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***Via Electronic Delivery***

December 9, 2024

The Honorable Governor Josh Shapiro  
Office of the Governor  
501 North 3rd St.  
508 Main Capitol Building  
Harrisburg, PA 17120

Dear Governor Shapiro:

Thank you for your correspondences on Sept. 20, 2024 and Oct. 25, 2024, in addition to your letter of Nov. 20, 2024. As you may know, since the results of the last capacity market auction were released in July, PJM has been working closely with its stakeholders and the states in PJM to consider a comprehensive package of reforms to both our capacity market and our interconnection processes, including the following:

- Regarding the capacity market, we will file a multi-faceted proposal with the Federal Energy Regulatory Commission (FERC) this week that will include a requirement that Reliability Must-Run (RMR) units participate as supply resources when they meet certain criteria, in addition to other changes.
- The capacity price cap will be reduced by maintaining the status quo of the reference unit to the Variable Resource Requirement (VRR) curve in time for the Base Residual Auction (BRA) for the 2026/2027 Delivery Year.
- PJM expects to develop a separate filing on a “must offer” requirement for all resources with CIRs and related Market Seller Offer Cap (MSOC) changes in time for the 2026/2027 BRA. PJM is now exploring this issue and will consult with the stakeholders.
- Enhancements to the Effective Load Carrying Capability (ELCC) framework have been brought to the stakeholder process via a new problem statement/issue charge. Our goal is to have these enhancements in effect for the 2027/2028 BRA.
- PJM will explore with stakeholders the design of a sub-annual market capacity market construct that would reduce risk on the transmission system. This is a longer-term endeavor that will require more analytical rigor, but PJM hopes to move this effort forward soon.
- With respect to the RRI proposal, PJM appreciates your suggestion to invite the states to provide their expertise to assist in the determination of a qualifying project’s viability in terms of permitting and site readiness. PJM welcomes all engagement from the states that would help us determine a project’s viability, subject to timing considerations and possible confidentiality restrictions. PJM anticipates submitting the RRI proposal to FERC for review in the very near future.

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- Regarding CIR transfers, PJM agrees with your concerns that more can be done to effectuate these transfers of interconnection rights. As you may know, the PJM stakeholders recently supported a comprehensive reform package to facilitate an expedited interconnection process for a replacement resource seeking to utilize the CIRS of a deactivating resource.
- Finally, we agree with you that we can accommodate more capacity by taking a less restrictive approach to SIS, thereby maximizing system benefits and enhancing resource adequacy. These are sensible reforms and we expect to file them with FERC soon.

Again, thank you for your correspondence on these important issues. We are hopeful our actions are responsive to all your concerns and that you will be able to support these reforms as they are presented to FERC. PJM looks forward to continued dialogue with your administration.

Sincerely,

Manu Asthana