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PJM Interconnection
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June 9, 2025

Honorable Cory A. Booker
Honorable Andy Kim
Honorable Frank Pallone, Jr.
Honorable Donald Norcross
Honorable LaMonica McIver
Honorable Herbert C. Conaway, Jr.
Honorable Josh Gottheimer
Honorable Nellie Pou
Honorable Mikie Sherrill
United States Congress
Washington, DC 20510

c/o Nicole_Duque@booker.senate.gov
Matt_Thomson@booker.senate.gov

Dear Members of Congress,

Thank you for your recent correspondence dated May 2, 2025, wherein you share your concerns about the expected electricity price increases in New Jersey and inquire about the efforts that PJM is undertaking to continue to reliably and cost-effectively serve New Jerseyans and the millions of people who live and work in PJM's service territory. We share your concerns about rising electricity prices both in New Jersey and more broadly across our country.

There are several drivers of these pricing trends, including rising distribution costs and the cost of varied state-specific programs such as the cost of carbon trading credits under the Regional Greenhouse Gas Initiative (RGGI). Wholesale electricity prices in PJM's capacity and energy markets are also increasing, reflecting a significantly tightening supply/demand situation. Power plants that generate electricity have been retiring due primarily to state and federal decarbonization policies, as well as economic pressures. Simultaneously, demand is increasing due to the power requirements of data centers, electrification and a resurgence in U.S. manufacturing. When supply decreases and demand increases in any market, other things being equal, the result is an increase in pricing.

This is a national issue, but in New Jersey, this supply/demand imbalance is especially stark. Demand is projected to increase meaningfully over the next few years in New Jersey, with winter peaks increasing by 2.8–4.7% depending on the service territory. This expected increase after many years of relatively flat demand is due to several factors, including the development of new data centers and the increased electrification of buildings, transportation and port facilities.[1]

While the expected increase in demand is good news for the New Jersey economy, the state does not have nearly enough supply to serve that demand. New Jersey's policies and decarbonization objectives have contributed to the retirement and expected retirement of generation resources, predominantly natural gas-fired units. Additionally, New Jersey is currently importing more than 35% of its power from its neighbors. This ordinarily would be less of a problem were it not for multiple states advancing down this same path, creating a collective supply/demand crunch across our entire footprint, leading to higher pricing.

[1] 2025 PJM Long-Term Load Forecast Report (PDF)

While a significant part of New Jersey's plan to fill this gap in supply was to build 7,500 MW of offshore wind (a target that was increased to 11,000 MW in 2022), that plan has not delivered any supply to date. PJM has been highlighting the growing risk of a tightening supply/demand balance for some years now and provided analysis behind our concern in our Resource Retirements, Replacements & Risks[2] report. The North American Electric Reliability Corporation's (NERC's) has shown in its most recent Long-Term Reliability Assessment issued in December 2024[3] identified that much of North America faces similar resource adequacy challenges.

PJM is not a profit-driven organization: we have no profit motive, no shareholders and no share price. We are fully regulated by the Federal Energy Regulatory Commission (FERC) and cannot make any major changes to how we operate unless we have that body's approval. We have no motivation other than to utilize our engineering expertise to keep the lights on and provide value to consumers. It is clear that the cost to build this supply has increased significantly in recent years. Costs are rising, but these costs pale in comparison to what consumers would be exposed to if our grid fails to have sufficient capacity to meet demand. We look forward to working with you and all of our stakeholders to continue to help interconnect new supply at the fastest pace possible to help support grid reliability and to ameliorate prices for customers.

