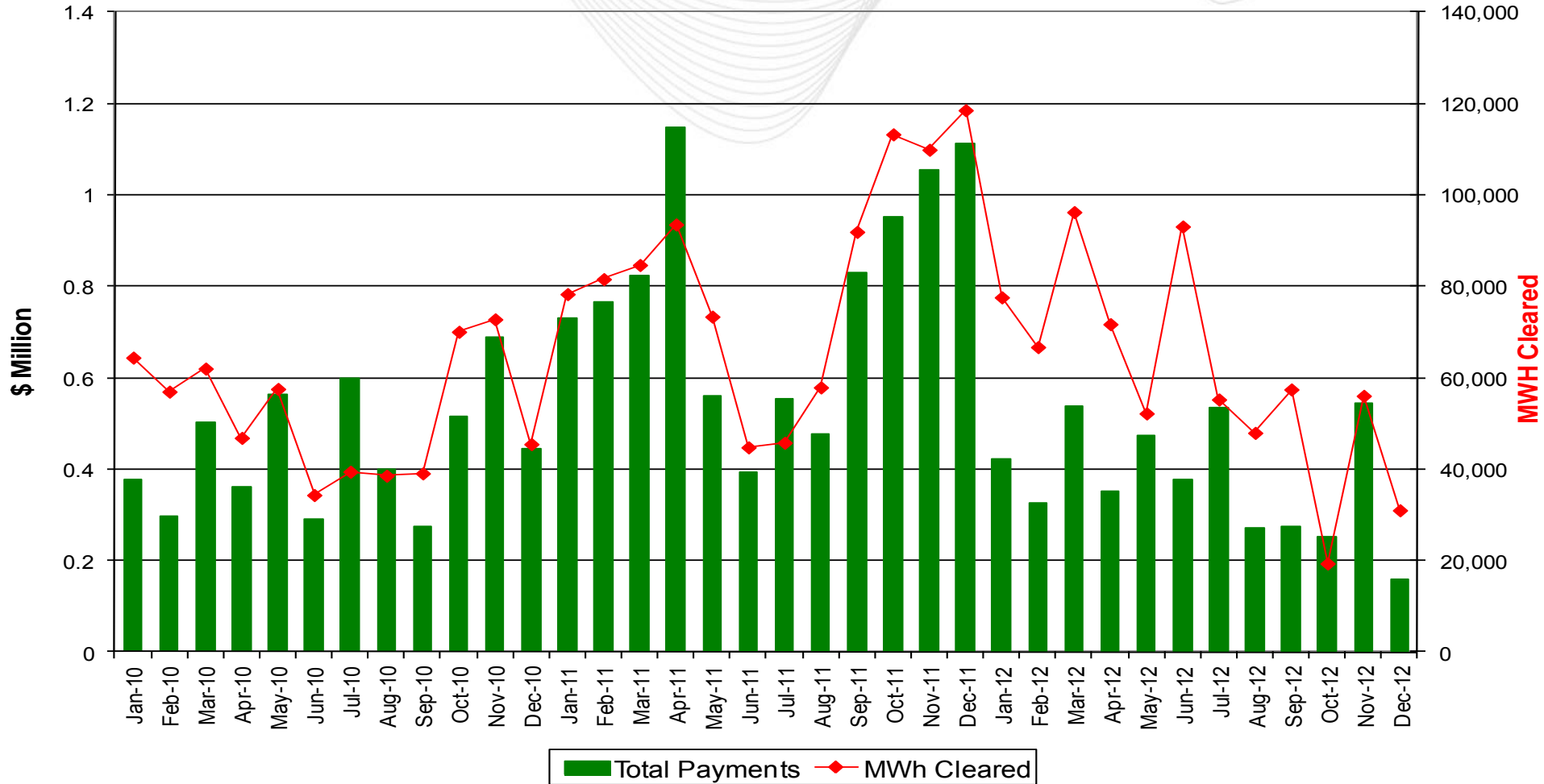
Total Registered MWs in PJM's Economic Demand Response





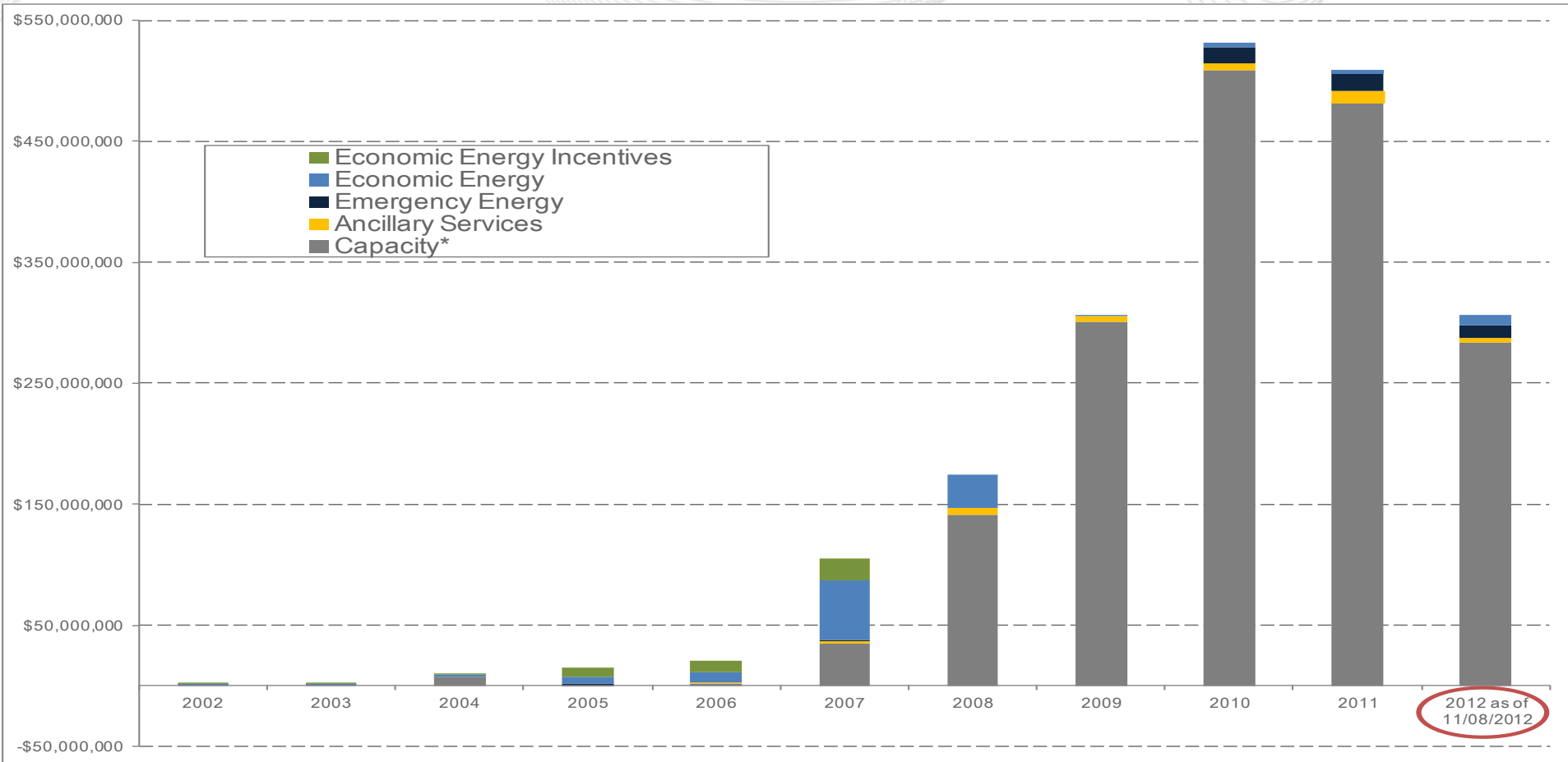
DSR as Synchronized Reserve

DSR Participation in PJM Synchronized Reserve Markets





PJM Demand Side Response Estimated Revenue



*Capacity revenue prior RPM implementation on 6/1/07 estimated based on average daily ALM capacity credits and weighted average daily PJM capacity market clearing price.

