

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.	)	Docket No. ER25-1357-001
	)	
	)	
Commonwealth of Pennsylvania	)	
	)	
v.	)	Docket No. EL25-46-001
	)	
PJM Interconnection, L.L.C.	)	(not consolidated)

**MOTION FOR LEAVE TO ANSWER AND  
ANSWER OF PJM INTERCONNECTION, L.L.C.**

Pursuant to Rules 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the “Commission”), 18 C.F.R. §§ 385.212 and 385.213, PJM Interconnection, L.L.C. (“PJM”) submits this Motion for Leave to Answer<sup>1</sup> and Answer (“Answer”) in response to requests for rehearing, filed on May 21, 2025, by Sierra Club and the Joint Consumer Advocates (“JCA”) (together, “Rehearing Requests”).<sup>2</sup> Sierra Club and JCA seek rehearing of the Commission’s April 21, 2025 order (“April 21 Order”)<sup>3</sup> (1) accepting, as just and reasonable and not unduly discriminatory or preferential,

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<sup>1</sup> PJM respectfully moves for leave to respond to the request for rehearing filed in this proceeding to aid the Commission’s decision-making process. The Commission regularly permits answers for good cause shown, and the Commission has held that answers are permitted when they ensure a more accurate and complete record, clarify the issues, or provide useful and relevant information that will assist the Commission in its deliberative process. *E.g.*, *Columbia Gas Transmission, LLC*, 146 FERC ¶ 61,116, at P 1 n.3 (2014); *N. Nat. Gas Co.*, 137 FERC ¶ 61,202, at P 10 (2011), *reh’g denied*, 141 FERC ¶ 61,221 (2012), *order on reh’g & compliance*, 144 FERC ¶ 61,194 (2013); *Cal. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,004, at P 13 (2011); *Aquila Merch. Servs., Inc.*, 127 FERC ¶ 61,218, at P 28 (2009); *BP Pipelines (Alaska) Inc.*, 127 FERC ¶ 61,317, at P 18 (2009), *aff’d sub nom. Flint Hills Res. Alaska, LLC v. FERC*, 627 F.3d 881 (D.C. Cir. 2010).

<sup>2</sup> *PJM Interconnection, L.L.C.*, Sierra Club Request for Rehearing, Docket Nos. ER25-1357-001 & EL25-46-001 (May 21, 2025) (“Sierra Club Rehearing Request”); *PJM Interconnection, L.L.C.*, Petition for Rehearing of Joint Consumer Advocates, Docket Nos. ER25-1357-001 & EL25-46-001 (May 21, 2025) (“JCA Rehearing Request”).

<sup>3</sup> *PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,066 (2025) (“April 21 Order”).

PJM’s proposal, pursuant to section 205 of the Federal Power Act,<sup>4</sup> to revise its Open Access Transmission Tariff (“Tariff”) to establish a temporary price floor and cap of approximately \$175/megawatt (“MW”)-day Unforced Capacity and \$325/MW-day Unforced Capacity (i.e., \$138.25/MW-day Installed Capacity and \$256.75/MW-day Installed Capacity) respectively, for PJM Reliability Pricing Model (“RPM”) Auctions—together, a “price collar”—for capacity auctions in the 2026/2027 and 2027/2028 Delivery Years; and (2) dismissing The Commonwealth of Pennsylvania’s (“Pennsylvania”) complaint in Docket No. EL25-46-000 (“Complaint”).<sup>5</sup>

Specifically, Sierra Club and JCA seek rehearing of the Commission’s acceptance of the proposed Tariff revisions implementing a temporary price floor, while embracing the temporary price cap. Furthermore, although Complainant, Pennsylvania, and PJM, Respondent, filed a joint motion to dismiss the Complaint and stipulation of satisfaction (“Joint Motion and Stipulation”),<sup>6</sup> which the April 21 Order grants, Sierra Club and JCA, as Intervenors to the Complaint proceeding, urge the Commission to reconsider dismissal of the Complaint.

The April 21 Order is based on reasoned decision-making, rooted in the specific facts and circumstances in the record, and consistent with governing Commission and judicial precedent.<sup>7</sup> PJM provides this Answer to assist the Commission in its decision-

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<sup>4</sup> 16 U.S.C. § 824d.