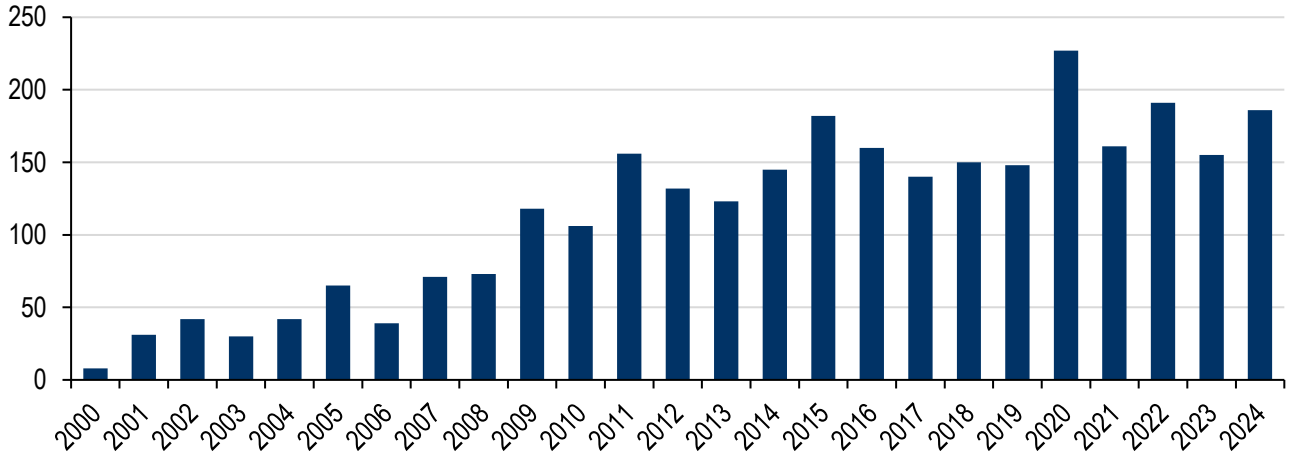
In response to your specific questions:

1. **PJM's 2022 interconnection reforms do not appear to be delivering the new capacity the region needs. What are the latest updates on efforts to reform and speed up interconnection processes and efficiently connect resources to PJM's system?**

   Since 2020, PJM has executed nearly 1,000 agreements with project developers, representing 68 GW of mostly renewable nameplate generating capacity, as seen in the chart below. Once PJM studies are complete and the agreements are signed, the generation developers are able to construct their facilities. During this phase, the generation developer is in control of the schedule as they work on local siting and permitting, equipment procurement and construction at the site.

[2] Energy Transition in PJM: Resource Retirements, Replacements & Risks (PDF)
[3] NERC 2024 Long-Term Reliability Assessment (PDF)

Number of Issued Interconnection Agreements, PJM-Wide



As of May 2025, there are over 500 projects able to construct nearly 50 GW of nameplate generation capability that have no additional study requirements with PJM. In New Jersey, specifically, there are 37 projects with approvals to construct; this represents nearly 3 GW of generating capability, including 1.2 GW of offshore wind. These projects are welcome additions to the grid, but many developers are experiencing challenges constructing for reasons that remain outside of PJM's control, including: the difficulty in obtaining state or local siting permits, supply chain issues and financing constraints. To the extent New Jersey can expedite permitting for power generation projects, this will address one significant cause for delay and help to get some of these 37 projects online sooner.

Upon receiving approval by FERC in November 2022, PJM implemented its queue reforms in July 2023. Since then, PJM has quickly and efficiently processed all 300 projects that qualified for the Expedited Process and will complete the first Transition Cycle (TC1) later this year. The second Transition Cycle (TC2) is on schedule to complete all studies by the end of 2026.

Additionally, PJM has submitted a number of proposals to FERC in recent months to help boost the supply for electricity, including its Reliability Resource Initiative (RRI) and proposals relating to Surplus Interconnection Service (SIS) and Capacity Interconnection Rights (CIR) transfer efficiency. Specifically, the RRI intends to get shovel-ready, high-reliability projects connected faster by adding them to the final transition cycle (Transition Cycle 2), rather than having these projects wait for PJM's new interconnection process to be fully implemented next year. FERC approved the RRI in February, and PJM subsequently announced on May 2 that 51 projects, representing 9,300 MW, were selected via the RRI procedures to come online quickly, with 90% of the projects expected to be online by 2030. In New Jersey, the RRI resulted in the selection of five projects totaling approximately 550 MW. The RRI represents a clear response to the higher market price signal being sent by the market.

FERC also approved PJM's proposal to streamline the use of SIS, which is the unused portion of interconnection service for a facility that cannot or does not operate continuously, every hour of every day year-round. By taking a less restrictive approach to SIS, PJM will enable generation developers to better utilize existing system capability without requiring additional network upgrades. The likely pairing for SIS resources will be renewable

resources plus battery storage. Additionally, PJM's CIR transfer proposal would streamline and expedite the process of transferring grid connection rights from retiring generators to new replacement generators. This proposal remains pending review by FERC.