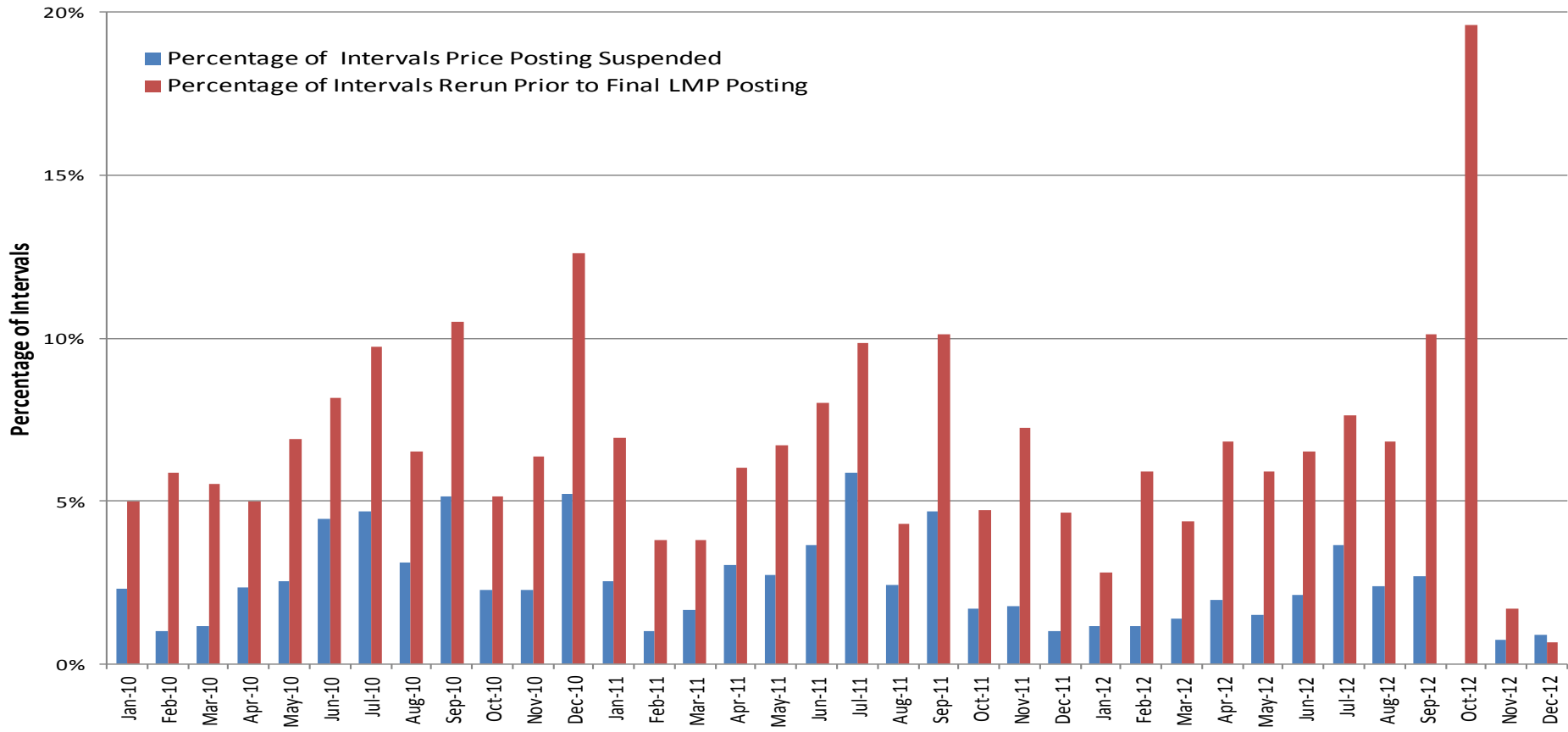


Performance of Synchronized Reserve Resources

SPIN EVENT (Longer than 10 mins)		GENERATION				DEMAND-SIDE RESPONSE			
START TIME	END TIME	TIER1	TIER2			TIER1	TIER2		
		Response	Assignment	Response	Zero Response	Response	Assignment	Response	Zero Response
2/18/2010 8:27	2/18/2010 8:46	170.72	180.50	185.30	-	-	46.05	6.53	13.68
3/18/2010 7:02	3/18/2010 7:29	-	172.35	3,126.40	50.85	-	66.99	60.93	15.01
3/23/2010 16:14	3/23/2010 16:27	-	89.70	1,991.87	-	-	25.33	28.36	1.95
6/14/2010 20:46	6/14/2010 21:20	-	-	3,547.47	-	-	-	7.92	-
6/23/2010 20:56	6/23/2010 21:11	-	-	2,146.85	-	-	-	6.04	-
6/27/2010 15:33	6/27/2010 15:48	-	-	333.87	-	-	30.83	16.82	12.80
7/16/2010 16:45	7/16/2010 17:04	-	240.67	321.93	79.48	-	32.40	18.08	12.67
8/11/2010 15:09	8/11/2010 15:26	-	39.95	2,442.53	25.50	-	8.08	2.85	2.55
8/16/2010 3:08	8/16/2010 3:25	-	-	1,942.84	-	-	-	5.31	-
8/16/2010 15:39	8/16/2010 15:50	-	-	253.47	-	-	23.18	11.18	3.67
9/15/2010 7:20	9/15/2010 7:33	-	-	1,983.11	-	-	-	2.39	-
9/22/2010 11:28	9/22/2010 11:52	-	328.00	745.14	46.00	-	60.36	9.63	45.64
10/5/2010 13:20	10/5/2010 13:30	-	30.17	1,093.11	7.00	-	23.43	19.43	4.88
10/15/2010 23:22	10/15/2010 23:32	-	-	119.10	-	-	-	7.64	-
10/27/2010 8:50	10/27/2010 9:00	-	48.33	120.11	6.17	-	21.95	4.86	16.65
11/8/2010 3:35	11/8/2010 5:37	-	-	718.38	-	-	-	-	-
11/26/2010 9:24	11/26/2010 9:37	-	38.35	1,540.98	-	-	15.08	10.50	4.29
12/7/2010 20:19	12/7/2010 20:30	-	108.72	1,247.31	21.27	-	27.06	8.04	16.68
12/14/2010 7:02	12/14/2010 7:26	-	311.60	565.23	44.40	-	65.12	50.66	12.00
12/16/2010 13:40	12/16/2010 14:00	-	168.33	258.86	22.67	-	52.54	49.09	6.37
12/29/2010 14:01	12/29/2010 14:16	-	-	62.25	268.48	-	-	2.65	-
2/8/2011 17:41	2/8/2011 17:52	253.19	158.03	91.63	6.78	0.08	20.07	15.56	2.99
2/9/2011 6:40	2/9/2011 6:56	206.56	271.20	191.51	16.27	-	40.96	39.05	0.43
2/9/2011 6:40	2/9/2011 7:03	336.21	-	-	-	-	-	-	-
2/13/2011 10:35	2/13/2011 10:49	109.88	202.76	113.23	8.63	0.20	21.26	6.74	2.92
2/24/2011 6:35	2/24/2011 6:49	-	146.30	520.98	9.80	-	29.19	29.83	0.79
2/25/2011 9:12	2/25/2011 9:22	268.30	122.00	92.02	16.67	-	24.65	24.94	2.42
3/30/2011 15:13	3/30/2011 15:25	199.05	38.20	20.11	18.00	0.01	26.02	21.10	4.22
4/2/2011 9:13	4/2/2011 9:24	83.65	94.42	68.29	26.58	0.01	19.27	9.89	3.17
5/1/2011 20:05	5/1/2011 20:26	289.58	269.85	208.09	62.30	-	42.91	27.58	2.31
5/26/2011 13:17	5/26/2011 13:37	355.72	125.00	56.50	40.00	-	62.34	59.70	5.54
5/31/2011 12:36	5/31/2011 13:03	555.58	221.85	183.11	-	-	66.29	47.63	9.54
6/26/2011 18:03	6/26/2011 18:13	130.06	35.67	20.75	-	-	23.57	18.11	1.35
7/10/2011 7:20	7/10/2011 7:30	409.16	-	-	-	0.04	-	-	-
7/28/2011 14:49	7/28/2011 15:01	295.03	52.80	39.19	-	-	26.98	23.54	0.36
10/30/2011 18:39	10/30/2011 18:49	167.59	28.50	23.15	1.67	1.44	21.84	23.90	8.63
12/21/2011 9:26	12/21/2011 9:44	240.40	230.70	196.01	29.40	0.70	51.42	56.72	5.25
3/19/2012 6:14	3/19/2012 6:24	414.61	-	-	-	2.28	-	-	-
4/19/2012 7:54	4/19/2012 8:10	430.25	14.67	2.55	5.33	-	57.49	58.78	10.75
7/23/2012 17:45	7/23/2012 18:03	290.90	13.50	10.95	3.00	3.02	36.21	30.05	2.34
8/3/2012 8:44	8/3/2012 8:54	292.64	-	-	-	0.35	-	-	-
8/3/2012 8:44	8/3/2012 9:29	410.63	-	-	-	-	-	-	-
9/8/2012 0:34	9/8/2012 0:46	325.49	-	-	-	-	-	-	-

* All values are converted into MWhs by multiplying MWs by event duration.