<sup>5</sup> *Commonwealth of Pennsylvania v. PJM Interconnection, L.L.C.*, Complaint of Governor Josh Shapiro and The Commonwealth of Pennsylvania, Docket No. EL25-46-000 (Dec. 30, 2024).

<sup>6</sup> *Commonwealth of Pennsylvania v. PJM Interconnection*, Stipulation of Satisfaction and Joint Motion to Dismiss Complaint of PJM Interconnection, L.L.C., Governor Josh Shapiro, and The Commonwealth of Pennsylvania, Docket No. EL25-46-000 (Feb. 14, 2025).

<sup>7</sup> April 21 Order, 191 FERC ¶ 61,066 at PP 51-65.

making and to highlight several reasons why the Rehearing Requests should be rejected.

In doing so, PJM limits this Answer to four discrete points:

- (1) The Commission’s finding that the temporary price floor is just and reasonable and not unduly discriminatory or preferential is based on careful consideration of the facts and circumstances in the record, weighing “the benefits of PJM’s proposed temporary price floor” against “the potential risk of over-procurement;”<sup>8</sup>
- (2) The temporary price floor accepted in the April 21 Order is consistent with the PJM capacity market’s reliability objectives;
- (3) The April 21 Order is supported by directly analogous Commission precedent wherein the Commission found that application of a price floor, as part of a temporary price collar in ISO New England Inc.’s (“ISO-NE”) capacity market, and a subsequent, limited extension of the price floor (together the “ISO-NE Collar Orders”)<sup>9</sup> were just and reasonable and not unduly discriminatory or preferential; and
- (4) The April 21 Order, having found the price collar, including the price floor, just and reasonable, correctly dismisses the Complaint with prejudice in accordance with the Joint Motion and Stipulation.

Arguments set forth in the Rehearing Requests, condemning the price floor and seeking to reanimate the Complaint, are unavailing. The price floor is an essential part of a temporary price collar that will provide much-needed stability to the capacity market for the 2026/2027 and 2027/2028 Delivery Years by improving cost certainty for load and revenue certainty for capacity resource owners. The price collar is a temporary tool for a transitional period, as PJM and its stakeholders engage in a more extensive, holistic review of the RPM in advance of the next, upcoming quadrennial review. For the following reasons, the Commission should deny the Rehearing Requests.

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<sup>8</sup> April 21 Order, 191 FERC ¶ 61,066 at P 60.

<sup>9</sup> *Devon Power LLC*, 115 FERC ¶ 61,340 (2006), *order on reh’g & clarification*, 117 FERC ¶ 61,133, at P 112 (2006) (“*Devon Power Rehearing*”); *ISO New England Inc.*, 126 FERC ¶ 61,115, at P 47 n.28 (2009); *ISO New England Inc.*, 131 FERC ¶ 61,065, *order granting in part & denying in part requests for clarification & reh’g*, 132 FERC ¶ 61,122 (2010), *order on paper hearing & order on reh’g*, 135 FERC ¶ 61,029 (2011), *order on reh’g & clarification & compliance*, 138 FERC ¶ 61,027 (2012), *aff’d sub nom. New England Power Generators Ass’n v. FERC*, 757 F.3d 283 (D.C. Cir. 2014) (“*NEPGA v. FERC*”).

## **I. ANSWER**

### **A. *The Commission’s Finding in Favor of the Temporary Price Floor Is Well-Reasoned and Supported by the Facts and Circumstances in the Record***

The April 21 Order correctly finds that, “[g]iven the facts and circumstances presented in this record” with respect to current and forecasted market conditions, “the benefits of PJM’s proposed temporary price floor outweigh the potential risk of over-procurement, and therefore . . . PJM’s proposal for a temporary collar is just and reasonable.”<sup>10</sup>

The Rehearing Requests, however, compare the temporary price floor against historical auction prices that pre-date the current market conditions. Based on historical data that overlooks the most recent, current data on current and forecasted market conditions, Sierra Club and JCA argue that the temporary price floor will lead to significant overpayments or wildly excessive payments by consumers. The April 21 Order, by comparison, is a reasoned determination based on current data, as represented by the most recent 2025/2026 Base Residual Auction. Neither Sierra Club nor JCA can reasonably contest that current market conditions reflect tightening of supply and demand.<sup>11</sup>

Under current market conditions, where supply is decreasing as demand increases significantly relative to historical conditions when supply well exceeded demand, capacity market prices rise. The Rehearing Requests obscure the specific facts and circumstances that brought about the above-captioned dockets in the first instance. Namely, the most recent Base Residual Auction for the 2025/2026 Delivery Year cleared 135,684 MW of

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<sup>10</sup> April 21 Order, 191 FERC ¶ 61,066 at P 60.

