



Mark Takahashi
Chair, PJM Board of Managers

2750 Monroe Blvd.
Audubon, PA 19403

VIA ELECTRONIC DELIVERY

March 27, 2025

Mr. Brian O. Lipman, Director
Division of Rate Counsel
State of New Jersey
P.O. Box 003
Trenton, NJ 08625

Dear Mr. Lipman,

Thank you for your February 13, 2025, letter wherein you express concern regarding the affordability of utility costs and your request that PJM consider this important issue when making decisions. Affordability is a fundamental pillar of power delivery and is something of which PJM is very conscious. PJM's primary focus is reliability, but it attempts to secure reliability in as cost-effective a manner as possible by leveraging competitive processes.

As you are aware, PJM has been warning of an impending electric generation supply and demand imbalance for several years. PJM's report titled *Resource Retirements, Replacements & Risks*, issued in February 2023,¹ detailed the fact that generation resources are retiring at a rapid pace and are not replaced by a sufficient supply of new generating facilities. This fact, coupled with a record predicted increase in peak electric demand has resulted in the upward pricing results that we recently observed.

When supply decreases and demand increases in any market, the result is increased pricing. This is what we are currently seeing in the PJM markets. This increased market pricing should attract new investment. PJM has been engaging with state officials in recent years to raise awareness of these dynamics, asking policymakers to encourage the retention of generating resources until an adequate quantity of replacement generation is in operation. We have provided this specific policy advice to state officials in New Jersey.² PJM's most recent assessment of new energy generation costs further indicates that policymakers can contain costs to consumers by retaining existing generation through its useful life.³

It is also worth noting that PJM's wholesale market costs represent just a portion of typical residential customer bills in New Jersey. PJM's capacity market costs are a subcomponent of wholesale costs. For this reason, we are encouraging states to consider the total retail customer bill when exploring opportunities to smooth costs over the coming period of likely increased wholesale pricing – and specifically capacity pricing – by assessing default service procurement auction design as well as any programs that add cost to the bill that can be altered at this moment.

Additionally, with input from our membership, PJM has undertaken a number of critical regulatory initiatives to address the cost concerns that you raise in your correspondence. One such initiative, associated with a complaint filed at the Federal Energy Regulatory Commission (FERC) on December 30, 2024 (Docket EL25-46), has resulted in a proposed settlement that would establish a capacity auction price ceiling for the next two delivery years (2026/2027 and 2027/2028). This effort, anticipated to be ruled upon by FERC in the very near future, will help to limit future cost exposure to New Jerseyans as other market-enhancing initiatives also are being finalized.

¹ [Energy in Transition: Resource Retirements, Replacements & Risks](#) (PDF) (February 2023)

² PJM has been in regular contact with the legislature in New Jersey, including providing [testimony](#) to the Assembly on October 2, 2024, and [testimony](#) to the Senate on March 3, 2025.

³ See footnote 1 of page 4 in the presentation from [PJM's Quadrennial Review](#) (PDF) (February 21, 2025).

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We affirm to you and the consumer advocate community that affordability is both important to us and consistent with concerns raised by PJM. Moreover, because reliability and having adequate generation supply has a direct impact on affordability, we invite you to work with PJM to support all measures that will support reliability going forward.

We look forward to your continued engagement on this important issue.

Sincerely,

Mark Takahashi
Chair, PJM Board of Managers