Price Posting Suspensions and Reruns Percentage of 5-Minute Intervals



***Reruns in October 2012 were higher due to those necessary during the initial implementation of Shortage Pricing.**

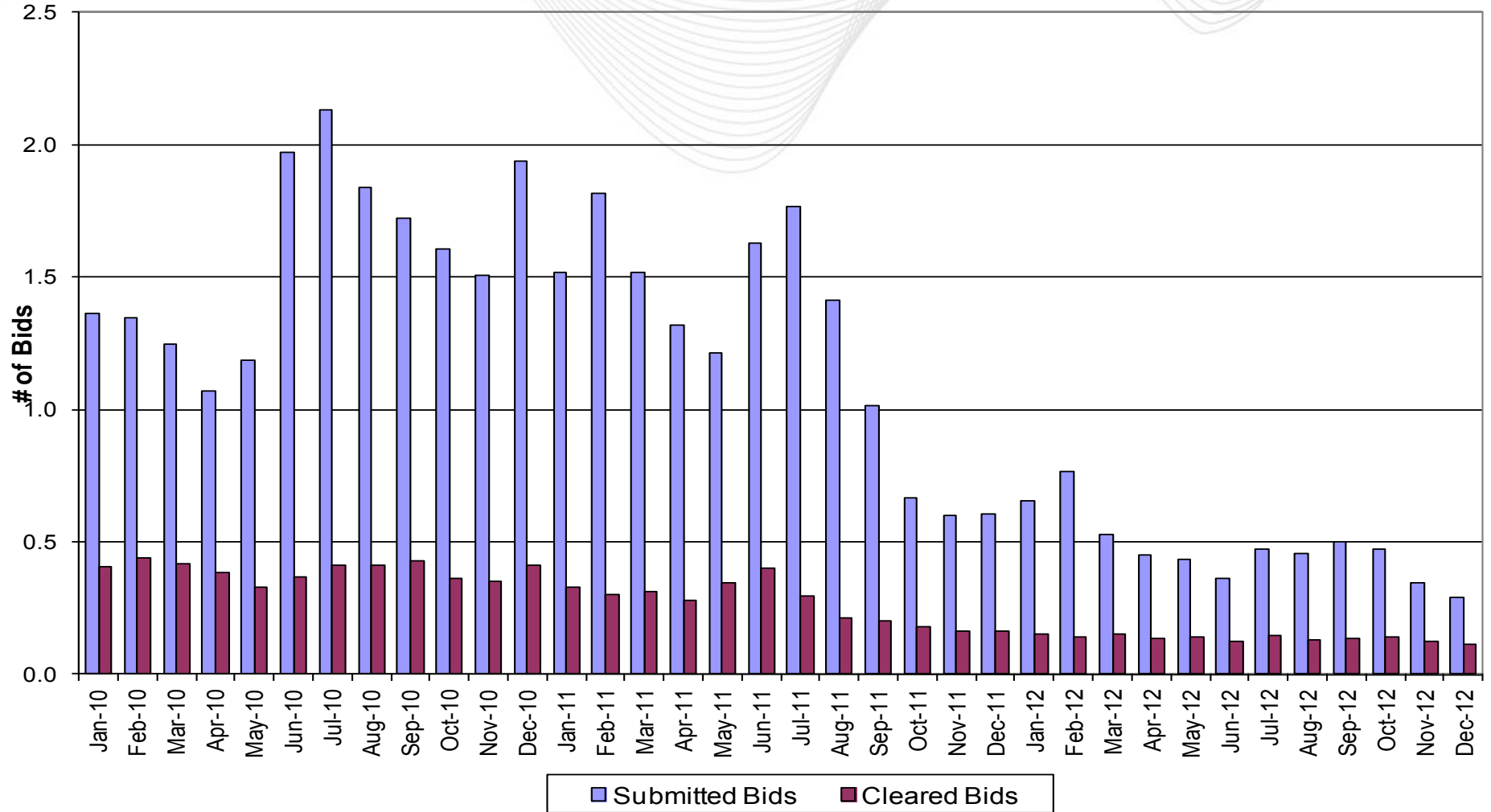


PJM Virtual & Up-To Transactions

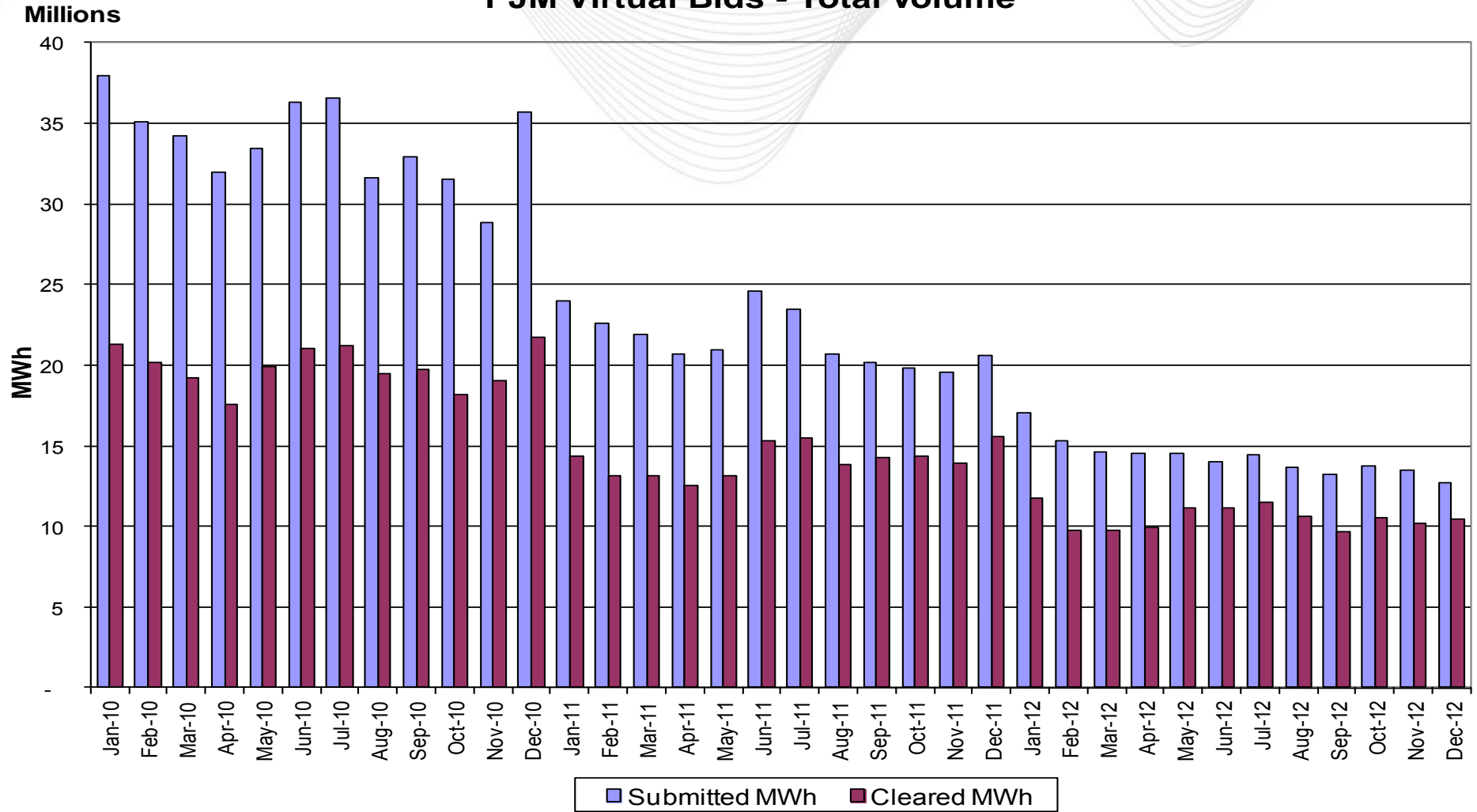
- The following six charts depict trends in submitted and cleared virtual and up-to-congestion transactions, in terms of number and volume, into the PJM Energy Market. The first two of these charts show the submitted and cleared increment and decrement bids (“virtual transactions” or “virtuals”) and they are the same as what was previously being presented in this report. The two charts after them display the trends in submitted and cleared up-to-congestion transactions into the PJM Energy Market. The last two of these six charts combine the virtual and up-to-congestion transactions and show the sum of these two categories.
- To clarify what a “bid” or “transaction” is please consider the following example: An offer (increment, decrement or up-to-congestion) of 10 MWs valid for eight hours for a given day is captured in the charts as eight submitted bids/transactions and 80 submitted MWh. If this offer fully clears for three of the hours it was submitted for, it shows in the charts as three cleared bids/transactions and 30 cleared MWh.

