

COMMONWEALTH OF PENNSYLVANIA



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Pennsylvania Office of Consumer Advocate Position Paper Responding to

PJM's Powering Reliability Through Market Design

Reliability and Affordability/Consumer Benefits Path

August 31, 2026

I. Introduction

The Pennsylvania Office of Consumer Advocate (PA OCA) is pleased to submit this position paper in response to PJM's request for input related to its May 6, 2026, whitepaper entitled "Powering Reliability Through Market Design" (PRTMD Whitepaper).¹ PJM Staff have requested specific input regarding the paths outlined by PJM, the scope of the upcoming process, the type of stakeholder process, the prioritization of issues, and requests for additional education and analysis.² The PA OCA has been actively participating in the stakeholder process, including presenting at the July 15, 2026, stakeholder meeting.³ Given the dynamic and fluidity of the topics covered by the PRTMD, the PA OCA may reconsider its views.

The ongoing and worsening capacity shortage in PJM, its degradation of reliability and specifically resource adequacy,⁴ the rapid increases in wholesale prices for energy, capacity,

¹ PJM, Powering Reliability Through Market Design: Addressing Rising Demand and Constrained Supply, and Stimulating Investment to Support Durable Reliability, May 6, 2026, https://www.pjm.com/-/media/DotCom/library/reports-notices/special-reports/2026/20260506-powering-reliability-through-market-design.pdf?_sp=6059fedd-6f3e-4d30-a6e3-fc2760395ade.1786703862803.

² PJM email, Call For Papers Regarding Powering Reliability Through Market Design - Due August 31, August 10, 2026, 9:24 am.

³ PA OCA, Revisiting Root Causes and Their Implications in PJM's Powering Reliability Through Market Design, July 15, 2026, <https://www.pjm.com/-/media/DotCom/committees-groups/workshops/prtmdw/2026/20260714/20260714-item-01b---revisiting-root-causes-and-their-implications-in-pjms-powering-reliability-through-market-design---pa-oa-presentation.pdf>.

⁴ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 1, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: "The results of PJM markets were reliable in the first six months of 2026, although reliability is deteriorating."

ancillary services, and uplift, and the rise in transmission costs require action.⁵ PJM has framed the issue as the inability of the capacity market to attract sufficient capacity to meet an “unprecedented surge in demand driven by the rapid expansion of large-load data centers and broader economy-wide electrification” in the context of “accelerated retirement of dispatchable generation” and “significant supply chain and permitting frictions.”⁶ PJM outlines three paths that, to varying degrees, make the capacity, energy, and ancillary services markets more attractive to suppliers by increasing prices (paths A and C), extending long-term forward capacity commitments (Path A), and differentiating reliability by geography or customer class (Path B).⁷

The PA OCA proposes a different path, the Reliability and Affordability/Consumer Benefits Path, which addresses the core problem and aligns with the public policy consensus, the widespread federal, state, and industry consensus that ordinary consumers should not experience reliability problems or pay higher costs due to data centers (the Public Policy Consensus).⁸ As the PJM Board stated:

“The Board is also acutely aware of the affordability pressures facing consumers. The present trajectory of rapid load growth, tightening supply and rising capacity costs is not sustainable. The region needs substantial new investment in supply, and the central affordability question is how the costs of that investment should be allocated. The federal government, PJM states and Large Load customers have emphasized that new Large Loads should bear the costs they cause.”⁹

The OCA’s proposed Reliability and Affordability/Consumer Benefits Path aims to achieve the goal articulated by the Public Policy Consensus—benefits to ordinary consumers—reliability and affordability—by starting with identification of the root cause of the degradation of resource adequacy and rising wholesale and transmission costs: the rapid, massive surge in demand due to data centers (not broader economy-wide electrification).¹⁰ This Path pragmatically and realistically

⁵ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 20, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf.

⁶ PRTMD Whitepaper, p. 4.

⁷ PRTMD Whitepaper, p. 7.