<sup>11</sup> See, e.g., Sierra Club Rehearing Request at 7-9; JCA Rehearing Request at 10-11.

Unforced Capacity at a weighted average price of \$297/MW-day.<sup>12</sup> The total cost of the 2025/2026 Base Residual Auction was \$14.7 billion.<sup>13</sup>

Sierra Club, relying instead on capacity market results for the 2024/2025 Delivery Year, argues that “the price floor will require PJM customers to pay billions more for capacity than they would without the floor.”<sup>14</sup> According to Sierra Club, “if the 2026/2027 auction clears at the reliability requirement with the floor, customers will pay \$8.8B for that capacity—more than four times what they paid for 105.8% of the reliability requirement *for 2024/2025*.”<sup>15</sup> By relying on results from two auctions ago, Sierra Club draws a misleading comparison that fails to account for the tightening of supply and demand in the PJM Region today. Similarly, JCA portrays the proposed floor price as “not only unjustified but also wildly excessive” by asserting that “[b]efore the 2025/2026 [Base Residual Auction], the highest [Base Residual Auction] clearing price for the rest of [Regional Transmission Organization] was \$174.29/MW-day in the auction *for the 2010/2011 Delivery Year*.”<sup>16</sup> JCA likewise disregards the most recent capacity market results reflecting current market conditions—mainly stemming from large new data center load additions, which were nonexistent during the 2010/2011 Delivery Year.

As the April 21 Order reasons, even with an average \$297/MW-day clearing price in the 2025/2026 Base Residual Auction, “only 20.7 MW of capacity across the entire PJM

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<sup>12</sup> April 21 Order, 191 FERC ¶ 61,066 at P 14; *see PJM Interconnection, L.L.C.*, Proposal for Revised Price Cap and Price Floor for the 2026/2027 and 2027/2028 Delivery Years, and Request for a Waiver of the 60-Days’ Notice Requirement to Allow for a March 31, 2025 Effective Date, Docket No. ER25-1357-000, Transmittal at 26-27 (Feb. 20, 2025) (“PJM Proposal”).

<sup>13</sup> *Id.*

<sup>14</sup> Sierra Club Rehearing Request at 1.

<sup>15</sup> *Id.* at 1-2 (emphasis added).

<sup>16</sup> JCA Rehearing Request at 13 (emphasis added).

footprint offered into and did not clear the [Base Residual Auction] for the 2025/2026 delivery year”<sup>17</sup> and “two [Locational Deliverability Areas] cleared short of their respective reliability requirements in the [Base Residual Auction] for the 2025/2026 delivery year[.]”<sup>18</sup> Furthermore, the April 21 Order notes that “PJM forecasts 4 GW of load growth for the 2026/2027 delivery year and 10 GW of load growth for the 2027/2028 delivery year.”<sup>19</sup> Put simply, data, studies, and analyses show that PJM needs all the available capacity it can get.<sup>20</sup> In fact, without the price collar, the 2026/2027 Base Residual Auction could clear at or around \$500/MW-day.<sup>21</sup> In other words, as PJM has observed, it would be “highly improbable and unrealistic”<sup>22</sup> to expect that, in the absence of the price floor, the capacity market would clear at or below the \$175/MW-day price floor.

This does not mean, however, that the price floor has no value. Rather, investors need to make decisions now to either accelerate or slow down investment in new resources and to time the deactivation of existing units.<sup>23</sup> Thus, while the price floor will likely not bind in these next two auctions, the floor provides an important data point for investors, even though temporary, that will influence these forward decisions being made to either accelerate or slow construction of new units or deactivation of existing units. Given all the uncertainties that the investment community faces in these changing times, the price floor provides a useful data point that can help influence these longer-range decisions. On the

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<sup>17</sup> April 21 Order, 191 FERC ¶ 61,066 at P 60.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> *See id.* P 14.