PJM Virtual Bids - Total Number

Millions



PJM Virtual Bids - Total Volume

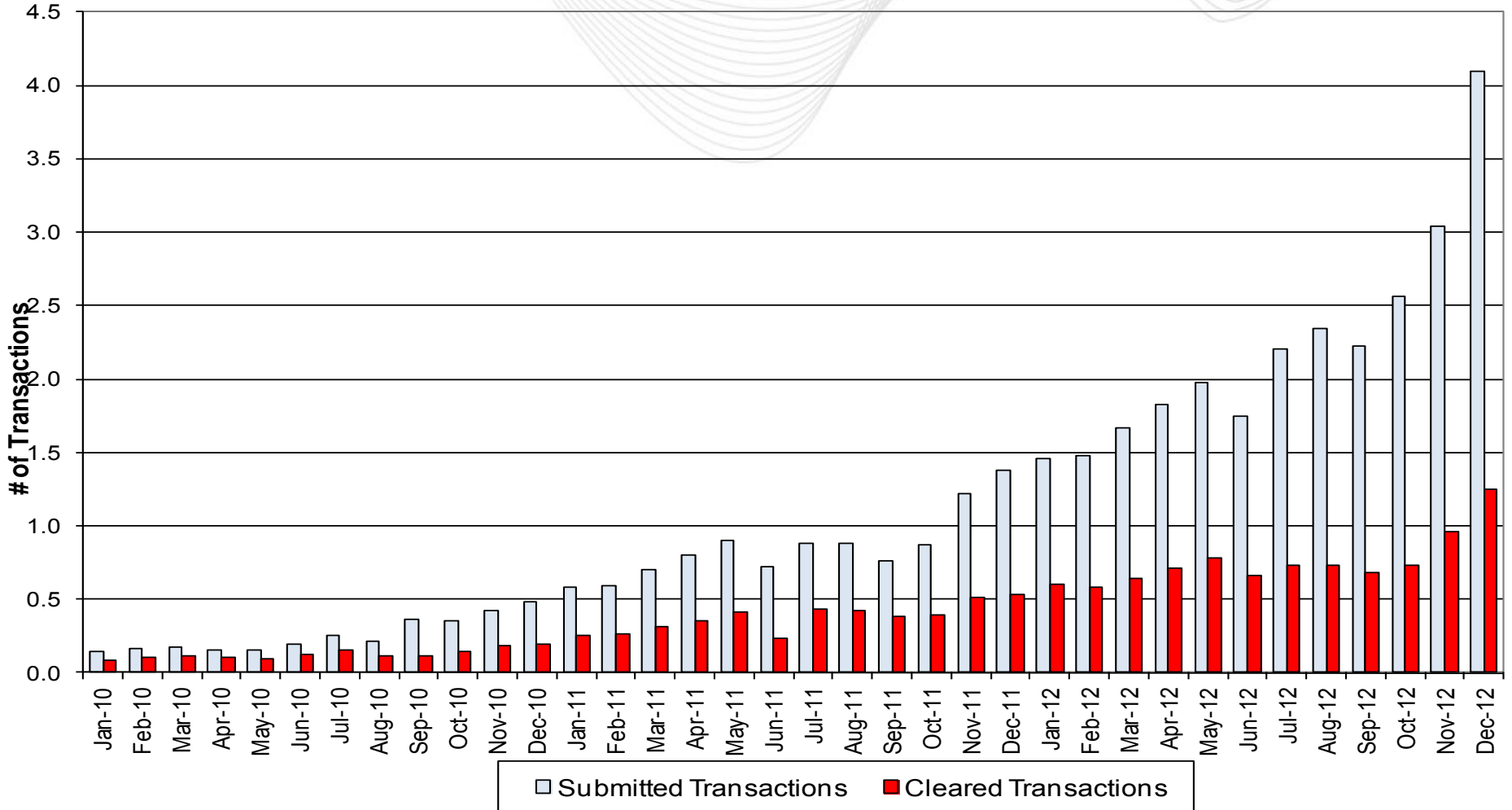




PJM Up-To Transactions

PJM Up-To-Congestion Transactions - Total Number

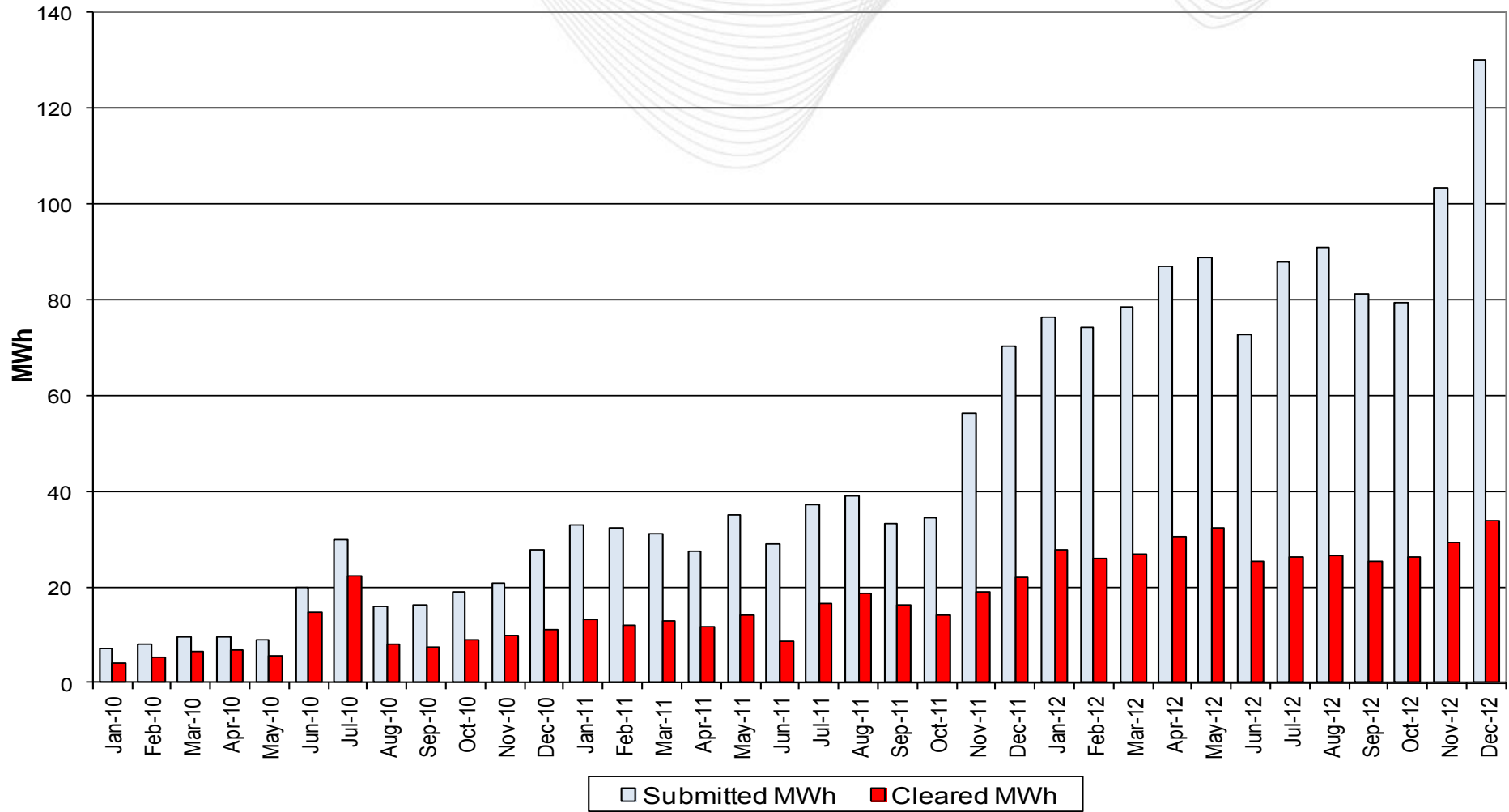
Millions