⁸ National Energy Dominance Council and PJM Governors, Statement of Principles Regarding PJM, January 16, 2026, <https://www.energy.gov/documents/statement-principles-regarding-pjm> and The White House, President Trump Secures Historic Commitment to Keep Electricity Costs Down Amid Data Center Boom, March 5, 2026, <https://www.whitehouse.gov/releases/2026/03/president-trump-secures-historic-commitment-to-keep-electricity-costs-down-amid-data-center-boom/>.

⁹ PJM Board of Managers Letter, Board Decisional Letter on Critical Issue Fast Path – Reliability Backstop Procurement and Connect and Manage, July 27, 2026, <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260727-board-decisional-letter-on-cifp-reliability-backstop-procurement-and-connect-and-manage.pdf>, p. 3.

¹⁰ State of Maryland, Office of People’s counsel, Powering Reliability Through Market Design: Initial Considerations and Recommendations, July 15, 2026, slide 7, <https://www.pjm.com/-/media/DotCom/committees-groups/workshops/prtmdw/2026/20260714/20260714-item-04c---initial-considerations-and-recommendations---maryland-opc-presentation.pdf>: “Anticipated resource adequacy shortfalls are actually large load-driven shortfalls.” Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 1, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “Data

accommodates new large loads but mitigates their reliability, capacity, energy, ancillary services, and transmission cost impacts on ordinary ratepayers. The Reliability and Affordability/Consumer Benefits Path builds on PJM's recent Federal Energy Regulatory Commission (FERC) filings for a Reliability Backstop Procurement (RBP) and an Interim Resource Adequacy Service (IRAS).¹¹ It proposes additional provisions to protect ordinary ratepayers from the reliability and cost impacts of new large loads.

This paper is organized around the PA OCA's response to PJM's detailed request for input and then concludes.

II. The Pennsylvania Office of Consumer Advocate's Response to PJM Staff's Request for Input

PJM Staff requested papers from stakeholders to cover the following topics written in *italics*.¹² They are followed by the PA OCA's response.

1. The path(s) (either as described in the PJM paper or alternative paths) that your organization believes PJM should pursue and why

In this section, PJM's paths A, B, and C are reviewed, and the PA OCA's proposed Reliability and Affordability/Consumer Benefits Path is presented.

Path A, Stabilized Markets – Increases Prices and Market Power, Does Not Solve Supply Shortages and Should Not Be Pursued Further

In Path A, Stabilized Markets, "the capacity market continues, but the vast majority of load is required to be covered through long-term forward commitments either through mandatory Load Serving Entity (LSE) hedging requirements or through a PJM-administered, long-term procurement, such as a tiered, multiyear capacity market."¹³

Path A intrudes on the roles of states, does not solve the supply shortage problem, conflicts with the Public Policy Consensus, exacerbates market power, locks in high capacity prices for multiple years, and potentially creates large, stranded costs.

center load growth is the primary reason for recent and expected capacity market conditions, including total forecast load growth, the tight supply and demand balance, and high prices."

¹¹ PJM Interconnection, L.L.C., *Reliability Backstop Procurement to Address Resource Adequacy Concerns Stemming From Large Loads*, Docket No. ER26-3380-000 (F.E.R.C. filed July 31, 2026) and PJM Interconnection, L.L.C., *Proposal of PJM Interconnection, L.L.C. to Establish Interim Resource Adequacy Service and a Large Load Registry to Address System Reliability*, Docket No. ER26-3515-000 (F.E.R.C. filed August 13, 2026).

¹² PJM email, Call For Papers Regarding Powering Reliability Through Market Design - Due August 31, August 10, 2026, 9:24 am.

¹³ PRTMD Whitepaper, p. 7.