<sup>21</sup> *Id.* P 12.

<sup>22</sup> PJM Proposal, Affidavit of Mr. Frederick S. Bresler III (Attachment C) ¶ 16.

<sup>23</sup> *See* April 21 Order, 191 FERC ¶ 61,066 at P 55.

flip side, the fact that the floor price is not expected to bind in the next two auctions further underscores the improbability that customers could be harmed by the Commission's acceptance of the price floor.

JCA distorts the Commission's well-considered position, alleging that the April 21 Order "says, in essence, don't worry—excess supply is unlikely to materialize."<sup>24</sup> A forward capacity market that aims to ensure sufficient power supply to meet future peak demand (plus reasonable reserves) necessarily requires weighing the likelihood of supply and demand scenarios and a clear-eyed view of the risks to ensure that the PJM Region is prepared to meet future resource adequacy needs. The Commission, having assessed the risk of excess supply, concluded that the temporary benefits of a price floor outweigh potential risk of over-procurement.<sup>25</sup> The April 21 Order, which finds the range of potential clearing prices—from approximately \$175/MW-day Unforced Capacity to \$325/MW-day Unforced Capacity (i.e., \$138.25/MW-day Installed Capacity to \$256.75/MW-day Installed Capacity)—reasonable, after considering and ultimately rejecting both arguments that the price cap is too low and arguments that the cap is too high, is well-reasoned and based on the facts and circumstances in the record.<sup>26</sup> Adopting the positions set forth in the Rehearing Requests would require that the Commission ignore the most fundamental facts about the most recent and relevant capacity market outcomes.

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<sup>24</sup> JCA Rehearing Request at 16 (citing April 21 Order, 191 FERC ¶ 61,066 at P 60).

<sup>25</sup> April 21 Order, 191 FERC ¶ 61,066 at P 60.

<sup>26</sup> *Id.* PP 55, 57-58, 60.

**B. *The Temporary Price Floor Is Consistent with the RPM's Reliability Objectives***

As the April 21 Order recognizes, “PJM’s capacity auctions are designed to signal that new capacity investment is needed or that retirements should be delayed at times when the system is short of capacity or is approaching a shortage.”<sup>27</sup> According to the Commission, “the purpose of the [Variable Resource Requirement] curve was to reduce volatility, thus benefitting customers by reducing the risk and the cost of investing in new capacity.”<sup>28</sup> As the Commission further noted, “[i]t was ‘implicit’ in the use of the [Variable Resource Requirement] curve that PJM would sometimes procure capacity in excess of its Reliability Requirement, if capacity could be obtained at sufficiently low prices, and would sometimes procure less capacity than necessary to meet the Reliability Requirement if the capacity price was high.”<sup>29</sup>

Sierra Club’s contention, in the alternative, that a temporary price floor is unnecessary because “consumers do not need to be ‘protect[ed]’ from lower prices”<sup>30</sup> misconstrues the broader purpose of the price signals sent by the RPM, which is intended to meet reliability requirements in a least-cost manner,<sup>31</sup> not to simply provide the lowest possible price for capacity.

By coupling the price cap with the price floor, developers of new resources and owners of existing resources will have more confidence that the market outcome of the

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<sup>27</sup> April 21 Order, 191 FERC ¶ 61,066 at P 54.

<sup>28</sup> *PJM Interconnection*, 132 FERC 61,222 at P 11.

<sup>29</sup> *Id.*

<sup>30</sup> Sierra Club Rehearing Request at 9 (citing April 21 Order, 191 FERC ¶ 61,066 at P 55).

<sup>31</sup> See, e.g. *Calpine Corp. v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,035, at P 230 (2020) (set aside, in part, on other grounds) (“The objective of the capacity market is to select the least cost resources to meet resource adequacy goals. It is thus necessary to ensure that resources offer competitively so that all market participants receive clear price signals, and, if an offer does not clear, it is not economic.”).