PJM Up-To Transactions

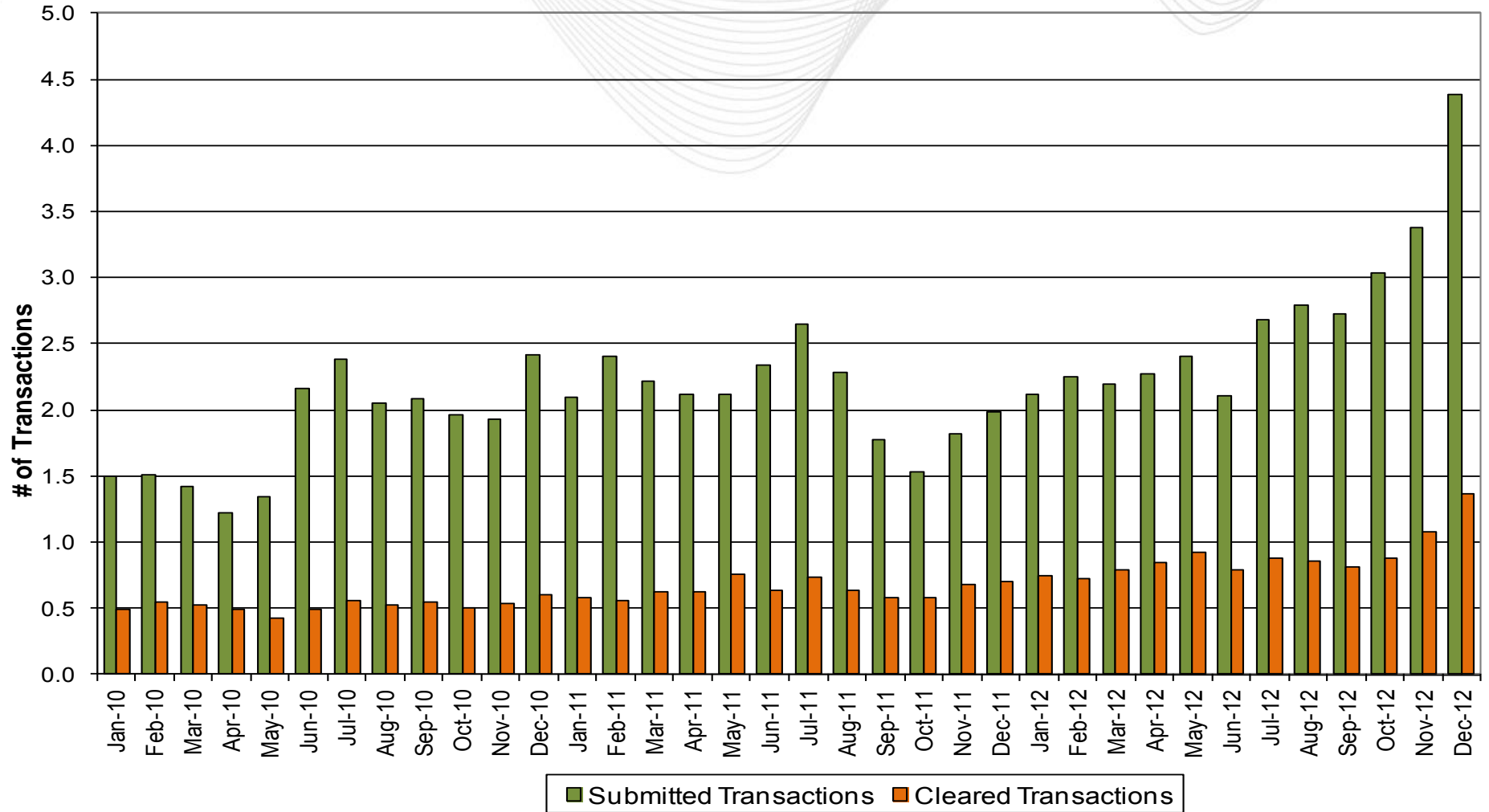
PJM Up-To-Congestion Transactions - Total Volume





PJM Virtual & Up-To Transactions

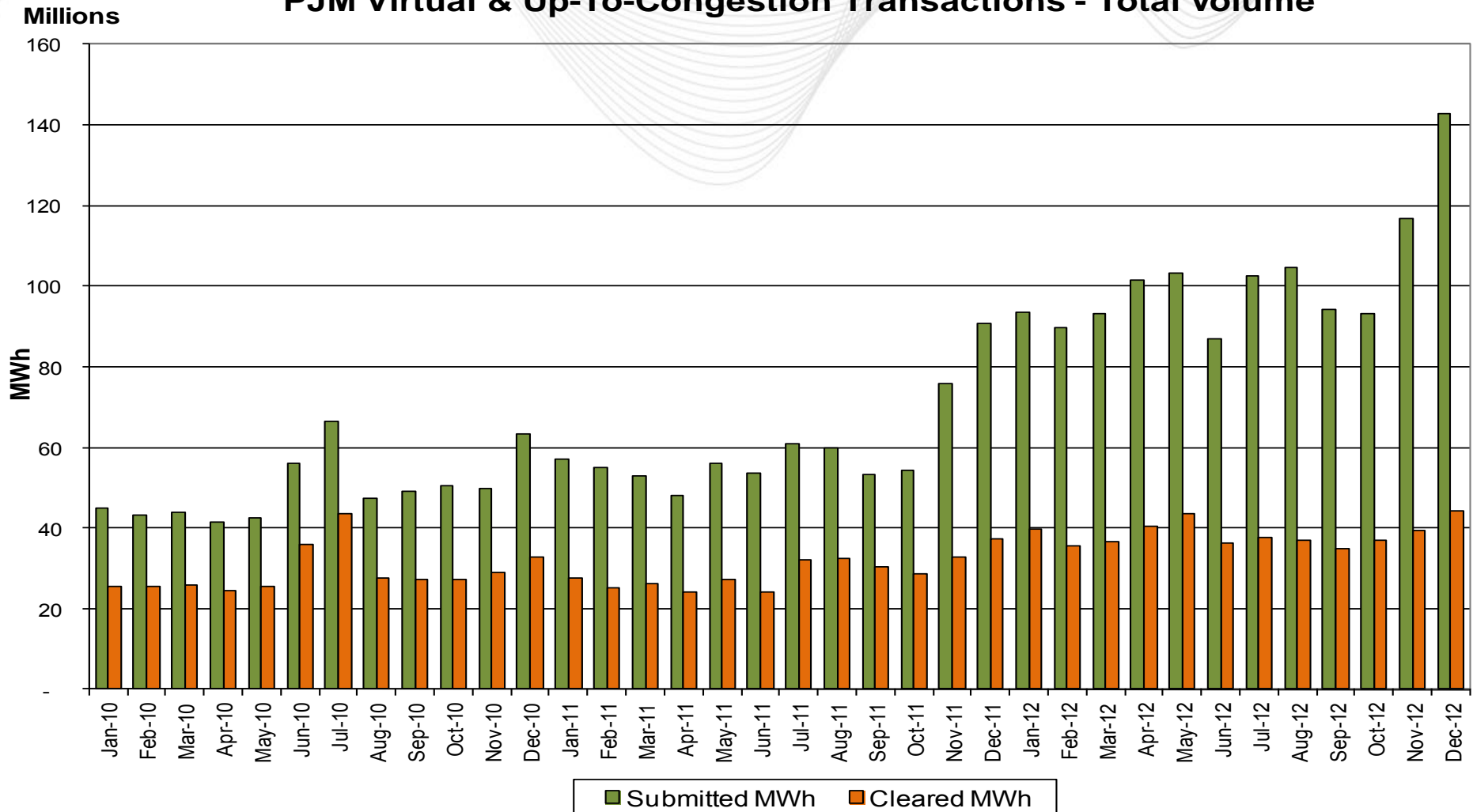
PJM Virtual & Up-To-Congestion Transactions - Total Number