2. **We know that PJM's interconnection queue is increasingly made up of a higher number of smaller-capacity projects. As PJM is still required to allow open access to the grid, what steps can PJM take to speed up the processing of this changing resource mix?**

   PJM has undertaken many changes since our stakeholders began discussing ways to reform to the interconnection queue in 2021.

   - **Queue reform:** PJM's stakeholder-driven reforms to expedite the review of interconnection applications were approved by FERC in November 2022. As noted above, the 2022 interconnection queue reforms have since been supplemented by additional efforts to connect resources to the grid more quickly, as reflected in the RRI, SIS and CIR transfer proposals. These efforts are making a difference, and the backlog of applications in the queue is projected to be eliminated by the end of next year.

   - **Staffing:** PJM has hired additional engineers with background in the engineering analysis and project management skills needed to process the higher volume of studies that it is receiving. In addition, PJM has expanded capabilities through partnership with engineering firms to augment the PJM team and capabilities.

   - **Study methodology:** The reformed process moves to a cluster-based study method. Instead of evaluating projects serially, one at a time, PJM is now able to bundle larger groups of projects and conduct a single study to evaluate impacts.

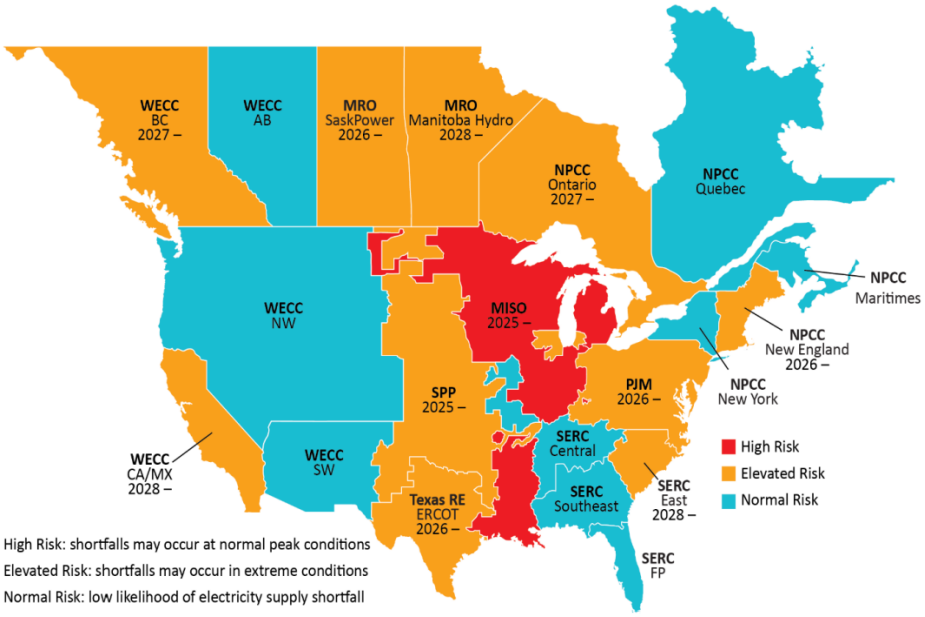
   - **Improved tools and automation:** PJM has developed a number of internal tools to help automate many of the tasks that were manual five years ago. This has improved the accuracy rates for the models and reduced the time needed to create reports and fairly calculate cost allocation.

   PJM continually looks for improvements to automate and expedite its interconnection processes. This includes the recently announced partnership with Google and Tapestry to utilize AI to implement further improvements and automation to our tools and processes.

