

PJM Industrial Customer Coalition Comments on PJM Whitepaper on Market Design

The PJM Industrial Customer Coalition (“PJMICC” or “Coalition”), a coalition representing large industrial and institutional consumers in the PJM Region, offers the Comments below in response to PJM’s August 4, 2026, call for papers.

I. BACKGROUND & EXECUTIVE SUMMARY

On May 6, 2026, PJM issued *Powering Reliability Through Market Design* (“Whitepaper”), a whitepaper subtitled “Addressing Rising Demand and Constrained Supply, and Stimulating Investment to Support Durable Reliability.”

At the July 29, 2026, Powering Reliability Through Market Design Workshop, and then by later notice on August 4, 2026 (“Request for Papers”), PJM issued a call for papers to “inform the states, PJM and the PJM Board as we determine the scope of and process around developing market design rules.”¹

The Coalition has long advocated for a robust, transparent, and competitive wholesale marketplace within PJM. As a coalition of retail customers with large energy demands who must themselves compete in the global marketplace of goods and services, PJMICC believes PJM’s past successes have been built on a combination of open competition for ideas and capital, combined with sound technical operations judgment. These same principles are needed today more than ever, as the grid faces new and daunting challenges. As an overarching principle, PJMICC contends that PJM’s focus in designing and operating its wholesale market should be on fostering an investment climate without losing sight of the imperative for wholesale markets to work cooperatively with the functioning of retail markets or cost-of-service regulation to unlock value for retail customers.

Below, the Coalition responds to PJM’s call for papers with brief Comments. Its recommendations can be summarized as follows:

¹ See Powering Reliability Through Market Design Workshop, *Request for Papers* (Aug. 4, 2026), available at <https://www.pjm.com/-/media/DotCom/committees-groups/workshops/prtmdw/postings/2026/20260804-call-for-papers.pdf>.

- PJM and its stakeholders should collectively develop a model based on PJM’s “Path A” – Option 2 in the Whitepaper: Stabilized Markets / Mandatory and Centralized Long-Term Procurement by PJM on behalf of Load Serving Entities (“LSE”).
- A capacity market should continue as a separate market construct from energy and ancillary services; it should be multi-year and should provide revenue certainty for resource owners while reasonably shielding load from price volatility.
- Plans should include expanded demand response participation with clearly defined program parameters.
- Careful attention should be paid to retail market impacts in any wholesale market redesign.
- The stakeholder process should be robust, using disciplined facilitation through the Consensus Based Issue Resolution (“CBIR”) process, and prioritize immediate issues (Reliability Backstop Procurement (“RBP”), Interim Resource Adequacy Service (“IRAS”), and expediting generation interconnection) while working deliberately toward holistic market reform goals.
- PJM should engage in “analytical transparency” – setting benchmarks for success and later reviewing initiatives that do not produce intended results.

II. THE PERSPECTIVE OF TRADITIONAL LARGE ENERGY CUSTOMERS

PJMICC is a coalition representing industrial consumers, institutional customers, and other large electricity users in the PJM Region. Coalition member organizations require significant volumes of electricity and natural gas to support their operations—they include manufacturers of paper, cement, chemicals, metals, pharmaceutical products, and consumer goods; institutional customers such as hospitals and universities; and other large energy users. Coalition members represent the backbone of American manufacturing and core services that support the United States’ competitive strength in a global economy.

For decades, the Coalition and many of its members have advocated for robust and rational wholesale marketplaces that support a truly competitive energy ecosystem within PJM. For Coalition members, strengthening reliability, diversifying energy sources, improving the efficiency of capital deployment, offering more pricing certainty, and providing options for consumers to select their own price/reliability balance are not theoretical ideas—but practical, imminent realities of keeping their factories and institutions operating. Coalition members make long-term investment decisions in capital-intensive industries, and energy prices and policies significantly affect these members and the communities they support.

