

FOR IMMEDIATE RELEASE

**PJM To Lead Market Reform Effort To Support Generation Investment and Reliability***New report describes changed investment climate and choices to be made about shared reliability, consumer protections and the role of markets*

(Valley Forge, PA – May 6, 2026) – PJM today launched an effort to rethink the future of its wholesale electricity markets with the publication of [Powering Reliability Through Market Design](#). The report frankly assesses the current industry landscape of high prices, burgeoning electricity demand and reluctant investors, and catalogues the foundational decisions that will be required of industry and government to meet those challenges for the long term.

PJM and stakeholders from the public and private sectors are actively working on stopgap solutions to meet the accelerating growth in electricity demand driven by the proliferation of data centers, while also protecting consumers and system reliability.

The PJM Board of Managers has recognized that current price volatility – while economically rational – is eroding the public-private compact that allows the market to function, and that the basic assumptions of the capacity market must be reexamined in a resource-constrained world. In January, the PJM Board directed staff to undertake a series of measures to address short-term and long-term challenges, including a holistic review of the capacity market design and investment incentives.

“The Board asked PJM to examine whether the foundational assumptions of the market remain valid – and if not, what a valid set of assumptions would require. The paper that follows is an honest attempt at that examination,” President and CEO David Mills stated in a forward to the paper.

As detailed in Powering Reliability, the landscape around PJM’s capacity market, or Reliability Pricing Model (RPM), has fundamentally changed. Where once electricity demand grew slowly and predictably, today data centers can be built much faster than generation can be built to serve them.

Building new generation is more expensive and riskier than it used to be: Capital costs have risen sharply, construction timelines have more than doubled, and state and federal policy has whipsawed. Many investors now require long-term revenue certainty before committing capital to new projects to offset the increased risks.

That leaves PJM’s capacity market in a credibility trap – high prices designed to signal the need for investment put pressure on consumers who are unprotected from market volatility; this triggers government intervention to protect consumers, which undermines the credibility of those same prices and fails to incentivize new investment.

PJM believes that markets provide the best opportunity to address this challenge cost-effectively. The paper does not recommend a specific path, but rather outlines three general frameworks to start the conversation, based on the concept of shared reliability that has traditionally guided the markets:

- One path would preserve the shared responsibility for one level of reliability for all, protecting consumers by requiring most electricity demand to be covered through long-term forward commitments that shield consumers from price spikes and support needed investment.



- A second would accept that reliability can no longer be rationed equally and differentiate reliability standards across load, geography or customer class, prioritizing those that contribute to or value reliability most.
- A third path would emphasize the Energy and Ancillary Services markets for investment price signals, supported by long-term energy contracting, with the capacity market remaining as a reduced backstop.

The current situation is not tenable, Mills noted, and PJM and stakeholders have limited time to act. Many of the choices required must be made by others outside of PJM, including state officials, the Federal Energy Regulatory Commission, consumers and the advocates who represent them.

“Wholesale electricity markets are extraordinary institutions, and their most essential infrastructure is not a price curve or a performance obligation – it is legitimacy. Generators, utilities, investors and consumers must all believe, at a basic level, that the rules are fair, stable and the product of a process they recognize as credible,” Mills stated in his letter.

PJM presents these paths and the foundational questions that motivate them not as a unilateral market design prescription, but as the framework for a structured, transparent discussion with all relevant stakeholders.

“The choices embedded in these paths involve genuine trade-offs, and those trade-offs affect different stakeholders uniquely,” the paper states. “The goal of this paper is to ensure those trade-offs are visible and that the region’s decision-making process is informed by a clear understanding of what each path requires and what it delivers.”

The paper will serve as the foundation for discussion that will lead to PJM and stakeholders working toward permanent proposals.

*[PJM Interconnection](#), founded in 1927, ensures the reliability of the high-voltage electric power system serving 67 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 88,417 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 \$5 billion. For the latest news about PJM, visit PJM Inside Lines at [insidelines.pjm.com](http://insidelines.pjm.com).*

###