PJM Virtual & Up-To Transactions

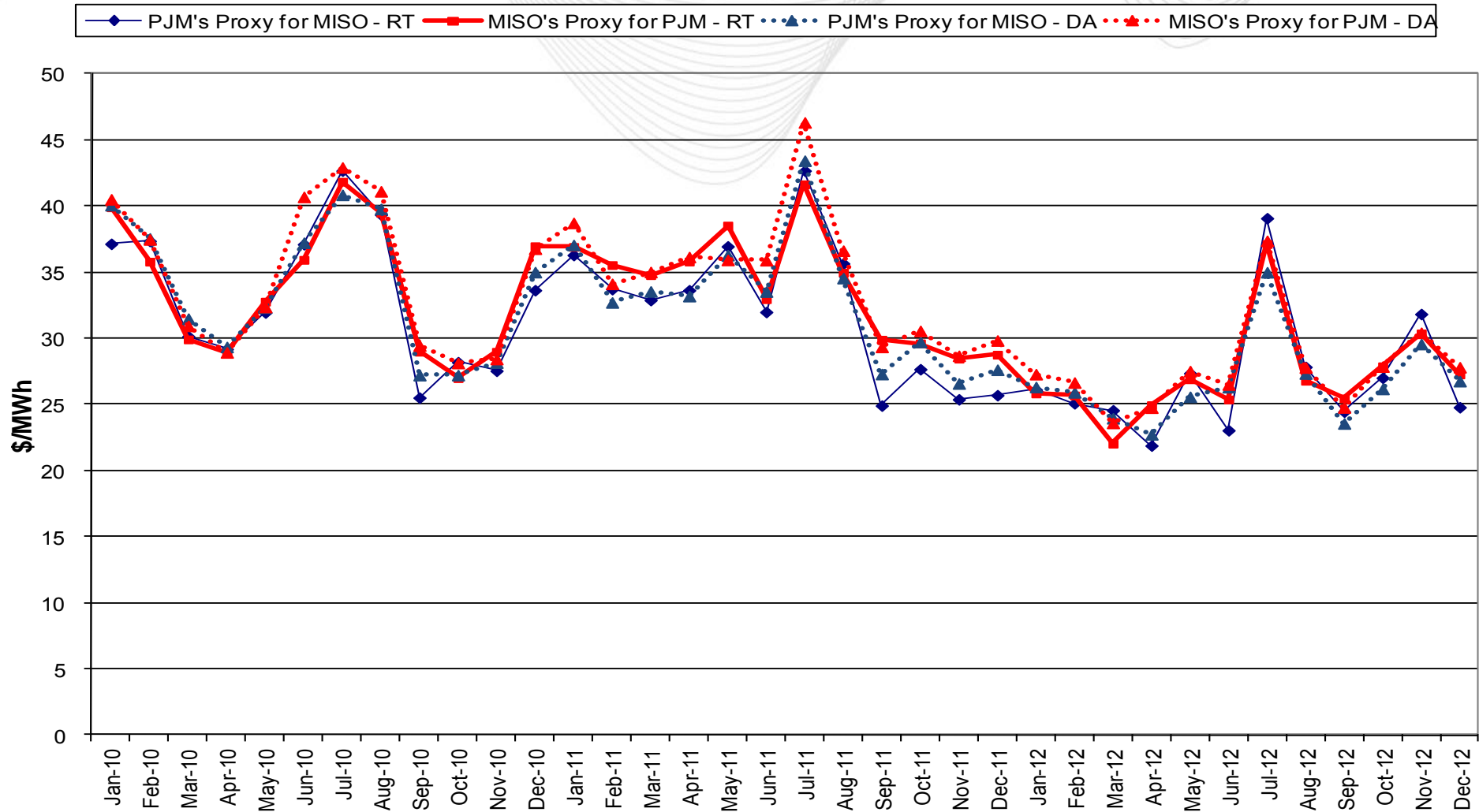
PJM Virtual & Up-To-Congestion Transactions - Total Volume





PJM-MISO Interface Pricing

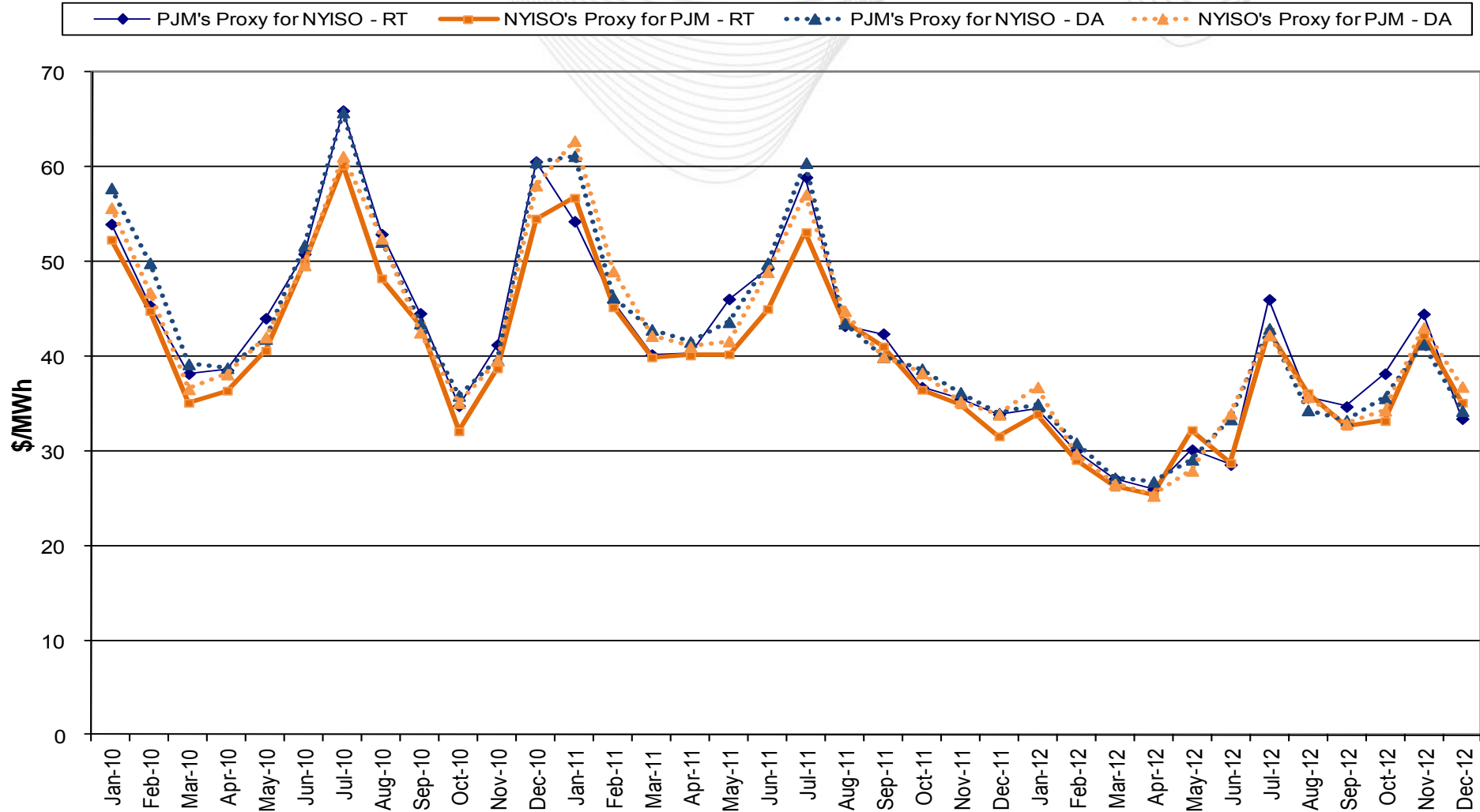
PJM-MISO Monthly Average Interface Prices