To that end, PJMICC urges PJM and its stakeholders to consider the long-term viability of any proposals and approaches discussed. For American industry, institutions, and other large energy users to thrive, creating the good-paying jobs upon which the regional economy depends, there must be sufficient predictability for long-term investments and decision making. Market rules must be clear and must provide sufficient price signals to attract capital. It is PJMICC's hope that this stakeholder process will enable PJM's markets to go "back to basics," building on what has worked over the last two decades while making needed adaptations to align with the needs of the next 20 years.

III. PJM'S PATH (ISSUE #1)

In its Whitepaper, PJM set forth several potential "paths" that the PJM region could collectively pursue. **PJMICC recommends that PJM and its stakeholders collectively develop a model based on PJM's Path A (Stabilized Markets).** Specifically, the Coalition supports Option 2 (Mandatory and Centralized Long-Term Procurement by PJM on Behalf of LSEs) as a starting point. This approach is consistent with the Federal Energy Regulatory Commission's ("FERC") longstanding recognition that capacity markets serve a distinct reliability function by ensuring resource adequacy through forward procurement mechanisms that energy markets alone cannot reliably provide.

In the example set forth in the Whitepaper, PJM could "procure 10% of capacity needs over 7-year contracts (i.e., for delivery years 3 to 9 in the future under the current three-year forward [Base Residual Auction] design)." Such a process would, over time, provide about 70% of all capacity obligations on a longer-term basis, with the remaining capacity procured through the annual terms of the current Base Residual Auction ("BRA") design. This ladder approach is appropriate during this time of growth given that recent BRA results have demonstrated significant price volatility that has both affected consumers and undermined investment certainty—the 2025/2026 BRA clearing price of \$269.92/MW-day represented a dramatic increase from prior years, contributing to substantial cost uncertainty for retail customers.

First, resource adequacy is best addressed through a capacity product that is separate from the energy product. PJMICC sees significant value in the capacity market structure to ensure that a needed resource can recover its going-forward costs, provide revenue certainty for its owner, address the alleged "missing money" problem, and ensure that new and existing resources are

available. The “missing money” problem—the gap between energy market revenues and the revenues needed to support new investment—has been recognized by the FERC and economists as a justification for capacity market constructs. Additionally, capacity constructs must provide price signals that span more than a one-year time frame to support long-term capital investment decisions.

While forward energy markets function well and are relatively mature markets that can provide long-term hedges, the ability of the energy market alone to provide the desired long-term revenue certainty is limited. As PJM notes, liquidity in the 5-7 year forward period materially thins, likely reflecting retail customers’ unwillingness or inability to commit to such an extended term. PJMICC members’ experience confirms this observation—industrial customers typically contract for electricity supply on 1-3-year terms, making it difficult to translate longer-term wholesale procurement into retail price certainty. A well-designed capacity construct helps to address this gap by providing a separate revenue stream that supports resource investment without requiring commensurate long-term retail commitments.

Second, well-functioning energy markets should be protected. With the energy market representing the most significant share of revenue (and revenue expectations) for supply, and the highest cost for consumers, we believe it is unwise to subsume resource adequacy into the forward energy market out of concern for upending a hedging process that appears to be working to the benefit of both load and supply.

Additionally, as PJM notes, the Energy and Ancillary Services market structure has not changed significantly in nearly 20 years. In contrast, the rule set’s durability in the capacity market construct has a very different history, which has likely contributed to the present “investability” concerns that PJM cites. Even as changes may be needed in the capacity market, PJMICC believes the Energy and Ancillary Services markets should be maintained similar to their current form, without adding additional uncertainty to the overall marketplace.

Third, Path A, Option 2, is consistent with approaches PJM is taking elsewhere. From a pragmatic perspective, it is worth noting that this approach also aligns with the approach PJM has developed with the RBP model, in which PJM proposes to procure a portion of capacity

needs on longer-term, laddered contracts, and the balance of needs is completed on a closer-in basis. PJM proposes settling the costs of its 15-year RBP initiative through a capacity market.²

IV. MARKET DESIGN (ISSUE #3)

The Coalition offers several comments related to market design.