RPM Auctions for the 2026/2027 and 2027/2028 Delivery Years will not be lopsided and provides certainty for resource owners that the clearing price will not be less than the price floor. Practically speaking, the temporary price floor provides revenue certainty to help retain existing Capacity Resources and stem the premature retirement of needed resources to maintain resource adequacy within the PJM Region. That is, Capacity Market Sellers of Existing Generation Capacity Resources that otherwise might have sought to leave the capacity market and deactivate may decide to continue participating in the RPM Auctions given the known floor price in advance of the auction. Indeed, there is mounting evidence that after the Commission accepted PJM’s proposal to temporarily establish a price collar for the 2026/2027 and 2027/2028 Delivery Years, Capacity Market Sellers of Existing Generation Capacity Resources that had previously deactivated are now intending to bring the resources back into service and offer such resources in the upcoming Base Residual Auction. For example, in just the last few months, resource owners for the Warrior Run, Morgantown, and Sayreville generating facilities sought waivers, which the Commission granted,<sup>32</sup> to retain capacity interconnection rights so that those resources can reactivate and once again be offered as capacity into the upcoming Reliability Pricing Model Auctions, citing “changed market dynamics.”<sup>33</sup>

Thus, the temporary price floor, as one part of a price collar, contributes to PJM’s efforts to meet its reliability objectives in light of the extreme tightening of supply and demand while not harming consumers during the period it will be in effect. A price cap, without a balanced price floor, as the Commission noted, “would inappropriately signal

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<sup>32</sup> *AES WR Ltd. P’ship*, 191 FERC ¶ 61,175 (2025); *Morgantown Power, LLC*, 191 FERC ¶ 61,179 (2025); *Sayreville Power, LLC*, 191 FERC ¶ 61,178 (2025).

<sup>33</sup> *Morgantown Power, LLC*, Request for Limited Waiver and Request for Shortened Comment Period, Docket No. ER25-2190-000, at 3 (May 7, 2025).

that the PJM Region does not need more capacity after a certain point, dampening maximum participation in the auctions.”<sup>34</sup> Imposing a price cap without a price floor would be “contrary to the fact that current tight supply and demand conditions warrant incenting every available MW of [Unforced Capacity] to offer to provide capacity in the auctions for the next two delivery years.”<sup>35</sup>

**C. *The April 21 Order’s Finding that the Temporary Price Floor on the RPM Is Just and Reasonable and Not Unduly Discriminatory or Preferential Is Consistent with Commission Precedent***

At bottom, Commission precedent supports the April 21 Order. Specifically, in a line of cases that is directly on point, the Commission previously determined that it was just and reasonable to apply a targeted, time-limited price collar mechanism—including a price floor—to ISO-NE’s capacity market, the Forward Capacity Market (“FCM”). Thus, contrary to Sierra Club and JCA’s contentions that the Commission’s acceptance of the price floor in PJM’s capacity market is “contrary to Commission precedent”<sup>36</sup> and represents a departure, “without explanation”<sup>37</sup> from Commission precedent, the April 21 Order aligns with directly analogous cases.

In the ISO-NE Collar Orders, the Commission accepted, as just and reasonable, tariff revisions imposing a price collar on the first three FCM Auctions,<sup>38</sup> and subsequently

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<sup>34</sup> April 21 Order, 191 FERC ¶ 61,066 at P 14; *see* PJM Proposal, Transmittal at 26-27.

<sup>35</sup> *Id.*

<sup>36</sup> JCA Rehearing Request at 8.

<sup>37</sup> Sierra Club Rehearing Request at 14.

<sup>38</sup> *Devon Power*, 115 FERC ¶ 61,340 at P 19; *Devon Power Rehearing*, 117 FERC ¶ 61,133 at PP 103 n.119, 112 (accepting Tariff provision establishing “collar mechanism” of price floor and ceiling until there have been three successful capacity auctions).

approved a one-time, limited extension of the price floor through the sixth FCM Auction.<sup>39</sup> On appeal, the United States Court of Appeals for the District of Columbia Circuit (“D.C. Circuit”),<sup>40</sup> upheld the Commission’s acceptance of the limited extension of the price floor, as set forth in the ISO-NE Collar Orders, and found the Commission’s acceptance “not arbitrary or capricious, but instead a proper exercise of its role in balancing competing interests.”<sup>41</sup>

