

Market-to-Market Update



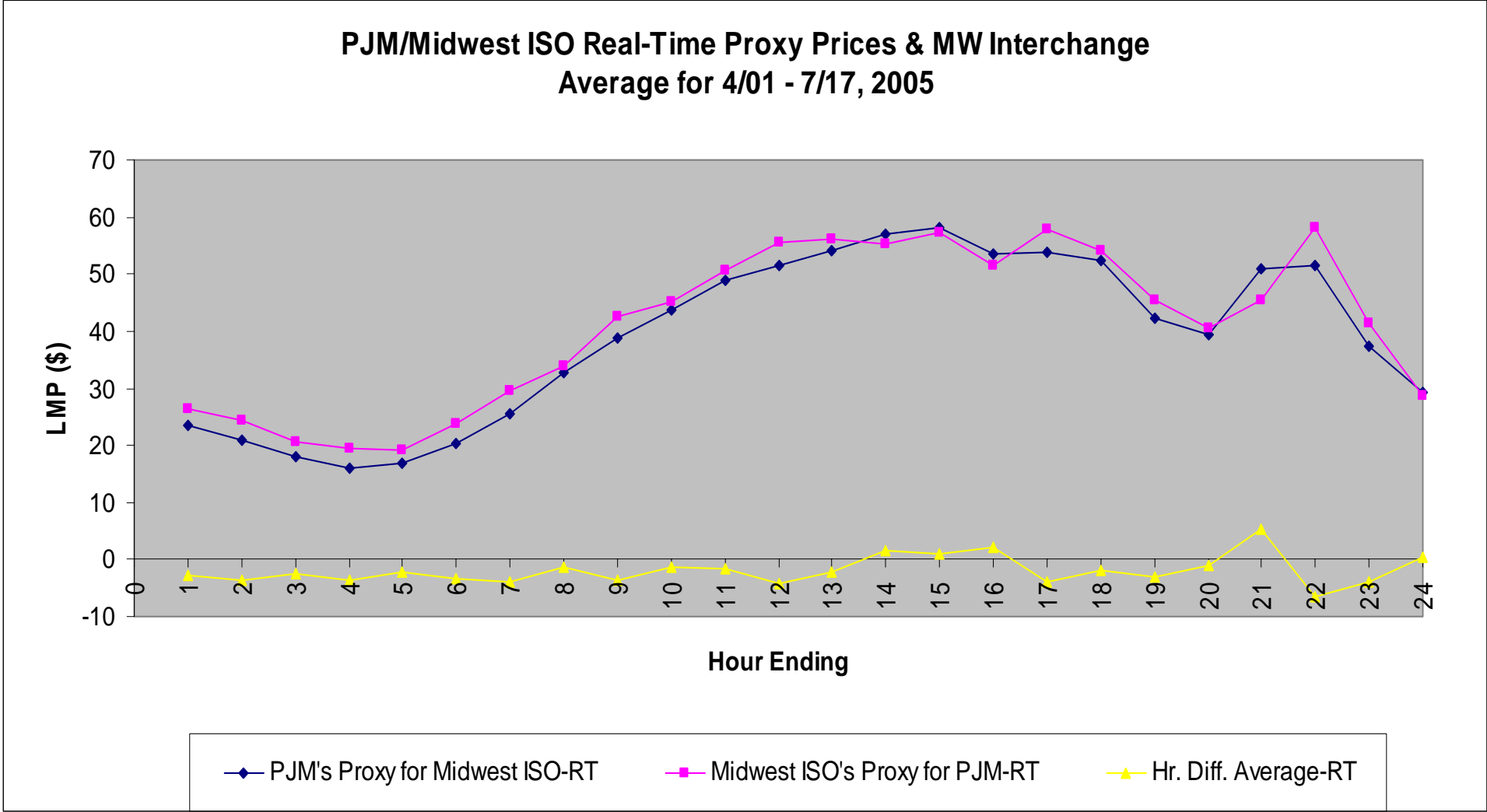
**Joint and Common Market
Wilmington, DE
July 27, 2005**