Path A intrudes on the authority of states to choose the types and durations of supply arrangements, whether retail choice and default service or via regulated utilities.¹⁴ Path A also potentially stipulates the types, quantities, and duration of supply arrangements, instead of being set by state policies and market participants. It aims to increase the cost and the duration of high-priced capacity contracts¹⁵ without addressing the fundamental problems causing supply shortages. Raising capacity prices and extending long-term forward commitments for all PJM load does not address the rapid, massive increase in demand from data centers.¹⁶ New capacity cannot be built or implemented quickly enough due to market and non-market conditions.¹⁷ Increasing capacity prices and forward commitments will not increase supply if the market cannot respond to those higher prices.¹⁸ Instead, it will transfer wealth from consumers to suppliers.¹⁹

¹⁴ The PRTMD Whitepaper, p. 34, does note that “the market design would ideally keep the level of longer-term forward hedging voluntary.”

¹⁵ PRTMD Whitepaper, p. 7: “...it reflects a genuine structural shift in what the investment community requires to commit capital to large, long-lived generation assets in the PJM footprint.” See also p. 5: “The combined effect is that the market design adequate to attract investment under the conditions of the prior [low cost] decades is not necessarily the one that will attract investment going forward.”

¹⁶ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, pp. 2-3, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “Some participants contend that PJM markets are just facing an unexpected growth in demand and that the normal supply and demand dynamics should be allowed to play out without recognition of these unique circumstances. This position is that prices should be allowed to rise, incentives to build generation will result, and supply and demand will return to balance. This simplistic view ignores the fact that it is the unexpected addition of extraordinarily high levels of data center load (largely based on unsubstantiated forecasts) that have resulted in the supply-demand imbalance. This position also ignores related underlying issues including the excessive maximum price in the capacity market, the uncertainty introduced by PJM’s 2015 capacity market reforms and reliance on low probability high impact PAI penalties as a performance incentive, the uncertainty and understatement of available capacity that result from ELCC and the uncertainty hangover from the prior queue management issues.”

¹⁷ PRTMD Whitepaper, p. 10: “Crucially, this paper asserts that the market cannot solve physical constraints overnight but the design of the market determines how those constraints are managed and how quickly they are resolved.”

¹⁸ Jaffe, Adam B., and Frank A. Felder. “Should electricity markets have a capacity requirement? If so, how should it be priced?.” *The electricity journal* 9.10 (1996), p. 54: “Indeed, both casual empiricism and scholarly economic research suggest that occasional non-clearing of competitive markets is the rule rather than the exception. To quote one standard reference on this subject from the economics literature: ‘Waiting for a good and being unable to purchase a good when one wants it are typical rather than atypical experiences in many markets’.... Delivery lags are common in mining and manufacturing industries with large fixed costs, which are probably more relevant to the electricity industry. Typically, the willingness to pay more for goods that are in short supply is not sufficient to reduce or eliminate delivery lags. Increases in delivery lags, queuing, and other forms of non-price rationing are used *in conjunction with* prices to ‘clear’ markets.” Emphasis in the original. The PRTMD Whitepaper is incorrect in its assertion that “PRTMD Whitepaper, p. 6: “The underlying economic logic that scarce capacity commands high prices is correct and necessary.”

¹⁹ Robin Millican, Douglas J. Arent, and David Sandalow, Center on Global Energy Policy, Columbia University, *Electricity Affordability and Load Growth: Diagnosing and Fixing the Problem*, June 2026, https://www.energypolicy.columbia.edu/wp-content/uploads/2026/06/LoadGrowth-CGEP_WhitePaper_061726-3-digital.pdf, p. 15: “Higher capacity prices mostly end up paying existing generators more rather than inducing new construction, and those extra costs are passed on to consumers through their electricity bills over time.” Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 3, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “This broad bring your own new generation solution to the issues created by the addition of unprecedented amounts of large data center load does not require a continued massive wealth transfer through ongoing shortage pricing.”

