

Response to PJM's Request for Papers Powering Reliability Through Market Design

August 31, 2026

Competitive Power Ventures ("CPV") appreciates the opportunity to respond to PJM's request for long-term market design ideas.

PJM's market reform effort should focus on a straightforward problem: the current capacity market is not designed around the construction schedule or financing requirements of the new generation PJM needs.

A one-year capacity commitment awarded three years before a delivery year cannot support construction of new dispatchable resources such as combined-cycle generation projects. Developers must make major equipment, engineering, procurement and construction commitments approximately four to five years before commercial operation based on current timelines. Those commitments can involve billions of dollars in investment and cannot reasonably be made based on a single year of capacity revenue.

PJM appropriately recognizes this challenge in its *Powering Reliability Through Market Design* paper, acknowledging that generation development timelines have extended beyond the Reliability Pricing Model's ("RPM") current three-year forward period and that longer-term revenue certainty may be necessary to support new investment.

CPV believes PJM should address this problem through a targeted reform to RPM: qualified new generation should have the option to lock in a capacity price for at least seven years when an RPM auction demonstrates a need for additional supply.

A Multi-Year Price Lock for New Generation

RPM can produce a strong investment signal when PJM is short of capacity. As currently designed, however, RPM cannot provide the duration of revenue certainty necessary to finance a new generating facility. A developer considering a multi-billion-dollar investment cannot make that decision based on a single year of capacity revenue followed by uncertain annual auction results that are also subject to changing market rules and intervention.

The long-term price-lock option should be available to qualified new resources under defined conditions demonstrating a need for new entry. Eligibility should be limited to credible projects that satisfy meaningful gating requirements and are subject to appropriate development milestones, security requirements and consequences for non-performance. One potential trigger would be an auction falling short of the Reliability Requirement, either in a single auction or for a defined number of consecutive auctions.

The precise mechanics will require further consideration in the stakeholder process. Among other things, PJM and stakeholders should consider the appropriate price to lock. Under normal auction conditions, qualified new generation could be permitted to lock in the applicable clearing price when the triggering conditions are satisfied. Where an administrative price cap below Point A of the VRR Curve constrains the auction, PJM should also consider whether a qualified new resource may need the ability to lock in a price above the cap to support new entry.

Any such mechanism would also need to carefully address the treatment of a price-locked resource in subsequent RPM auctions. The design should provide the new resource with durable revenue certainty without artificially suppressing future capacity prices or contributing to premature retirement of existing resources.

The ultimate design is less important at this stage than the underlying principle: when RPM demonstrates a need for new entry, qualified new resources should have a means to convert that market signal into a revenue commitment sufficiently durable to support investment.

Timing Matters

Duration alone is insufficient. For a new CCGT, major equipment, EPC and other construction commitments must be made approximately four to five years before commercial operation. The opportunity to obtain a multi-year price lock therefore must occur sufficiently in advance of COD to support those commitments.

PJM should consider this requirement in evaluating future RPM auction timing. While there have been proposals to move auctions closer to the delivery year to improve forecast accuracy, doing so would make the new-entry problem more difficult unless PJM provides another means for new resources to obtain a financeable commitment earlier in the development cycle.

If PJM maintains RPM's three-year forward schedule, it should consider allowing qualified new resources, when the applicable triggering conditions are met, to obtain a price lock and defer commencement of the associated capacity commitment until the resource's delivery year, similar in concept to mechanisms previously used in ISO-NE.

Since the triggering conditions would reflect a capacity shortfall that already exists, allowing the new resource to defer its capacity commitment would not create or worsen the shortfall in the applicable delivery year. Instead, it would provide a means to facilitate new entry capable of addressing capacity needs in subsequent delivery years.

Conclusion

CPV encourages PJM and stakeholders to consider this targeted reform as part of the long-term market design process. The challenges facing the region are significant, but CPV is confident that stakeholders can work collaboratively to develop durable market reforms that support needed investment while preserving the benefits of competitive markets.