

Purpose

The purpose of this memo is to provide PJM's comments and suggestions regarding the scope and timing of the Issue Charge to explore a sub-annual capacity market presented by Governor Josh Shapiro, on behalf of the Commonwealth of Pennsylvania.¹ To expedite discussion at the July 23, 2025, Markets and Reliability Committee (MRC) meeting while simultaneously providing transparency to all stakeholders regarding PJM's feedback on the Issue Charge, this document was sent to Jacob Finkel at Governor Shapiro's office and posted as an informational item for the MRC on July 21, 2025.

PJM remains supportive of exploring the benefits of a sub-annual capacity market. The commentary contained here is intended to move the discussion forward with clarity on scope, roles and responsibilities rather than create roadblocks to beginning discussions.

As stated, the purpose of this memo is to discuss the scope and timing of the Issue Charge and therefore does not include commentary from PJM regarding its views on the Problem Statement.

Consultant Driven Process

Some clarifications may be necessary regarding the scope of work expected from the consultant, PJM and stakeholders. If read strictly, the Issue Charge suggests that the consultant is responsible for all key work activities and scope and similarly the deliverables, including the proposed solutions. This deviates significantly from the stakeholder process as outlined in Manual 34 and so PJM requests clarification on the roles and responsibilities of the consultant.

Scope Items

PJM suggests the following 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

Regarding the last bullet, work done in the Quadrennial Review has identified that the current three-year forward period is likely too short to align with construction schedules for the Reference Resource. Further, all other ISO/RTOs running capacity markets have either implemented or are moving towards a prompt auction. PJM believes that exploration on this simultaneously with discussion of a sub-annual market is logical.

¹ <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2025/20250723/20250723-item-05---1-revised-sub-annual-auction-problem-statement-and-issue-charge---redline.pdf>

Out of Scope Items

PJM recommends specificity in the Out of Scope items. Whether a reform is desirable and how expeditiously it can or should be implemented can be a point of disagreement. Clarity on exactly what is out of scope would eliminate different interpretations of this language.

Overall Timeline

The timeline remains extremely aggressive. On the current schedule, the 2030/31 BRA will be held in May/June 2027. In order to allow for approximately six months of pre-auction activities and approximately five months of time for deliberation at FERC in the case that a deficiency notice is issued, a filing to implement the necessary changes would need to be made about a year in advance of the BRA. This timeline also assumes that no additional time is necessary for software development and testing. Without knowing the exact design to be implemented, it's hard to tell whether this assumption can be met or not.

Extrapolating this timeline to the stakeholder process, if the first stakeholder meeting is in August 2025 and a filing was necessary by June 2026, there is less than a year of stakeholder process time, including voting, for this initiative.