Path A conflicts with the Public Policy Consensus.²⁰ It potentially locks in high capacity prices for multiple years for all PJM load, not just data centers, and does not, as it incorrectly asserts, trade “the optionality of short-term procurement for the stability needed to support investment.”²¹ The risk is foreseeable: Utilities locked in high-cost contracts during the California electricity crisis in the early 2000s and under the Public Utility Regulatory Policies Act (PURPA) contracts in the 1980s.²²

In contrast, PJM’s companion FERC filings regarding its proposed Reliability Backstop Procurement (RBP) and Interim Resource Adequacy Service (IRAS) respond, in part, to the Public Policy Consensus by requiring new large loads to bring their own new capacity (BYONC) or be subject to curtailment during emergencies and shortages.²³ New large loads may pay more for capacity, through bilateral contracts or the RBP, than the current price collar allows. The RBP’s weighted-average cap is \$555/MW-day, above the collar’s cap of \$325/MW-day.²⁴

²⁰ The PRTMD Whitepaper does not reference the National Energy Dominance Council and PJM Governors Statement of Principles or the Ratepayer Protection Pledge.

²¹ PRTMD Whitepaper, p. 7. Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, pp. 2-3, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “Hedges can never beat the market over time because every hedge has a buyer and seller.”

²² Lynda Gledhill, SFGATE, State 2001 energy tab totaled \$26.7 billion/Critics hit Davis for pricey long-term contracts, January 24, 2002: <https://www.sfgate.com/politics/article/state-2001-energy-tab-totaled-26-7-billion-2880605.php>, “Critics blasted the governor for signing \$43 billion in contracts when prices were near their peak. They say Californians will now be locked into paying higher prices for the next decade.” See also, California State Auditor, Report 2001-009 Summary – December 2001, California Energy Markets: Pressures Have Eased, but Cost Risks Remain, <https://information.auditor.ca.gov/reports/summary/2001-009>: “The department entered into 57 long-term contracts for power with an estimated cost of \$42.6 billion over the next 10 years. Although the energy crisis has now eased, significant cost and reliability risks remain.... The majority of the contracts are not written to ensure a reliable source of power, but instead they convey lucrative financial terms upon the suppliers to ensure that energy is delivered. In addition, the terms of the contracts contain provisions that can increase the cost of power; thus they need careful management to avoid additional costs to the consumers.” Utility Dive, FERC finalizes PURPA overhaul in move Glick says “discourages” small solar development, July 17, 2020, <https://www.utilitydive.com/news/ferc-finalizes-purpa-overhaul-in-move-glick-says-discourages-small-solar/581784/>: “For years, electricity customers have been paying billions of dollars in excess energy costs as a result of PURPA provisions enacted in the 1970s that allowed well-financed big developers to lock in guaranteed long-term, inflexible contracts at the expense of other more-competitive and cost-efficient renewable energy projects,” Edison Electric Institute (EEI) President Tom Kuhn said in a joint statement with the American Public Power Association and the National Rural Electric Cooperative Association.”

²³ PJM Interconnection, L.L.C., *Reliability Backstop Procurement to Address Resource Adequacy Concerns Stemming From Large Loads*, Docket No. ER26-3380-000 (F.E.R.C. filed July 31, 2026) and PJM Interconnection, L.L.C., *Proposal of PJM Interconnection, L.L.C. to Establish Interim Resource Adequacy Service and a Large Load Registry to Address System Reliability*, Docket No. ER26-3515-000 (F.E.R.C. filed August 13, 2026). These filings do not address increases in energy and ancillary services prices and transmission costs.

²⁴ PJM Interconnection, L.L.C., *Reliability Backstop Procurement to Address Resource Adequacy Concerns Stemming From Large Loads*, Docket No. ER26-3380-000 (F.E.R.C. filed July 31, 2026) and SYSO, *What PJM’s New Capacity Market Cap & Collar Means for Market Participants*, May 6, 2025, <https://www.systotechnologies.com/2025/05/06/pjm-new-capacity-market-cap-and-collar/>. New suppliers are eligible to be paid capacity prices above the current collar in the RBP, and there is no cap on the prices that bilateral contracts may charge. Both new and existing suppliers can be paid energy and ancillary services prices that have increased dramatically over the last several years. It is worth noting that the price collar is more consistent with a competitive outcome than without the collar. Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 2,

Path A exacerbates market power when capacity markets are not already competitive.²⁵ Given the unique characteristics of electricity, namely the requirement that supply and demand be continuously in balance, even small suppliers have market power during times of scarcity.²⁶ Path A suggests that, in a time of shortage, not only should capacity prices increase but they should be locked in for multiple years. If there is an economic downturn or a reduction in the buildout of new data centers, Path A could create substantial stranded costs paid by ordinary ratepayers.