PJM-NYISO Interface Pricing

PJM-NYISO Monthly Average Interface Prices





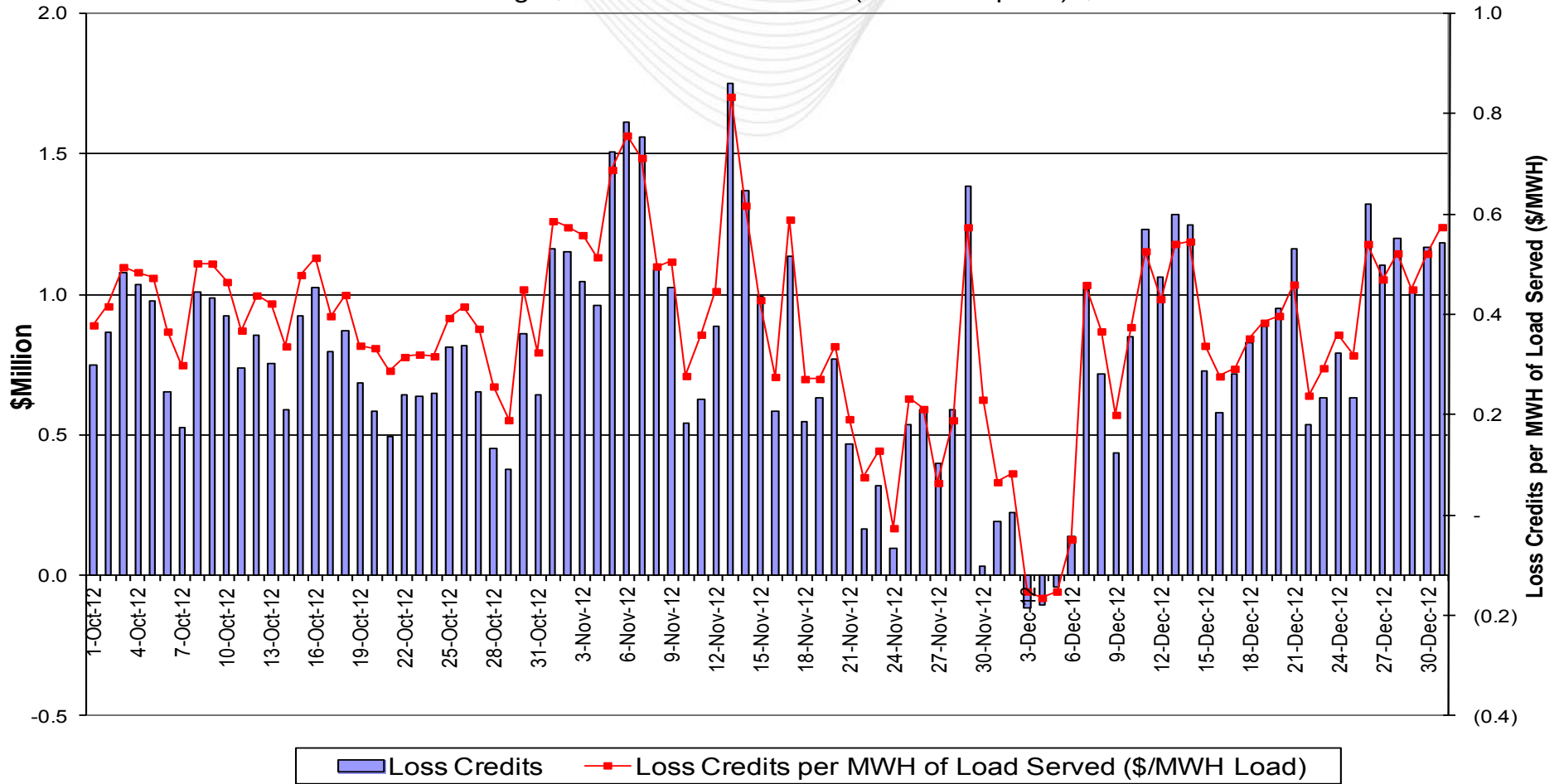
Marginal Loss - Loss Surplus Data

Daily Loss Surplus

Total Loss Surplus Credits (Current Planning Year): \$220,006,552

Total Loss Surplus Credits (CalendarYear): \$243,667,787

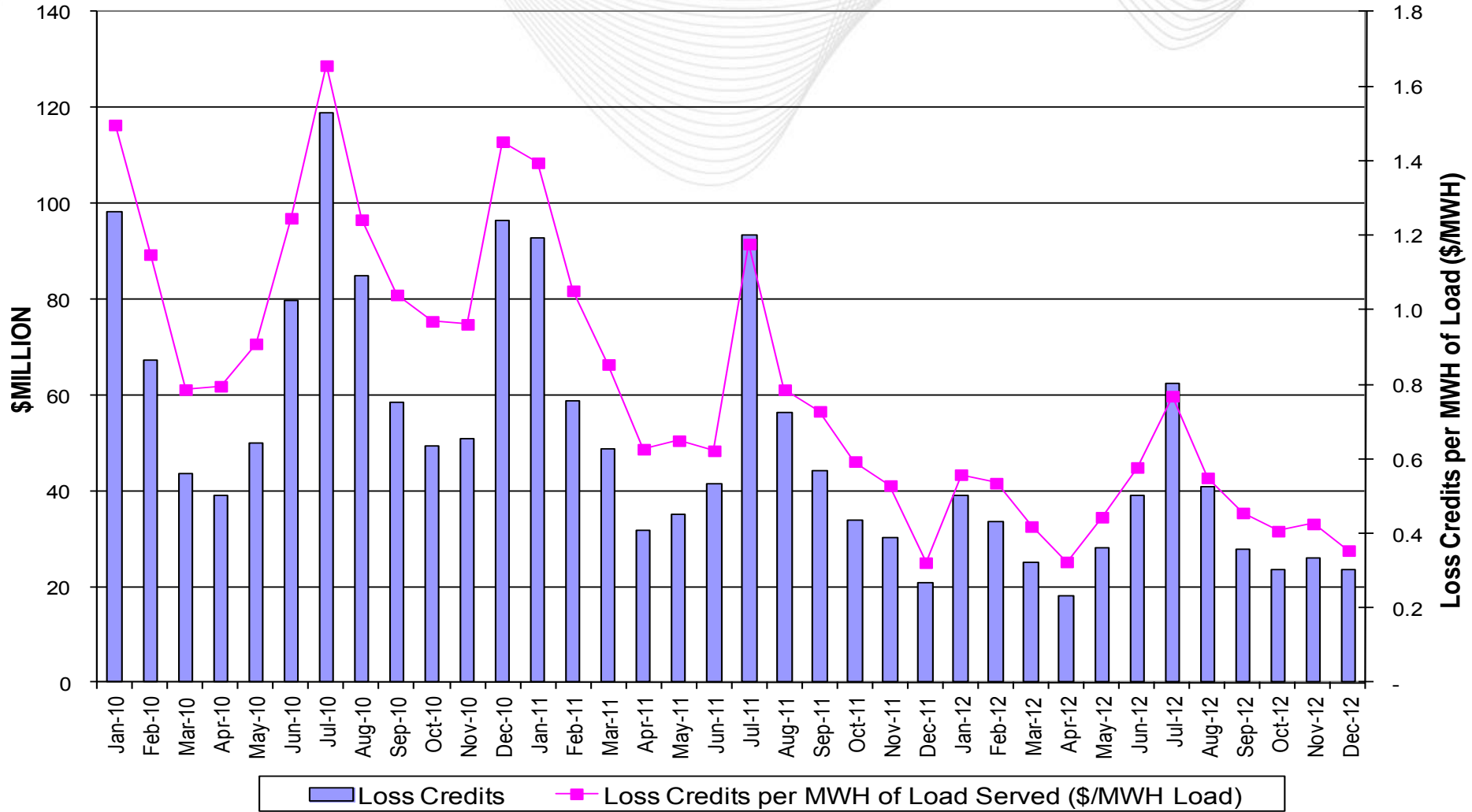
Average \$/MWH of Load Served (Since Inception): \$1.08