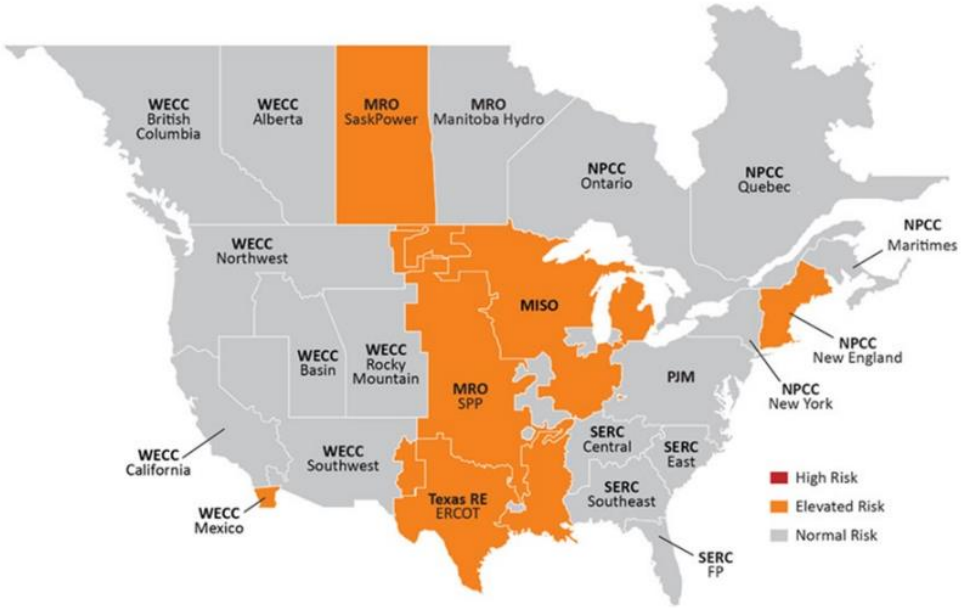
3. **What reforms are PJM exploring related to expanding transmission capacity, including recognizing the capacity value of neighboring regions and removing barriers to importing capacity?**

   PJM's capacity market recognizes the potential capacity value of neighboring regions using a metric known as Capacity Benefit of Ties (CBoT). However, reserve margins across a large part of our country are declining. This challenge is illustrated in the 2024 NERC Long-Term Reliability Assessment[4] showing that much of the Eastern Interconnection has elevated or high risk, as depicted in red and orange in the map below.

[4] NERC 2024 Long-Term Reliability Assessment (PDF)



This means that our partners and neighboring grid operators may have less help to offer during times of high demand and system stress, particularly during events that impact wider parts of our country. In NERC's 2025 Summer Assessment, issued on May 14, 2024, the study reveals that the mid-section of the country is now at elevated risk of experiencing insufficient operating reserves in above-normal conditions. See map below.



PJM's planning process also looks to ensure the transmission system has sufficient capacity to deliver generation to load across the system. Our Regional Transmission Expansion Plan (RTEP) incorporates a variety of factors including standards developed by NERC, as well as local requirements from regulated utilities. Part of this criteria includes ensuring that PJM load can be reliably served by generation during emergencies. This

regional view allows PJM to look beyond the needs and restrictions in each state to find solutions that balance the requirements of all 13 of the states and DC served by PJM.

Additionally, the PJM Board of Managers has approved over $10 billion in the construction of new transmission facilities and improvements to existing facilities in recent years. This portfolio of transmission projects, if constructed, will strengthen the PJM system and ensure load can be served. However, it is important to recognize that some of these transmission projects will face local opposition from residents, ratepayers and elected officials regarding the potential impacts that such infrastructure may have on their communities.

Finally, PJM is actively working with neighboring grid operators to ensure that operations along its seams are efficient and maximize transfer capability. Notably, in late 2024, PJM and the Midcontinent Independent System Operator (MISO) announced a joint planning effort to enhance reliability, and we expect to release the results in a joint study later this year. This study, along with the new interregional planning requirements contained in FERC Order 1920, requiring additional transparency and increased coordination, will pave the way for future planning efforts focused on longer-term transmission needs.

4. Prior to the upcoming capacity auction that will impact rates for New Jerseyans in 2026 and 2027, what changes has PJM effectuated to ensure that unnecessary price spikes are avoided in the near future and in the long-term?

In recent years, PJM has undergone many capacity market rule reforms to enhance the ability to maintain and incent reliability as system conditions continue to evolve. While this is not an exhaustive list of all changes to market rules and implementation changes, major changes to the capacity market rules in recent years are listed below.

Major PJM capacity market rule changes between 2024/2025 Base Residual Auction (BRA) and the 2025/2026 BRA[5]:

- PJM replaced its adjusted class average Effective Load Carrying Capability (ELCC) capacity accreditation approach with a marginal ELCC approach, and extended ELCC accreditation to all Generation Capacity Resources. The ELCC accreditation was previously only applicable to Intermittent and Storage Resources.
- PJM updated the resource adequacy risk modeling used to set the market parameters to evaluate risk on a more granular, hourly level. This meant moving from the Loss of Load Expectation analysis, a daily metric, to the Expected Unserved Energy analysis, an hourly metric.
- PJM enhanced capacity resource testing requirements to ensure capacity resources are able to provide reliability value to the system.
- PJM implemented an indexed non-performance charge limit (stop loss) to the BRA clearing price rather than Net Cost of New Entry (Net CONE).
- PJM implemented reforms that better align the Fixed Resource Requirement (FRR) alternative rules with the capacity auction rules.