First, any wholesale market construct must take the diversity of the PJM region into account. In particular, PJM must consider how retail consumers obtain electricity and the differences that are present in regulated vs. deregulated jurisdictions. Further, within deregulated jurisdictions, PJM must consider the differences between “shopping” customers as well as those that remain on utility standard offer/default service.³

In deregulated territories, customers can elect a supplier different than the incumbent utility and structure supply agreements to better suit their own preferences. These preferences can include term length, type of price hedges (for a retail customer, a fixed price represents a 100% hedge), and other terms and conditions that may change with each subsequent supply agreement. In some (but not all) retail jurisdictions, shopping customers retain the ability to switch suppliers, including switching back to the utility supply. This type of flexibility is a defining characteristic of competitive retail markets and must be accounted for in any wholesale market design.

In deregulated territories, requiring LSEs to be covered through long-term forward commitments before the BRA likely results in LSEs contracting for term lengths that individual retail customers may be unwilling or unable to match. This mismatch could pose risks for suppliers, ultimately resulting in higher costs being passed through to customers. Any market

² Question #2 in the Request for Papers states: “Additional or supplemental path(s) that you recommend States explore to support long-term market durability and/or customer cost stability.” PJMICC believes that wholesale markets work best with a strong cooperative federalism approach that respects jurisdictional boundaries. *See Hughes v. Talen Energy Mktg., LLC*, 578 U.S. 150 (2016) (delineating federal-state jurisdictional boundaries in wholesale electricity markets). In other contexts such as the ongoing discussions on IRAS and RBP, PJMICC has advocated for clear, transparent wholesale constructs that work with, not against, States’ ability to effectuate just and reasonable cost assignment at the retail level. While PJMICC does not add to these general comments, PJMICC reserves the right to provide additional input into actions States should take that work in conjunction with PJM to support resource adequacy.

³ The differences between the deregulated and regulated markets can impact how customers approach and optimize power purchases. Not accounting for these differences appropriately can result in inadequate apples-to-oranges comparisons.

design must therefore carefully consider how wholesale procurement timelines interact with retail contracting practices.

Second, transition considerations for market design changes must be evaluated carefully, particularly the impact on existing agreements in place at the time of transition.

Market changes that are addressed through “change of law” provisions re-open retail electric supply agreements and can essentially expose retail customers to spot prices at that time. PJM has argued that it is undesirable for retail customers to be exposed to spot market prices and that any market redesign should account for the effects of transitions on existing retail arrangements.

Third, durability in market design is important. As PJM notes, exposure to spot market capacity pricing raised affordability concerns for consumers. However, in the past, changing rules and frequent auction delays led many suppliers to be unwilling or unable to fix capacity costs for consumers, or led them to impose risk premiums that exceeded the prices consumers were willing to absorb. The failure to consider the impacts of wholesale market changes on retail customers contributed in part to the affordability challenges that PJM is now addressing. A durable market design framework that provides predictability for both suppliers and retail customers is essential to ensuring that rates remain just and reasonable under the Federal Power Act. From a PJMICC member’s perspective, it is important to emphasize that electricity is essential for many businesses in the region. If electricity becomes too expensive, businesses often are left uncompetitive and cease operations. Such businesses, many of which are economic anchors in their locations, may be forced to relocate to other regions with more favorable pricing.

Fourth, the “must-buy” obligation imposed on retail customers should be reconsidered. Under the current construct, all retail load is assigned a capacity obligation regardless of whether individual customers would prefer to accept greater reliability risk in exchange for lower costs. PJMICC has long advocated that retail customers should have greater choice in determining their price/reliability balance. While PJMICC recognizes that any modification to the must-buy obligation would require careful consideration of reliability implications and would need to be structured to prevent free-ridership, the principle that sophisticated industrial customers should have options to manage their capacity exposure deserves serious consideration in this market redesign effort.