Market-to-Market Coordination Update

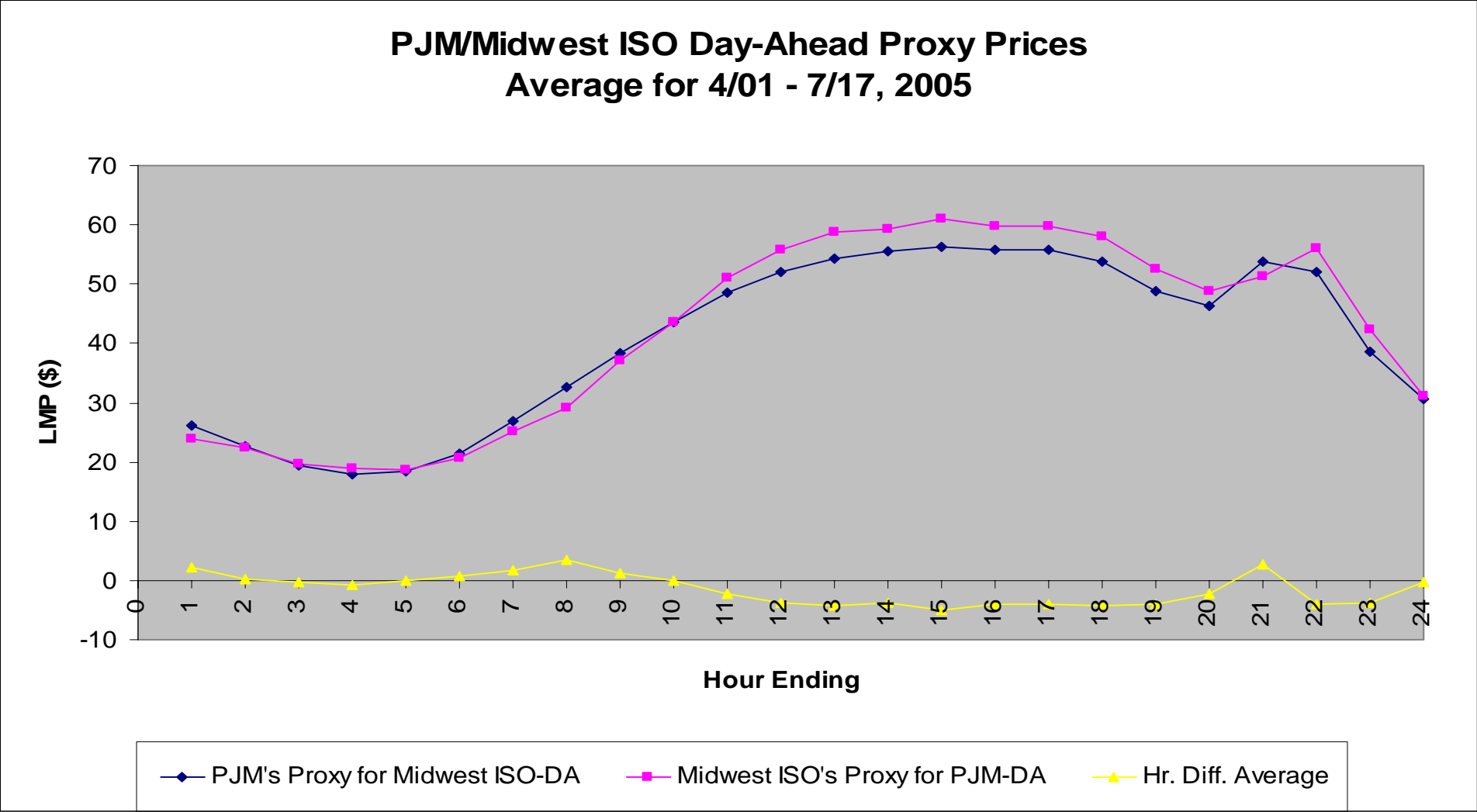
- Market-to-Market Coordination continues to function efficiently.
- PJM and Midwest ISO continue to investigate any Market-to-Market results that appear to be anomalous.
- To date, no causes to recalculate Market-to-Market settlement have been detected.

Proxy Bus Prices



Proxy Bus Prices

PJM/Midwest ISO Day-Ahead Proxy Prices
Average for 4/01 - 7/17, 2005



Correlation Analysis

PJM-Midwest ISO v. Midwest ISO-PJM Proxies Correlation

	Apr-Jun	Apr	May	Jun
<u>All Hours</u>				
DA	0.92	0.86	0.89	0.97
RT	0.73	0.63	0.75	0.80
<u>On-peak</u>				
DA	0.86	0.65	0.76	0.95
RT	0.59	0.46	0.58	0.72
<u>Off-peak</u>				
DA	0.88	0.80	0.90	0.95
RT	0.69	0.58	0.67	0.81

Correlation Analysis

- Correlation increasing month-to-month
- Day-ahead more highly correlated than Real-time
- Off-peak more highly correlated than on-peak
- June prices closer to May than May prices to April

Market-to-Market Coordination Update

- Net Market-to-Market settlement for June: \$3.6 Million PJM to Midwest ISO
- Settlement occurred on 14 flowgates
 - 2 flowgates Midwest ISO compensated PJM
 - 12 flowgates PJM compensated Midwest ISO
- 86% of the PJM to Midwest ISO settlement occurred on three flowgates:
 - Eau Claire – Arpin 345kV line
 - Miami Fort 345/138kV xfmr flo East Bend – Terminal 345kV line
 - New London – Webster 230kV line flo Jefferson – Greentown 765kV line

Market-to-Market Coordination Update

- PJM and Midwest ISO have concluded their investigation into the outages causing large settlements on June 5th and 14th and the effects appear to be reasonable.
- Investigation continues into the allocation mechanism utilized for calculating the NNL values used in PJM – Midwest ISO Market-to-Market settlement calculations.