Path B, Differential Reliability – Should Focus on Different Levels of Service, Not Different Levels of Reliability

Reliability is a common good.²⁷ This means that without reliability requirements, the PJM wholesale market would under-procure resources to meet resource adequacy.²⁸ Path B proposes allowing for differential reliability, perhaps by geography (e.g., different states or zones procuring different levels of reliability) or by customer class (e.g., residential loads curtailed after new large loads).²⁹ Such implementation entails practical challenges and additional costs to ensure that loads actually curtail when required.³⁰

https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf:

“Contrary to assertions that the [price collar] Agreement was a typical regulatory response to high prices, the maximum price resulting from the Agreement is more consistent with a competitive outcome than would have occurred without the Agreement.”

²⁵ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 1, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “The results of the 2025/2026, 2026/2027, and 2027/2028 capacity markets were not competitive.” See also p. 5: “Then, as now, the ownership of capacity was highly concentrated and the generation owners had the ability to exercise market power in those bilateral negotiations.” The PRTMD Whitepaper, p. 30, acknowledges that “A hedging mandate phased in too quickly, without commensurate attention to market power mitigation, could exacerbate the affordability harm it is designed to prevent.”

²⁶ Borenstein, Severin. “Understanding competitive pricing and market power in wholesale electricity markets.” *The Electricity Journal* 13.6 (2000), p. 55, <https://faculty.haas.berkeley.edu/borenste/download/ElecJo00MktPower.pdf>: “In some situations, a firm with even a relatively small market share might find it profitable to restrict its output or raise its offer price on marginal output. Think about a situation in which demand is not at all price elastic—in the extreme, a situation in which buyers don’t even know the price at the time they are buying. Then add to that a situation in which other factors, such as a very hot day, have driven up the quantity that buyers want to consume to the extent that virtually every company is operating at its absolute production limit. That is, the price elasticity of supply from other producers is very low because they are at their capacity constraints. In that case, a firm with even a small share of the market might be able profitably to reduce output or raise its offer price.”

²⁷ Spees, K., et al. (2015). “Enhancing the Efficiency of Resource Adequacy and Procurements in the Midcontinent ISO Footprint,” cited in Bushnell, James, Michaela Flagg, and Erin Mansur. “Capacity markets at a crossroads” (2017), <https://escholarship.org/content/qt9cm9t546/qt9cm9t546.pdf>, p. 52.

²⁸ Jaffe, Adam B., and Frank A. Felder. “Should electricity markets have a capacity requirement? If so, how should it be priced?” *The electricity journal* 9.10 (1996), p. 54: “Economic theory tells us that the existence of this ‘capacity externality’ suggests capacity and peak-shaving demand-side technologies will, in equilibrium, be underprovided by a competitive market.”

²⁹ PRTMD Whitepaper, p. 7.

³⁰ Felder, Frank A. “The Challenges of Incorporating Consumer Reliability Preferences into Electricity Markets with a Capacity Requirement.” OIES Paper EL54, May 2024, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2024/05/EL54-The-Challenges-of-Incorporating-Consumer-Reliability-Preferences-FF.pdf>.

The PA OCA supports different levels of service, such as the IRAS proposal and various co-location options,³¹ but it does not support reducing PJM-wide reliability and resource adequacy standards. Instead of suggesting different levels of reliability and resource adequacy, Path B should consider different levels of service and build off ongoing efforts along these lines, including considering whether IRAS should be permanent.

