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PJM Files Changes to Capacity Market To Promote Reliability*Federal Energy Regulatory Commission Proposal Responds to Resource Adequacy Needs of Evolving Grid*

(Valley Forge, PA – Oct. 13, 2023) – PJM today submitted proposed market reforms designed to support reliability of the electric grid now and in the future amid increasingly extreme weather and a changing generation fleet. As part of its commitment to maintain reliable electric service during the transition to a lower-carbon grid, and in the wake of recent extreme weather events, PJM filed its [proposal](#) (PDF) with the Federal Energy Regulatory Commission after more than a year of stakeholder meetings followed by an accelerated and intensive stakeholder process that began in February.

Capacity market enhancements to the PJM Tariff aim for implementation beginning with the 2025/2026 Base Residual Auction (BRA), scheduled for June 2024. The proposed reforms are designed to:

- Enhance how PJM accounts for generator reliability-related risk in its models and sets procurement targets.
- Advance an accreditation framework for all resources to reflect the actual capacity value that those resources provide to consumers.
- Reform certain rules related to the Capacity Performance program, which establishes accountability for generator performance during system emergencies.
- Improve generator testing, including operational and seasonal requirements.
- Revise the Market Seller Offer Cap and Minimum Offer Price Rule to better include costs of taking on a capacity obligation and adopt a forward-looking Energy & Ancillary Services Offset.
- Enhance rules related to a unit-specific Market Seller Offer Cap.
- Better align Fixed Resource Requirement rules with the capacity market construct.

The proposal reflects stakeholder collaboration that began in October 2021 with the establishment of PJM's Resource Adequacy Senior Task Force. Following more than a year of stakeholder meetings, in February of this year, the PJM Board initiated an accelerated Critical Issue Fast Path – Resource Adequacy process that concluded in September with an advisory vote to inform PJM Board action.

"PJM and the PJM Board thank stakeholders for their focused consideration of market reforms designed to support resource adequacy and grid reliability," said PJM President and CEO Manu Asthana. "The grid is evolving, and our markets must also adapt to facilitate the energy transition without sacrificing reliability."

"The proposal, while enhancing reliability, would maintain fundamental principles of competition that control costs for consumers as well as incentivize investment in new resources," said PJM's Adam Keech, Vice President – Market Design & Economics.

"These proposed capacity market reforms will help PJM do what we do best – operating markets that attract critical investment in the resources we need to keep the lights on," added Keech. "Maintaining enough resources that can support reliability are crucial to PJM's ability to serve demand through the transition to a less carbon-intensive grid."

PJM recognizes stakeholder interest in continuing targeted collaboration on additional market enhancements, including a more granular approach to the capacity market, and will engage with stakeholders in pursuing these areas through various stakeholder venues.



Proposal filings:

- [Docket No. ER24-98-000](#) (PDF)
- [Docket No. ER24-99-000](#) (PDF)

[PJM Interconnection](#), founded in 1927, ensures the reliability of the high-voltage electric power system serving 65 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 88,115 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. PJM's regional grid and market operations produce annual savings of \$3.2 billion to \$4 billion. For the latest news about PJM, visit PJM Inside Lines at insidelines.pjm.com.

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