First, in 2006, the Commission found ISO-NE’s price collar, consisting of a price cap and price floor on the ISO-NE capacity market, to be a just and reasonable, limited tool to address specific concerns.<sup>42</sup> The Commission accepted the price floor over objections that “the price floor established via the collar mechanism,” when combined with an excessive Cost of New Entry, “will result in load paying excessive capacity charges even in a surplus situation.”<sup>43</sup> On rehearing, the Commission upheld the underlying order over these objections, reasoning:

The collar mechanism will apply in a limited number of [auctions] and will only apply to existing resources. The collar mechanism represents a tool designed to ensure that capacity resources materialize in the first FCAs, thereby minimizing the risk of auction failure and ensuring the long-term viability of the FCM. In this regard, it is a component of a just and reasonable package of reforms.<sup>44</sup>

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<sup>39</sup> *ISO New England*, 131 FERC ¶ 61,065 at PP 88, 97; *ISO New England*, 138 FERC ¶ 61,027 at P 56 (following completion of first three capacity auctions in ISO-NE capacity market with collar mechanism, approving extension of floor price on a limited basis).

<sup>40</sup> *NEPGA v. FERC*, 757 F.3d at 289.

<sup>41</sup> *Id.* at 293.

<sup>42</sup> *Devon Power*, 115 FERC ¶ 61,340; *Devon Power Rehearing*, 117 FERC ¶ 61,133.

<sup>43</sup> *Devon Power*, 115 FERC ¶ 61,340 at P 126.

<sup>44</sup> *Devon Power Rehearing*, 117 FERC ¶ 61,133 at P 112.

Second, in orders responding to both a filing seeking, *inter alia*, to extend the price floor of the ISO-NE collar mechanism to additional ISO-NE capacity auctions and filings by complainants with alternative proposals, the Commission approved the request for a limited extension, reasoning that “the Commission generally does not approve of price floors, but recognizes that as a transitional mechanism to offset the flaws in the existing [Alternative Price Rule], an extension of the price floor in this case may be appropriate.”<sup>45</sup> The Commission rejected alternative proposals submitted on complaint, explaining that the underlying price floor, as a component of the collar mechanism, had previously been found to be just and reasonable.<sup>46</sup> On rehearing, the Commission upheld its decision:

The Commission, while expressing a general disapproval of price floors, approved the price floor here as a compromise, interim measure, noting that “in the Commission’s final order accepting an appropriate [Alternative Price Rule] mechanism, we will terminate the price floor coincident with the implementation of that new mechanism.”<sup>47</sup>

Thus, the Commission extended the price floor through ISO-NE’s sixth FCM Auction, finding that the extension was appropriate as part of a compromise and a transitional measure pending further tariff revisions.

Third, on appeal, the D.C. Circuit upheld the extension of the price-floor through ISO-NE’s sixth FCM Auction, concluding that the Commission’s “determination was not arbitrary or capricious, but instead a proper exercise of its role in balancing competing interests.”<sup>48</sup> The D.C. Circuit reasoned that the Commission had “evaluated the relative

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<sup>45</sup> *ISO New England*, 131 FERC ¶ 61,065 at P 19; *see id.* P 97.

<sup>46</sup> *Id.* P 96 (“The price floor issue arises here because, under the current [ISO-NE tariff, capacity auction] # 4 is scheduled to be the first auction conducted without a price collar.” (citation omitted)).

<sup>47</sup> *ISO New England*, 138 FERC ¶ 61,027 at PP 55-56 (citing *ISO New England*, 131 FERC ¶ 61,065 at P 97).