Path C, Energy Market Transition – Arbitrarily Raises Energy and Ancillary Service Prices and Market Power, Does Not Solve the Supply Shortage, and Should Not Be Pursued Further

Path C is “an explicit and progressive shift of revenue recovery from the capacity market to the E&AS [energy and ancillary services] markets through an increase in the E&AS market price limits (i.e., scarcity prices).”³² It therefore suffers from the same problems as Path A. Unlike Path A, Path C does not have a hedging mechanism and does not even satisfy the PRTMD Whitepaper’s view that longer-term financial commitments are needed.³³ Like Path A, Path C relies on an administratively constructed demand curve (the operating reserve demand curve [ORDC] instead of the Variable Resource Requirement [VRR]) and is therefore also susceptible to “stroke of the pen” regulatory changes.³⁴

Path C’s “strategic goal” is to shift revenues from the capacity market to the energy and ancillary services markets.³⁵ This goal is not based on power system and market fundamentals; instead, it is an explicit attempt to engineer outcomes, not achieve reliable and efficient markets.³⁶

³¹ White & Case, PJM proposes to carve out new services for co-located data centers, March 11, 2026, <https://www.whitecase.com/insight-alert/pjm-proposes-carve-out-new-services-co-located-data-centers>.

³² PRTMD Whitepaper, p. 7.

³³ PRTMD Whitepaper, p. 43: “That said, forward markets are not uniformly deep across all tenors. Open interest in energy financial contracts thins materially beyond 5-7 years; long-dated bilateral contracts are typically indexed to floating prices unless fuel revenue streams can be simultaneously fixed.”

³⁴ PRTMD Whitepaper, pp. 31 and 43 and pp. 47-48. Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 1, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “The recovery of the missing money in the capacity market is, by definition, administrative and will be no less administrative if somehow included in the energy market.”

³⁵ PRTMD Whitepaper, p. 39: “Under Path C, PJM would pursue a deliberate, phased shift of the revenue recovery function from the capacity market to the Energy and Ancillary Services (E&AS) markets. The ultimate objective of evolving the E&AS markets under this path is not merely to ensure they ‘work well with’ the next iteration of the capacity market. The strategic goal would be to reduce the region’s reliance on the capacity market over time.”

³⁶ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 1, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf: “It would be a mistake to attempt to engineer the energy market to administratively shift some of the capacity market missing money to the energy market.” Path C, with its intentional shifting of revenues from the capacity market to the energy and ancillary services markets, is at odds with PJM’s Memorandum of Understanding Framework Between States and PJM Re: Reliability/Resource Adequacy, August 14, 2026, p. 1, which states that PJM commits “to continue to operate open, transparent, competitive wholesale mechanisms with the intent to produce price signals that accurately reflect the marginal cost of maintaining resource adequacy....” Path C is not striving to set capacity market revenues based on the marginal cost of maintaining resource adequacy, but to decrease capacity revenues while increasing energy and ancillary services revenues.

As part of Path C, the PRTMD Whitepaper supports adopting PJM Staff's Reserve Certainty Senior Task Force (RCSTF) proposal with urgency.³⁷ It does not, however, consider the litany of concerns stakeholders have expressed with PJM Staff's proposal in the (RCSTF) process including being counter to the Public Policy Consensus, increasing energy prices without reducing capacity prices, partial testing, the lack of cost analysis, being susceptible to market power, increasing scarcity pricing without justification, reducing market efficiency, and procuring reserves beyond what is required by NERC.³⁸ The RCSTF effort should not be part of the PRTMD effort and should instead continue through its existing stakeholder process.

OCA's Proposed Reliability and Affordability Path/Consumer Benefits Path

The PA OCA proposes a Reliability and Affordability Path/Consumer Benefits Path. This path is a pragmatic approach to integrating large loads into PJM while mitigating their impact on increasing wholesale market and transmission costs. The Reliability and Affordability/Consumer Benefits Path is comprehensive because it addresses reliability and all relevant costs and related allocation of costs, not just capacity and other wholesale market costs. It also underscores the governance and stakeholder reforms needed to implement the Public Policy Consensus.

