



Mark Takahashi
Chair, PJM Board of Managers

2750 Monroe Blvd.
Audubon, PA 19403

VIA ELECTRONIC DELIVERY

March 20, 2025

The Honorable Philip D. Murphy, Governor
State of New Jersey
P.O. Box 001
Trenton, NJ 08625-0001

Dear Gov. Murphy,

Thank you for your correspondence dated January 17, 2025, wherein you express concern regarding PJM's most recent capacity market auction results for the 2025/2026 Delivery Year. We value your input and have greatly appreciated the collaboration between your office and PJM as we work to collectively ensure our shared obligation that New Jerseyans have a reliable supply of electricity now and into the future.

We also appreciate your recognition of our work together in furtherance of your offshore wind goals. PJM, working in partnership with the New Jersey Board of Public Utilities (NJBPU), devoted significant time, effort and subject matter expertise to helping advance this policy objective. As the NJBPU identified, the work we performed together saved consumers \$900 million dollars in the cost-effective procurement of transmission solutions.¹ We are equally disappointed that these turbines have not yet come to commercial fruition. New Jersey relies on imports to help meet its supply needs. Timely execution of the state's offshore wind program would have improved this supply/demand imbalance and would have meaningfully lowered electricity prices, all other variables being equal.

We respect our states' policy decisions, and we feel confident that we have done everything within our given authority to help your administration with this offshore wind effort. We stand ready to assist with New Jersey's future state policy efforts, whatever they may be.

As to the other concerns outlined in your correspondence, PJM has advanced a number of critical actions to preserve grid reliability as the system transitions to incorporating more intermittent renewable resources onto the grid.² As the grid is transitioning, PJM has been forecasting a major increase in electricity demand due primarily to the proliferation of data centers, electrification and the growth of onshoring of U.S. manufacturing. At the same time, supply is leaving the system due primarily to state/federal decarbonization efforts, and new supply is not keeping pace with the departing supply. A decrease in supply and an increase in demand will result in price increases in any marketplace. This is what we are currently experiencing in the PJM marketplace.

PJM has no profit motive and is deeply invested in finding solutions to this combination reliability/cost challenge not for our benefit, but for the approximately 67 million consumers that we serve. The growth in demand that we are experiencing should be viewed positively, as it represents economic growth opportunity for the nation, our footprint and for New Jersey. PJM intends to serve that demand through innovative solutions and through partnership with our members and states.

PJM is doing everything within its authority to bring new supply to the system. We continue to implement our FERC-approved generation interconnection queue reform. Currently, there are approximately 50 GW of mostly renewable projects that have received authorization from PJM to connect to the grid. An additional approximately 20 GW will be

¹ See NJBPU [Press Release](#) dated October 26, 2022.

² See [Ensuring a Reliable Energy Transition webpage](#).

processed by the end of this year, with a further 50 GW processed by the end of next year. At that time, PJM will be through our queue transition with a one to two year turnaround time frame for all new projects.

PJM also took several actions toward the end of last year to expedite bringing supply to the system. They include:

- **Capacity Interconnection Rights Transfer** – new generation resources swapping in for a deactivating generation resource at the same or similar location that then don't need to go through the generation interconnection queue (e.g., coal plant retirement and gas conversion or renewables swapping in)
- **Surplus Interconnection Service** – making it easier to add more generation to an existing site for generators that are not able to operate continually 24/7/365 (e.g., adding storage to a renewable site)
- **Reliability Resource Initiative** – a queue opened for new, shovel-ready resources that can come online quickly and that most effectively contribute to reliability (e.g., nuclear uprates, new nuclear, new gas, battery storage)

An additional action, associated with a complaint filed at the Federal Energy Regulatory Commission (FERC) on December 30, 2024 (in Docket No. EL25-46), has resulted in a proposal that would establish a capacity auction price ceiling for the next two delivery years (2026/2027 and 2027/2028). This effort, if approved by FERC, will help to limit cost increase exposure to New Jerseyans in the near term while attempting to preserve an investible marketplace.

However, the challenge that all grid operators in North America face should be viewed with a wider lens. Cost mitigation for two auctions is an acceptable transitional outcome in the near term, but in the longer term, we must collectively craft solutions to maintain the supply/demand balance amid major demand growth in order to maintain global competitiveness and keep costs affordable for consumers. These priorities (reliability, cost, policy) must exist in a balance. If we lean too hard on one particular priority, this balance cannot be achieved.

We are optimistic, through collective understanding of the issues we are facing and through innovative solutions, that we will achieve this balance. We look forward to working on these solutions with you and all of New Jersey's policymakers, along with our stakeholders.

Sincerely,

Mark Takahashi
Chair, PJM Board of Managers