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**PJM AUCTION AWARDS FIRST LONG-TERM
FINANCIAL TRANSMISSION RIGHTS**

New tool designed to facilitate more long-term power contracts

(Valley Forge, Pa. – Oct. 10, 2008) – PJM Interconnection’s first auction for long-term financial transmission rights (FTRs) cleared 23,348 megawatts of transmission rights for periods up to four years in the future.

The auction was held October 1 - 3 with 62 members participating and 8,500 bids cleared. Previously, FTRs could be acquired only for the coming planning year. FTRs are financial instruments that enable holders to hedge against locational electricity price differences caused by transmission constraints in the day-ahead energy market.

“The success of this first auction is a strong indicator of interest in these long-term instruments, which provide more market certainty in developing long-term contracts. The volume of transactions is about equal to the amount we generally receive in our monthly auctions, demonstrating the new auction already is drawing participation similar to the more mature FTR market,” said Andrew L. Ott, senior vice president – Markets.

Collectively, the auction cleared \$18.5 million in revenue for the June to May periods of the years, 2009-2010, 2010-2011 and 2011-12.

This auction was the first round of long-term FTR auctions that enable participants to bid on FTR products up to four years into the future. Durations of the FTRs are from one to three years. Using this new tool, electric power buyers can hedge future congestion costs, which can help foster long-term power contracts. Prior to this auction, FTRs could only be purchased in one-month, three-month or one-year increments.

FTRs allow transmission customers to protect themselves against the risk of congestion cost increases, providing price certainty for transmission customers when receiving electricity across constrained transmission lines. Transmission customers pay the market price to move energy from one point in the transmission system to another. This cost increases when the delivery is across transmission facilities that are constrained. FTRs are a necessary hedging mechanism in the locational pricing market.

“Having access to different types of FTRs for various time periods allows participants to build flexible portfolios to maximize the effectiveness of their individual hedging strategies,” Ott said.

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The results of the first round auction are available at <http://www.pjm.com/markets/ftr/auction-user.html>.

Round two of the long-term FTR auction will open Dec. 1, 2008. Results are expected to be posted by Dec. 10, 2008 on www.pjm.com.

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 56,350 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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