This path has the following elements:

- a. Implementing PJM and stakeholder governance reforms that ensure that PJM is abiding by the public interest and that its decision-making and stakeholder processes are independent, transparent, and efficient. Such reforms are necessary so initiatives, such as the PRTMD, align with and are supported by the Public Policy Consensus.
- b. Expanding comprehensive and vigorous market power monitoring and mitigation.³⁹ During periods of capacity shortages, as presently exists in PJM, the ability to exercise market power in all markets increases dramatically because even a slight reduction in supply can boost energy, capacity, and ancillary service prices substantially.⁴⁰ The PJM Independent Market Monitor has continually raised market power concerns over the

³⁷ PRTMD Whitepaper, p. 48.

³⁸ IMM, IMM RCSTF Perspective and Proposal, MRC, August 19, 2026, pp. 4, 6, 14, and 27, <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2026/20260819/20260819-item-06---rcstf-imm-proposal---presentation.pdf>, and Monitoring Analytics, RCSTF Issues Overview, May 1, 2026, p. 2, https://www.monitoringanalytics.com/reports/presentations/2026/IMM_RCSTF_Issues_Overview_20260501.pdf.

³⁹ PRTMD Whitepaper, p. 30: "Any evolution of PJM's capacity market design – whether toward mandatory hedging, centralized long-term procurement or a shift toward energy market revenue recovery – would need to adapt the IMM's mitigation role accordingly. Ensuring that market power does not taint bilateral or centralized contract outcomes is a necessary complement to any structural reform, not a detail to be resolved after the fact." See also Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-secl.pdf; p. 7: "The basic logic of market power mitigation in both energy and capacity markets needs to be restored."

⁴⁰ Borenstein, Severin. "Understanding competitive pricing and market power in wholesale electricity markets." *The Electricity Journal* 13.6 (2000), p. 55.

years,⁴¹ particularly in the capacity market.⁴² All PRTMD elements that PJM advances should be subject to a complete market power analysis, including systems and processes, to monitor and mitigate each element.

- c. Establishing an Independent Transmission Monitor (ITM) to review and assess all regional and supplemental transmission proposals for their impact on reliability, net benefits, wholesale market prices, and retail customer electricity costs. The Public Policy Consensus rate pledge and consumer cost protections include the transmission costs of both regional and supplemental projects; capacity market reforms and performance are inherently tied to transmission upgrades and cost allocation.
- d. Developing the data and analysis capability to determine the costs of new regional and supplemental transmission projects due to large loads and the ability to allocate those costs to large loads as appropriate.
- e. Supporting capacity market reforms that make the capacity market more predictable, transparent, and less costly to hedge. Potential reforms to consider include making Effective Load Carrying Capability (ELCC) values more stable and predictable,⁴³ administering the RPM auctions on a timely and consistent timeline, and improving the administration of the interconnection queue.
- f. Considering a permanent version of IRAS with a BYONC locational requirement. Data center forecasts anticipate new large load additions with the corresponding risk that PJM will be short capacity for many future years. A permanent version of IRAS with a BYONC locational requirement enables the region to address this possibility and ensures that the capacity new large loads bring is deliverable.⁴⁴
- g. Excepting large loads that are subject to IRAS from shortage pricing in the day-ahead and real-time markets. The Public Policy Consensus applies to all costs caused by large loads, not just capacity costs. Under the PRJM IRAS proposal, IRAS load is included in the day-

⁴¹ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 6, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf; “PJM’s improved and approved market power mitigation process cannot work until PJM commitment and dispatch software is upgraded.”

⁴² Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf.

⁴³ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 6, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf; “The current PJM ELCC capacity market design adds unnecessary risk and volatility that are not part of the market fundamentals.”

⁴⁴ Monitoring Analytics, 2026 Quarterly State of the Market Report for PJM: January through June, August 13, 2026, p. 3, https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2026/2026q2-som-pjm-sec1.pdf.

ahead and real-time markets as firm load.⁴⁵ It therefore can trigger scarcity pricing, which raises prices for energy and ancillary services. This inclusion as firm load is inconsistent with IRAS load, which is essentially interruptible load.

