



FEDERAL ENERGY REGULATORY COMMISSION

September 18, 2008
PJM Interconnection, L.L.C.
Docket Nos. ER05-1410-000, EL05-148-000, EL08-67-000

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FERC Grants RPM Technical Conference, Dismisses Complaint

The Federal Energy Regulatory Commission (FERC) today addressed issues involving the PJM Interconnection L.L.C.'s Reliability Pricing Model (RPM), the auction market construct used to procure capacity resources and foster sufficient investment in generation, transmission and demand resources to ensure reliability in the PJM region.

FERC granted a request for a technical conference relating to PJM's ongoing review of the RPM and directed PJM to submit a report to the Commission by Dec. 15, 2008, detailing its findings and the actions it proposes to take, including filing proposals as necessary to implement changes to RPM. FERC also directed its staff to convene a technical conference on RPM issues to aid PJM and its stakeholders in determining any further actions that would better achieve the goals of RPM.

Separately, FERC dismissed a complaint by RPM Buyers alleging that RPM had not resulted in just and reasonable capacity prices during the transition period between PJM's prior capacity market mechanism and full implementation of RPM.

Background and Orders

In December 2006, FERC approved PJM's RPM on the basis of a substantial record showing that, without a new capacity market mechanism, PJM faced a serious capacity problem that potentially jeopardized system reliability. The purpose of RPM was to create sufficient incentives for the development and retention of generation, transmission and demand resources, including obtaining three-year-ahead binding commitments from capacity resource providers, in order to ensure reliability.

On May 30, 2008, RPM Buyers, a group representing customers and state public service commissions, filed a complaint with regard to the rates resulting from the RPM auctions during the transition between PJM's prior capacity mechanism and full implementation of RPM. RPM Buyers alleged that the auctions during the transition resulted in unjust and unreasonable capacity prices, and FERC therefore should order refunds. FERC dismissed the complaint on the basis that RPM Buyers had failed to allege or prove that any party violated PJM's tariff and market rules, and the prices determined for the transition period were determined in accordance with PJM's Commission-approved tariff.

In a separate order, in response to a separate motion by RPM Buyers to convene a technical conference to assess the performance of RPM, FERC directed PJM and its stakeholders to evaluate the design of the RPM with the intention of making changes on a prospective basis, and file a progress report with the Commission by Dec. 15, 2008. FERC also directed staff to convene a technical conference in February 2009 on the issues raised in the RPM Buyers' complaint and related issues raised by PJM stakeholders.