[5] FERC Docket No. ER24-99

- PJM required planned generation capacity resources to submit a bidding notice of intent to offer before the capacity auction parameters are posted.

Major PJM capacity market rule changes between 2025/2026 BRA and the 2026/2027 BRA:

- PJM will retain qualifying under a "Reliability Must-Run" agreement as capacity resources that can contribute to meeting the system reliability needs. **This reform is only in effect for the 2026/2027 and 2027/2028 BRAs.**[6]

- PJM will retain the use of a dual-fuel-fired combustion turbine plant as the reference resource for the 2026/2027 and 2027/2028 Delivery Years; absent this change, the reference resource for this auction would have been a combined cycle natural gas unit.[7]

- PJM updated the non-performance charge to be uniform across the region based on the RTO Net CONE.[8]

- PJM removed the categorical "must-offer" exemption, which will require all existing generation capacity resources to offer into the capacity auctions.[9]

- PJM enhanced the Market Seller Offer Cap (MSOC) to allow sellers to request segmented offer caps and request resource-specific offer caps using Capacity Performance Quantifiable Risk[10] as the minimum offer cap value.[11]

- PJM will implement a symmetrical price cap and price floor, which will be in effect for the 2026/2027 and 2027/2028 BRAs.[12]

Additionally, to ensure the viability of PJM's capacity market in the long term, every four years, PJM and stakeholders evaluate the parameters and shape of the administrative Variable Resource Requirement (VRR) curve used to procure capacity under the Reliability Pricing Model (RPM), as required periodically under the PJM Tariff (Quadrennial Review).[13] The current Quadrennial Review is PJM's sixth iteration of this effort and is currently active with PJM, its consultant and stakeholders and is evaluating the capacity market parameters under current industry conditions. The outcome from this Quadrennial Review will be used for the 2028/2029 through 2032/2033 delivery years. More clarity on the changes that will come from this Quadrennial Review are expected in June 2025.

[6] FERC Docket No. ER25-682
[7] FERC Docket No. ER25-682
[8] FERC Docket No. ER25-682
[9] FERC Docket No. ER25-785
[10] FERC Docket No. ER25-785
[11] FERC Docket No. ER25-785
[12] FERC Docket No. EL25-46
[13] PJM Open Access Transmission Tariff. Effective January 1, 2022, ("PJM 2022 OATT"), Sect. 5.10 a.iii.

5. Will PJM's FERC Order 1920 implementation fully incorporate New Jersey's Energy Master Plan? What steps is PJM taking to ensure that New Jersey does not pay an unfair share of transmission that benefits other states?

PJM is currently developing its proposed compliance approach for FERC Order 1920 and intends to file its regional compliance filing with FERC in December 2025. The implementation of Order 1920 will occur after FERC accepts PJM's compliance filing, so at this time, PJM can only comment on how its proposed compliance approach intends to fulfill Order 1920's requirements, including the consideration of public policies in long-term scenario planning.

PJM will work transparently with its states and stakeholders after Order 1920 is implemented to identify and interpret the assumptions and inputs that will go into the long-term scenario planning process. This will include public policies such as New Jersey's Energy Master Plan. PJM will work with New Jersey to incorporate the different components of the Energy Master Plan into its long-term scenario planning process, which will help identify future system needs and potential transmission facilities.

As it relates to cost allocation, this component of Order 1920's compliance resides with the PJM Transmission Owners, with a specific role carved out for the Relevant State Entities to engage the Transmission Owners in developing one or more cost allocation methodologies that would apply to Order 1920 transmission facilities.

Thank you again for your letter. We remain available to answer your questions and look forward to working in partnership with you and with all our stakeholders to help maintain a reliable power grid at a competitive cost for the benefit of the 67 million people who we serve.

Sincerely,

Manu Asthana
President and CEO

David E. Mills
Chair, Board of Managers