

PIEOUG Panel Discussion:

Exploring a Sub-annual Capacity Market Design

March 20, 2025



Proposed PIEOUG initiatives to consider for 2025

- } Governance: Evaluate the bylaws**
- } Examine ways to remove barriers and encourage batteries/storage participation in PJM markets and planning.*
- } Examine ways to promote and develop load flexibility throughout PJM markets. (Demand Response and Energy Efficiency participation in the PJM markets have been in a free-fall. Unfortunately, this comes at a time when prices are surging.)**
- } Explore sub-annual market designs that provide a more accurate and efficient capacity market construct. (PJM's annual market is broken and needs an overhaul). *What are your thoughts on PJM's most recent seasonal auction proposal?**

The Current Capacity Construct is Broken and Lacks Certainty

- } **The level of uncertainty in the current construct adds risk for customers.**
- } PJM's Capacity market construct is designed based on a three-year forward concept:
 - The last time we had a three-year forward auction was 2018 (for the 2021 Delivery Year).
 - The next available opportunity for a three-year forward auction is May, 2027 (for the 2021 Delivery Year).
- } Substantive changes will continue to undermine certainty and create additional risk for consumers (recent concerns):
 - 2026/2027 capacity auction - auction scheduled two years late, July, 2025
 - ☐ New: Forward E&S, Adjusted VRR Curve Shape, Reforms on RMR and new Must Offer requirements for certain resources
 - ☐ Pending at FERC: a proposed cap/floor to capacity prices.
 - 2027/2028 capacity auction - auction scheduled, a year-and-a-half late, December, 2025
 - ☐ Pending at FERC a proposed cap/floor to capacity prices.
 - ☐ Pending new DR availability rules.

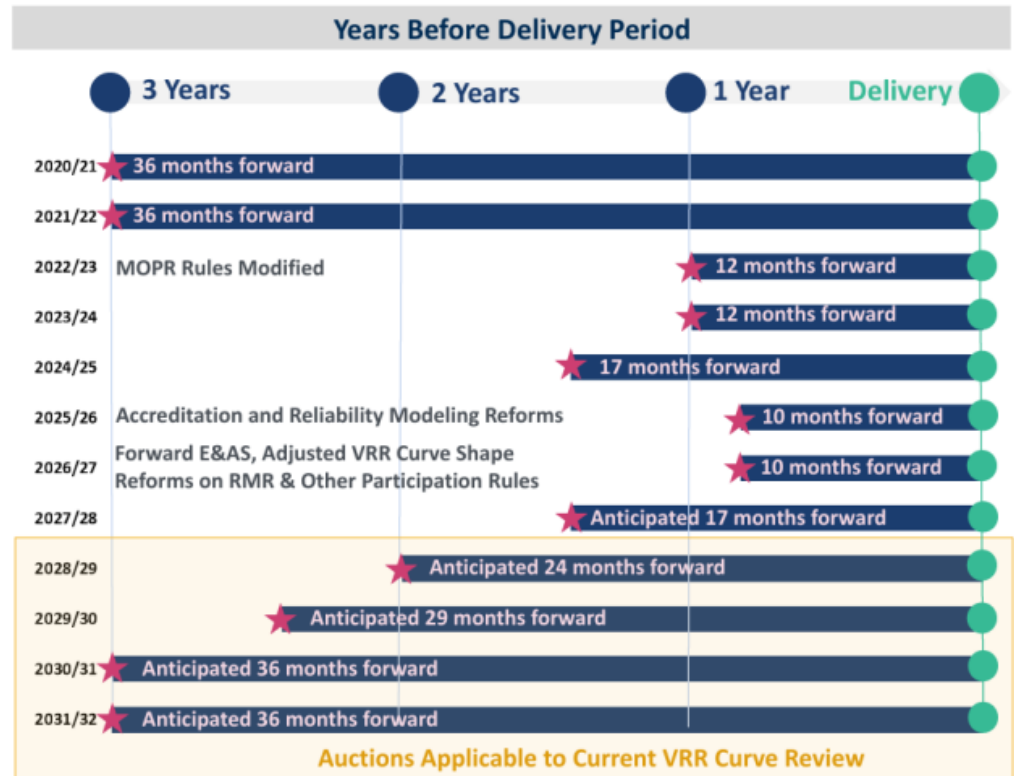
The Current Status of PJM's Capacity Auction

4. INTERACTIONS

Restore Full 3-Year Forward Delivery Period

Draft Recommendation: Maintain current schedule to restore 3-year forward period, aligned with overall RPM design

- May require some reforms to be implemented in a staged fashion (delay implementation rather than delaying auctions)
- Compared to recent compressed forward periods, full 3-year-forward auctions can allow more time for market participants to manage design changes and bring supply online



Sources and Notes: Timeline of future auctions from PJM, [Auction Schedule](#), 2024.

*Brattle Presentation: Sixth Review of the PJM's RPM VRR Curve Parameters, March 11, 2025 page 13. Link: [item-02-pjm-quadrennial-review-draft-recommendations.pdf](#)

Why Present the Sub-Annual Market Construct through the PIEOUG?

- (Along with the challenges presented for members participating in the PJM stakeholder process in the December, 2024 PIEOUG presentation) the PIEOUG allows its members a meaningful opportunity to discuss this concept and come up with some talking points.
- To determine if there are some common themes that the PIEOUG can support – particularly, if they align with PJM’s most recent proposal – from the Critical Issue Fast Path discussions in 2023.
- It seems like a good time to work this issue on the sidelines:
 - Get a head start on the next round of PJM discussions – if any;
 - Conceptual discussions may be a bit easier while there are ongoing discussions about tweaking the existing market; and
 - We have time, but time is fading - the PJM capacity construct will not get back to a 3-year forward timeframe (at best) until May, 2027. Hopefully, this could create an alternative to consider by that time.

The Panel for Initial Discussion

Moderator: Kim Janas, Illinois Attorney General's Office, Counsel

- **James Wilson**, Wilson Energy Economics
- **Kent Chandler**, R Street Institute, Resident, Sr. Fellow
- **Tom Rutigliano**, NRDC, Sr. Advocate, Climate & Energy
- **Ramteen Sioshansi**, Carnegie Mellon University, Engineering and Public Policy – College of Engineering

What are your thoughts on PJM's seasonal capacity construct proposal:

- } Critical Issue Fast Path – Resource Adequacy
 - Final proposal, August 23, 2023 link:
 - *(with additional material provided on June 21 (Seasonal Auction Clearing: Detailed Walkthrough) & August 14 (overview of PJM proposals)
- } Quadrennial Review – Brattle Preliminary Recommendations (March 11, 2025)
 - Transition to sub-annual capacity market – slide 15: [item-02-pjm-quadrennial-review-revised-draft-recommendations.pdf](#)

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