- h. Incorporating explicit demand bids by large loads that BYONC into the Base Residual Auction (BRA) and any future RBP. Presently, the BRA and RBP use a top-down, administrative forecast to set the amount of demand these auctions procure. Given the substantial and unpredictable large-load forecasts for demand, PJM risks substantially under- or oversupplying capacity. PJM should require large loads participating in the BRA or any future RBP to submit price and quantity bids instead of using PJM's large load forecast.

2. Additional or supplemental path(s) that you recommend States explore to support long-term market durability and/or customer cost stability

The PA OCA does not have recommendations for States.

Regarding the phrasing of the request, the goal should be benefits to ordinary consumers—reliability and affordability—not “long-term market durability and/or cost stability.” These latter terms are undefined and not part of PJM's stated mission and should not be highlighted as goals. Cost stability could imply costs paid for by ordinary consumers that do not change but nonetheless include increased costs due to large loads, contrary to the Public Policy Consensus.

3. Any specific areas of the market design that your organization believes should be included in the scope of the upcoming stakeholder process, including why focusing on those areas will help stabilize PJM's wholesale markets and support more durable resource adequacy in the region

- a. *For instance, during the workshops, stakeholders brought forward specific design discussions, such as forward auction timing, seasonal capacity market design, ELCC enhancements, and incentives for and enhancements to Demand Response programs*

See #1 above.

It is not clear what is meant by “more durable resource adequacy in the region.” Presumably this means having sufficient supply that clears the capacity market. The use of the word “durable” in 4.a. and in 3 above is confusing. It is not clear if “market durability” is the same as or different from “durable resource adequacy.” In any event, the goal should be benefits to ordinary consumers—reliability and affordability—per the Public Policy Consensus.

⁴⁵ See PJM Interconnection, L.L.C., *Proposal of PJM Interconnection, L.L.C. to Establish Interim Resource Adequacy Service and a Large Load Registry to Address System Reliability*, Docket No. ER26-3515-000 (F.E.R.C. filed August 13, 2026), which does not discuss changing present day-ahead unit commitment or real-time dispatch to treat IRAS load as non-firm or interruptible.

4. Areas that should remain out of scope in these stakeholder discussions and why it is appropriate to narrow the scope of work accordingly

Any areas or paths inconsistent with the Public Policy Consensus should be out of scope. As currently articulated, paths A, B, and C are contrary to the Public Policy Consensus and should be out of scope unless restructured to comply with the consensus.

5. The process that your organization would recommend be used to structure the stakeholder engagement

The stakeholder process should be similar to the RBP and Connect and Manage (now IRAS) processes, subject to any governance and stakeholder changes approved and implemented as part of the FERC Governance and Stakeholder effort.⁴⁶

6. Any thoughts you have on issue prioritization and timing considerations for addressing these issues

PJM Staff should prepare a priority list for the stakeholder review of tasks that are directed at reliability and affordability across all markets, transmission planning (regional and supplemental projects), and operations. Reliability and affordability across all PJM activities, not just capacity markets, should take priority over the PRTMD effort.

7. Any education or analysis that you would request from PJM to support the upcoming stakeholder engagement

The PA OCA requests that PJM Staff host an educational session on how IRAS affects shortage pricing in the day-ahead, real-time energy and ancillary services markets. The PA OCA does not have any additional requests currently but may make them as the process unfolds.

III. Conclusion

To achieve its mission, PJM needs the trust and support of the public policy process and the public. The Public Policy Consensus has made clear at the federal and state levels that PJM must protect ordinary consumers from blackouts and runaway cost increases in wholesale markets and transmission costs. The PJM PRTMD effort began as this consensus formed and solidified around protecting ordinary consumers from reliability degradation and rising electricity prices. As PJM pauses to assess the views of policymakers, stakeholders, and market participants, the PA OCA encourages PJM to reorient the PRTMD effort to catch up with the Public Policy Consensus by focusing on benefits to ordinary consumers—reliability and affordability—across all PJM activities, not just the capacity markets.

⁴⁶ FERC, PJM Governance and Stakeholder Reforms, Docket No. AD26-7-000, August 11, 2026, <https://www.ferc.gov/pjm-reforms>.