<sup>48</sup> *NEPGA v. FERC*, 757 F.3d at 293.

importance of several parameters” before “reasonably determin[ing]” that the price floor was warranted.<sup>49</sup> “Such a juggling act,” the D.C. Circuit concluded, “would not benefit from our rearranging.”<sup>50</sup> Indeed, the D.C. Circuit expressly held that “[the Commission] has jurisdiction to regulate the parameters comprising [ISO-NE’s FCM], and that applying offer-floor mitigation fits within the Commission’s statutory rate-making power.”<sup>51</sup>

*1. The ISO-NE Collar Orders and Subsequent D.C. Circuit Opinion Upholding the Commission’s Findings Support the Commission’s Findings in the April 21 Order*

The April 21 Order is bolstered by the ISO-NE Collar Orders and subsequent D.C. Circuit opinion upholding the Commission’s approval of the ISO-NE price floor on appeal. First, the ISO-NE Collar Orders and April 21 Order were decided under similar circumstances. At the time the Commission adopted ISO-NE’s proposed price collar, ISO-NE’s nascent capacity market was facing unprecedented challenges, including “risk of auction failure.”<sup>52</sup> In adopting the ISO-NE collar mechanism and subsequently extending the price floor, the Commission reasoned that the mechanism was a tool designed specifically for that particular circumstance.<sup>53</sup> Likewise, the April 21 Order reasons, “a confluence of events”<sup>54</sup> in PJM’s capacity market, representing “current market conditions [that] fall outside the conditions studied in the 2022 Quadrennial Review” ultimately “support[s] the need for a balanced price cap and price floor.”<sup>55</sup>

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<sup>49</sup> *NEPGA v. FERC*, 757 F.3d at 293.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 291.

<sup>52</sup> *Devon Power LLC*, Explanatory Statement of the Settling Parties in Support of Settlement Agreement and Request for Expedited Consideration, Docket Nos. ER03-563-000, -030, -055, Transmittal at 10 (Mar. 6, 2006).

<sup>53</sup> *Devon Power Rehearing*, 117 FERC ¶ 61,133 at P 112; *ISO New England*, 138 FERC ¶ 61,027 at P 57.

<sup>54</sup> April 21 Order, 191 FERC ¶ 61,066 at P 52.

<sup>55</sup> *Id.*

Second, contrary to the Rehearing Requests' claims that the Commission "rubberstamped" the proposed price floor, which "counterbalance a necessary and reasonable change benefitting consumers with an equal and opposite (but not necessary or reasonable) change benefitting suppliers,"<sup>56</sup> the Commission's support for the proposed price floor, as one part of a price collar, is analogous to the Commission orders accepting the ISO-NE collar mechanism, which recognize the mechanism as "a component of a just and reasonable package of reforms,"<sup>57</sup> and address the floor and ceiling of the price collar in tandem.<sup>58</sup> Similarly, the April 21 Order notes that the price cap and price floor "will operate together to narrow the range of potential capacity price outcomes, which will reduce the price volatility under the existing [Variable Resource Requirement] Curve."<sup>59</sup>

Third, the Rehearing Requests imply that, because the Commission's "primary' statutory obligation" is to protect consumers from excess rates and charges, the Commission's imposition of a price floor amounts to no less than a "derogat[ion]" of duty.<sup>60</sup> But, as the D.C. Circuit reasoned, in upholding the Commission's orders supporting extension of the price floor of ISO-NE's collar mechanism, evaluating the relative importance of several parameters and interests before making a reasoned determination that the price floor was warranted was a "juggling act" that falls squarely within the Commission's statutory authority.<sup>61</sup> Likewise, with respect to the "demand curves proposed by parties representing load, the transition payments may have appeared

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<sup>56</sup> JCA Rehearing Request at 11; *see* Sierra Club Rehearing Request at 18-20.

<sup>57</sup> *Devon Power Rehearing*, 117 FERC ¶ 61,133 at P 112.

<sup>58</sup> *Id.* PP 108-12.

<sup>59</sup> April 21 Order, 191 FERC ¶ 61,066 at P 51.

<sup>60</sup> Sierra Club Rehearing Request at 14.