Monthly Loss Surplus

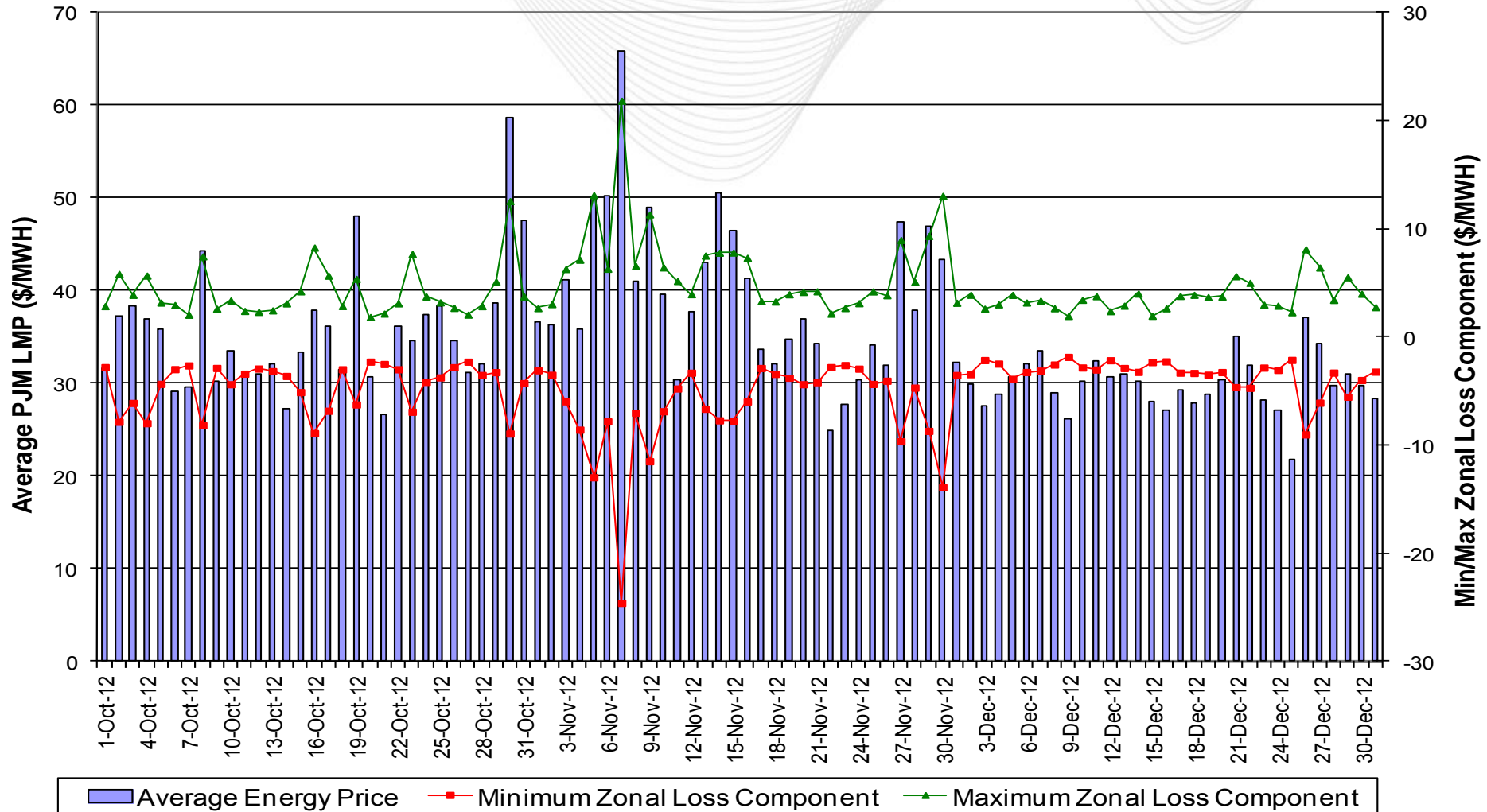
PJM Monthly Loss Surplus





Real Time Marginal Loss Summary Data

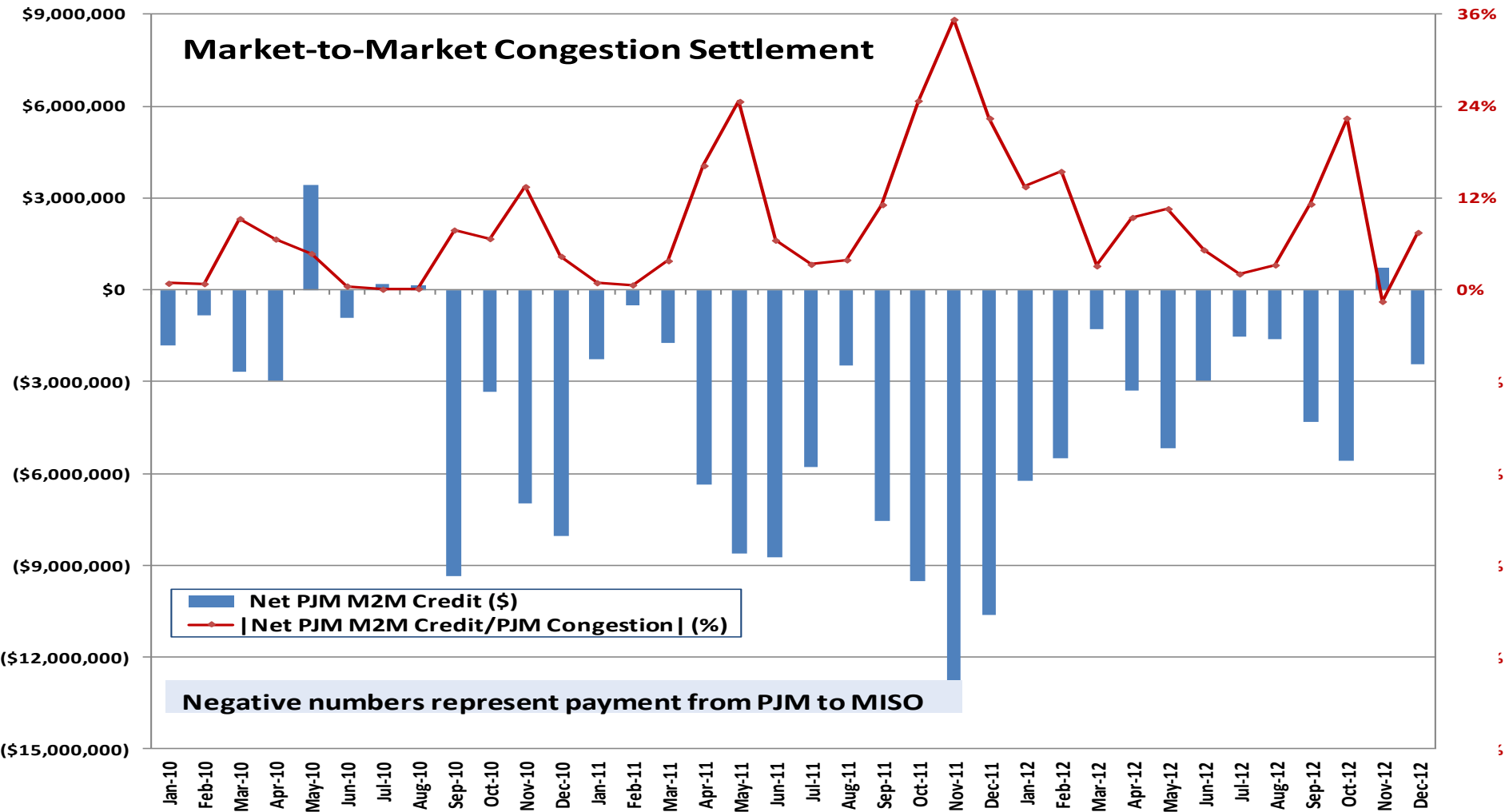
Daily Real-Time Marginal Loss Summary





PJM-MISO Market-to-Market

Market-to-Market Congestion Settlement



Negative numbers represent payment from PJM to MISO