



Sub-Annual Markets

PJM Markets and Reliability Committee

July 23, 2025

Sub-Annual Markets

A Recap

- Increasingly important as winter peak risks are diverging from summer peak risks
- Other major RTOs have already implemented a sub-annual construct
- Better alignment with real-world conditions will improve public confidence in RPM
- Pennsylvania proposed a process for implementing a sub-annual construct before the end of this decade at the June MRC
- Stakeholders and PJM expressed doubt over the proposed pace of reform
- **Incorporating that feedback:** Revised issue charge focuses solely on the initial education stage, calling for a consultant to consider and develop straw proposals and impact assessments for further stakeholder consideration later this year

Issue Charge

Action is Needed

- Hire consultant to rapidly conduct:
 - Education and comparison of PJM's annual auction with sub-annual auctions and approaches used by other RTOs/ISOs
 - Development of potential key design principles and criteria for a sub-annual capacity market model
 - Education and scenario analysis of proposed sub-annual capacity market models that have sufficient stakeholder support and can be implemented for the 2030/2031 delivery year
 - Modified cost allocation for the sub-annual market charges
 - Exploration of potential further reforms
 - Development of proposal(s) based on the above analysis, discussion, and findings
- Consultant's design principles will be for education purposes, but not necessarily final values

Issue Charge

PJM Feedback

- PJM suggests several additions to the originally proposed scope:
 - Corresponding changes to the Fixed Resource Requirement alternative to align with the sub-annual capacity market design.
 - Corresponding changes to energy and reserve market must offer requirements to align with a sub-annual capacity market design.
 - Transition mechanisms necessary to implement a sub-annual capacity market by the desired timeframe.
 - Potential changes in the forward period to move to a prompt auction or better align the forward period with Reference Resource construction schedules.
 - **We would support a request for analysis on the first three points but would prefer not to include items with major implications beyond sub-annual constructs.**
- PJM recommends additional specificity in the out-of-scope items.
 - **We believe the amount of work clearly in scope will preclude significant detours into potential consultant consideration of out-of-scope items, but open to language edits.**
- PJM expresses continued concerns about overall timeline and length of stakeholder process.
 - **We would support asking the consultant to report on a bi-weekly (rather than monthly) basis to ensure stakeholders are timely informed.**



Claude Monet
1891
Getty Museum

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