**David E. Mills**
Chair, PJM Board of Managers

2750 Monroe Blvd.
Audubon, PA 19403

***Via Electronic Delivery***

June 23, 2025

Kim C. Hanemann
President and Chief Operating Officer
Public Service Electric and Gas Company
80 Park Plaza, T4
Newark, NJ 07102

Dear Kim,

Thank you for your letter of May 5, 2025, expressing Public Service Electric and Gas Company's (PSE&G's) concerns. Your letter raises three primary issues. First, you state that PJM's May 6 TEAC material implies there is not enough generation to meet future customer needs. Second, you raise a concern that PJM's planning assumptions include future generation entry that, in your words, is "highly unlikely to be built" because it is currently in suspended status. You express concern that including this generation in the planning model potentially reduces transmission build that could serve to allow capacity imported from other states to serve load in states that have insufficient capacity. Finally, you express concern that the two issues listed above may interact with each other in potentially negative ways, which could exacerbate the situation. I appreciate the opportunity to understand your concerns and to share PJM's perspectives on these topics.

At the outset, let me clearly state that maintaining the reliability of the bulk power system that serves 67 million people across 13 different states and the District of Columbia is of utmost importance to PJM. Indeed, reliability is PJM's core mission, and it has been the motivating force behind almost a century of work by the PJM team.

As you know, PJM has been communicating resource adequacy concerns to our members, states and the federal government for over two years now.[1, 2, 3] These concerns are driven by several trends, which PJM described in the following way in 2023 testimony to the U.S. Senate Committee on Energy and Natural Resources:

"PJM has sufficient generation to meet the needs of our system today. However, as we look further out, we are concerned by the trends we see. Specifically, the generation fueled by fossil fuels (mostly coal and natural gas) that we rely upon to balance the grid is retiring at a significant rate. Electrification of the transportation, industrial and building sectors is poised to create material load growth. Our region is also experiencing significant data center construction, which is creating major pockets on the system of increasing demand. New generation in the queue is largely intermittent, so we need multiple megawatts to replace one megawatt of retiring generation. And, new generation is coming online slower than anticipated. If these trends continue, our models show increased risk of having insufficient resources later in this decade to maintain the reliable electric service that consumers expect."[4]

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[1] Energy Transition in PJM: Resource Retirements, Replacements & Risks (PDF), Feb. 24, 2023

[2] Testimony of Asim Z. Haque to U.S. Committee on Energy & Commerce (PDF), March 5, 2025

[3] OPINION: Setting the record straight on New Jersey's energy dilemma, Asim Haque, *NJBiz*, May 22, 2025

[4] Testimony of Manu Asthana to the U.S. Senate Committee on Energy & Natural Resources (PDF), June 1, 2023

These trends are not unique to the PJM region. They are playing out across many parts of the country. The North American Electric Reliability Corporation (NERC) recently determined in its annual assessment that mounting resource adequacy shortfalls now have the potential to affect two-thirds of the country during peak or extreme system conditions. NERC's independent analysis also found that while a clear understanding of many challenges facing the industry is needed to address the problem, the risks to reliability are also influenced by government policies, regulations, consumer preferences and economic factors. PJM has also observed supply chain backlogs creating significant delays and cost increases for new generation projects. It is important to note that many of the drivers behind this growing resource adequacy risk are not in PJM's control.

Having said that, PJM and our members have taken several actions to help mitigate this risk, including:

1) Significant Interconnection Process Reform – With overwhelming stakeholder support and the approval of PJM's proposal by FERC in 2022, PJM launched significant reforms that moved the interconnection process from a "first-come, first-served" system of queue management to a "first-ready, first-served" system with progress payments and milestones designed to weed out speculative projects. That transition started in July 2023 and is expected to be completed next year. Currently, approximately 46 GW of generation is through the queue with completed studies, approximately 18 GW is being processed to move to the final study phase for completion this year, and an additional ~50 GW will be through the queue by late 2026. At that point, PJM's transition to our new interconnection queue process will be complete, and new projects will be studied in 1–2 years in the normal course.

2) Reliability Resource Initiative – A queue opened for new, shovel-ready resources that can come online quickly and that most effectively contribute to reliability. This has resulted in 51 projects representing over 10 GW of incremental supply being selected to be studied for interconnection.

3) Capacity Interconnection Rights Transfer – A reform package endorsed by PJM stakeholders and currently pending review by FERC that would facilitate an expedited interconnection process for a replacement resource seeking to use the capacity interconnection rights of a deactivating resource. Effectively, this means that a new generation resource can swap in for a deactivating generation resource at the same or similar location and, as a result, would not need to go through the generation interconnection queue (e.g., coal plant retirement and gas conversion or renewables swapping in).

4) Surplus Interconnection Service – This change to PJM's interconnection rules has been filed with FERC and has gained approval. It aims to streamline the use of the unused portion of interconnection service for a facility that cannot or does not operate continuously, every hour of every day, year-round (e.g., adding battery storage to a renewable site).

5) Significant investment in interconnection tools and automation, including a recently announced collaboration with Google and Tapestry to deploy AI-enhanced tools to further streamline PJM's planning process.

6) Capacity market reforms to ensure market price signals accurately reflect supply-demand conditions, including the introduction of a marginal ELCC-based accreditation for generation resources, inclusion of RMR resources that meet certain criteria in the supply stack, and the imposition of a must-offer requirement for intermittent and limited-duration resources.

These actions are having a meaningful impact. PJM has worked through a large portion of its interconnection queue. Queued projects are coming online. Multiple generators that were set to retire have rescinded their retirement

notices. A retired nuclear power plant has announced its return. A retired coal plant is in process of being redeveloped as a large gas generation facility. All of these are positive supply developments.

Given the large, primarily data-center-driven projected demand growth, however, it is likely that even more supply will be needed. PJM has clearly expressed its views that several actions must be taken to maintain grid reliability. These actions include avoiding retirements of existing generation whenever possible; continuing to accelerate new projects to commercial operation; expanding demand flexibility on our system; and siting and permitting reform. Many of these actions are not in PJM's control, and maintenance of grid reliability will require ongoing collaboration between our states, the federal government and its agencies, our member companies and PJM. We remain engaged in this work.

I also want to directly address your concern regarding suspended generation in our planning models. Including planned generation in the annual RTEP cases is part of PJM's standard model building procedure. In the past, PJM did not include planned generation that is in suspended status in its RTEP cases because those projects have a slightly lower success rate (approximately 47% for suspended projects versus 53% overall), and the cases had sufficient generation to meet the load. These suspended planned generation projects with signed interconnection agreements are prudent to include, particularly in our 2030 RTEP base case, if needed to meet load requirements. A principal alternative would be to instead include generation resources from advanced interconnection requests that don't yet have a signed interconnection agreement, which appears to us to be a more speculative choice. We certainly acknowledge the uncertainty around the location, size and technology of projected future generation, and we believe our current modeling choices are prudent for the reasons outlined above. However, if PSE&G has suggestions regarding alternative approaches to selecting planned generation to be included in PJM's RTEP cases, we would value hearing your perspectives on that.

Additionally, it is customary for PJM to run various scenarios covering multiple timelines and assumption variations, as we have done for the 2025 RTEP. PJM is conducting a variety of scenarios to ensure that the 2025 RTEP is robust and accounts for multiple possible futures, including scenarios addressing reliability needs associated with resources that have a higher risk profile.

We will continue to work with stakeholders on resource adequacy and transmission planning matters to ensure we maintain reliability. We welcome your continued participation in those discussions.

Sincerely,

David E. Mills
Chair, PJM Board