Finally, Demand Response should play an increased role in the capacity market construct. Demand response programs should be structured with defined parameters for the frequency and duration of curtailments, similar to traditional utility interruptible service programs. Specifically, PJMICC recommends that PJM develop demand response products with clearly specified call limits (e.g., maximum hours per year, maximum consecutive hours per event, and minimum notice periods) to provide certainty to customers considering participation. This approach would ensure that demand response can reliably contribute to resource adequacy while attracting broader participation from industrial and institutional customers. Additionally, PJM should consider voluntary demand response pilots focused on customer-friendly options, including improved utilization of on-site customer generation resources to provide capacity during peak periods.

V. STAKEHOLDER PROCESS (ISSUES #4-6)

Regarding PJM’s stakeholder process, PJMICC recommends making it as robust as possible. PJM provided a positive starting point by placing its Whitepaper at the front end of the process and, in it, asking very broad, philosophical questions. This has value because it recognizes initial assumptions and, in theory, should permit a broad set of potential solutions to be considered. As stakeholders agreed at the August 19, 2026, Members Committee meeting, it is useful for PJM’s governing documents to expressly state that PJM’s wholesale markets should be designed and operated to benefit consumers.

Following are brief comments by PJMICC on the stakeholder process itself:

- Out-of-scope issues (Issue #4): State-PJM coordination (cooperative federalism) is critical. However, PJMICC recommends that the conversation remain focused on developing wholesale market structures that work, not on the specifics of how capacity or other costs are picked up and allocated at the retail level.
- Stakeholder engagement structure (Issue #5): PJMICC recommends the use of the CBIR Stakeholder process with disciplined facilitation that enables diverse stakeholder perspectives a meaningful opportunity to be heard. To the extent that stakeholders offer proposals in support of their “interests,” it is important to regularly assess how any proposal helps to support those interests. Any voting should reflect sector-weighted interests to assess a more balanced view of any reform.
- Issue prioritization/timing (Issue #6): Immediate issues such as RBP and IRAS—and successfully getting the nearly 51 GW of generation with executed Interconnection Service Agreements (“ISA”) and Generator Interconnection Agreements (“GIA”) to market (as

well as the remaining 8 GW of Reliability Resource Initiative (“RRI”) and the 200 GW of Cycle 1 submissions)—should be the primary focus at this juncture. Holistic market reform is a critical issue but must not be rushed.

VI. ANALYTICAL TRANSPARENCY (ISSUE #7)

In response to Question #7, PJMICC recommends two steps that PJM can take to strengthen the stakeholder process, regardless of the ultimate path chosen. These two steps can be summarized as “analytical transparency.” For PJM’s stakeholders and customers to be confident in the PJM market constructs, and for State-regulated entities to fulfill their mandates for just and reasonable rates, transparency is necessary. PJM must “show its work.” Such efforts will not only support confidence in the collective work but will also assist the FERC in its review of whether any resulting rates would be just and reasonable under Sections 205 and 206 of the Federal Power Act.

This analytical transparency has two components. First, PJMICC recommends rigorous evaluation of the total customer costs (energy, ancillary services, and capacity) of any proposal, including how it intersects with retail constructs. Second, PJMICC recommends a look-back after implementation. During the process of developing a policy, approach, or scheme, PJM and its stakeholders should define the (1) objectives, (2) measurements for success, and then (3) commit to a “relook” at the solution in a specific amount of time, particularly if it does not produce the intended results at the projected cost.

VII. CONCLUSION: GOING FORWARD

PJMICC offers the above Comments as a starting point for continued engagement in this important proceeding. In summary, PJMICC recommends: (1) adoption of Path A, Option 2 as the foundation for market reform; (2) preservation of a separate capacity market construct with multi-year procurement; (3) careful attention to retail market impacts in any wholesale market redesign; (4) expanded demand response participation with clearly defined program parameters; and (5) analytical transparency through defined success metrics and post-implementation review. PJMICC urges PJM and all stakeholders to work collaboratively toward establishing durable, transparent, and accessible market rules that welcome competition, encourage resource growth to match demand, and ensure a thriving market that benefits consumers throughout the PJM region.