



David E. Mills  
Chair, PJM Board of Managers

2750 Monroe Blvd.  
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August 4, 2025

Dear Stakeholders,

At the July 23, 2025, Markets & Reliability Committee (MRC) and Members Committee (MC) meetings, stakeholders conducted an advisory vote on updated Forecast Pool Requirement (FPR) and Installed Reserve Margin (IRM) parameters to be utilized in the 2027/2028 RPM Base Residual Auction (2027/2028 BRA). These updated values received majority support but narrowly failed to obtain a supermajority vote at those meetings. This correspondence is meant to inform stakeholders regarding the decision of the PJM Board of Managers (PJM Board) to approve the updated FPR and IRM parameters for the 2027/2028 BRA.

The calculation of the updated values was conducted in accordance with the Reliability Assurance Agreement (RAA) and associated manuals, and according to the RAA, approval of these parameters is the responsibility of the PJM Board. Although the Member vote is advisory, the PJM Board discussed potential options for reengaging the stakeholders on this matter; however, the PJM Board reflected on stakeholder feedback, including the short timeline, and is concerned about the possibility of auction delay for the 2027/2028 BRA. Implementation of an alternative methodology to calculate the IRM and FPR would follow additional stakeholder discussion, a vote, an approved filing with the FERC, a recalculation of the IRM and FPR and a restart of the calculation of all other auction parameters currently being determined under the existing rules. This path would inevitably result in a delay of the auction, creating uncertainty in our marketplace during a period where we are in need of new supply.

The PJM Board listened closely at both the MRC and MC and discussed the feedback stakeholders provided. Some of our stakeholders expressed concern about increased costs. PJM is concerned about increased costs as well. The way to alleviate these increased costs is by attracting additional supply, and the markets send an important signal to the investment community when additional supply is required. PJM's responsibility is to ensure the parameters according to which capacity auctions are executed accurately reflect supply and demand conditions, such that these conditions are then accurately reflected in the resulting price outcomes. The PJM Board believes the subject parameters achieve this goal given the requirements currently codified in the governing documents.

Additional concerns were expressed about the methodology utilized to determine Effective Load Carrying Capability (ELCC) values that are derived from the same reliability analysis that produces the FPR and IRM. The PJM Board acknowledges these concerns and has directed PJM staff to do the following:

- Continue the pursuit of stakeholder consensus on ELCC enhancements to be implemented for the 2028/2029 BRA through the current ELCC Senior Task Force (ELCCSTF) process.
- Engage a consultant to identify additional recommended enhancements to discuss at the ELCCSTF or other similarly focused stakeholder group for implementation after the 2028/2029 BRA.
- Publish a detailed, written description of the ELCC model.

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We thank the stakeholders for their valuable feedback, and we look forward to working together as we seek to maintain reliability across the footprint.

Sincerely,

David E. Mills  
Chair, PJM Board of Managers