<sup>61</sup> *NEPGA v. FERC*, 757 F.3d at 293.

excessive[,]” the Commission reasoned in adopting the ISO-NE collar mechanism, but on the other hand “relying only on demand curves proposed by suppliers would imply that the transition payments were inadequate.”<sup>62</sup> Thus, the Commission “conclude[d] that relying on proposed demand curves from a single sector would have been unreasonable.”<sup>63</sup>

In upholding the Commission’s acceptance of the short-term extension of the price floor of ISO-NE’s collar mechanism as “not arbitrary or capricious, but instead a proper exercise of its role in balancing competing interests[,]”<sup>64</sup> the D.C. Circuit noted that with respect to the price floor, the Commission had “evaluated the relative importance of several parameters” before “reasonably determin[ing]” that the price floor was warranted.<sup>65</sup> The April 21 Order’s adoption of a price floor as part of a balanced approach to implementing a temporary price collar largely mirrors the reasoning set forth in the ISO-NE Collar Orders and subsequent D.C. Circuit opinion. The April 21 Order emphasizes the importance of a balanced proposal that is reasonable as a package, despite critiques from some entities representing customers that prices will settle too high and critiques from some supplier representatives that price will settle too low.<sup>66</sup> Indeed, as the April 21 Order points out, those that argue the price cap is too low “appear to overlook or discount the material support for resources provided by the proposed floor.”<sup>67</sup> Like the orders adopting the ISO-NE collar mechanism, which noted, with approval, support from both suppliers and

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<sup>62</sup> *Devon Power Rehearing*, 117 FERC ¶ 61,133 at P 41.

<sup>63</sup> *Id.*

<sup>64</sup> *NEPGA v. FERC*, 757 F.3d at 293.

<sup>65</sup> *Id.*

<sup>66</sup> April 21 Order, 191 FERC ¶ 61,066 at PP 57-58.

<sup>67</sup> *Id.* P 57.

consumers for the proposal,<sup>68</sup> the Commission here recognized that PJM’s proposal “represents a balanced approach that reasonably addresses the aforementioned concerns by improving short-term cost certainty for load and revenue certainty for capacity resource owners.”<sup>69</sup>

Fourth, an essential aspect of both the Commission’s findings in the ISO-NE Collar Orders and the April 21 Order is the limited applicability of the proposed price floor. Just as the ISO-NE Collar Orders emphasized the temporary, time-limited applicability of the price collar imposed on the ISO-NE’s capacity market,<sup>70</sup> the April 21 Order recognizes that the price collar, including the price floor, on PJM’s capacity market is a temporary, stop-gap measure applicable only to the RPM Auctions for two Delivery Years, while PJM and its stakeholders undergo an in-depth, more holistic review through the ongoing Quadrennial Review.<sup>71</sup> Thus, similar to the Commission’s reasoning in the ISO-NE Collar Orders, the interim, time-limited nature of the proposal militates in favor of approving the price collar in spite of the Commission’s general disfavor of price floors.

Fifth, as in the ISO-NE Collar Orders,<sup>72</sup> the April 21 Order considers, but ultimately dismisses, concerns from objecting parties that the price floor will ultimately lead to excessive pricing. Similar to the ISO-NE Collar Orders, the Commission considered the possibility of excessive pricing but found, on balance, that the limited nature of the price

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<sup>68</sup> See *Devon Power*, 115 FERC ¶ 61,340 at PP 128-29.

<sup>69</sup> April 21 Order, 191 FERC ¶ 61,066 at P 53.

<sup>70</sup> *Devon Power* 115 FERC ¶ 61,340 at P 19; *Devon Power Rehearing*, 117 FERC ¶ 61,133 at P 39; *ISO New England*, 131 FERC ¶ 61,065 at P 97; *ISO New England*, 138 FERC ¶ 61,027 at P 56.

<sup>71</sup> April 21 Order, 191 FERC ¶ 61,066 at P 51; see *id.* P 53 (The price collar accepted in the April 21 Order, including the price floor, will only be “effective for two delivery years (2026/2027 and 2027/2028) while PJM finalizes a long-term proposal through the Quadrennial Review process and implements revisions to its interconnection queue process.” (citation omitted)).

<sup>72</sup> *Devon Power*, 115 FERC ¶ 61,340 at P 126.



floor and overall price collar led the Commission to “find that the benefits of PJM’s proposed temporary price floor outweigh the potential risk of over-procurement, and therefore find PJM’s proposal for a temporary collar is just and reasonable.”<sup>73</sup>

2. *Sierra Club’s Positions Are Based on an Overly Narrow and Logically Defective Reading of Commission Precedent*

Sierra Club asserts that the market dynamics PJM has identified “are the opposite of those that would support the imposition of a price floor[,]”<sup>74</sup> which are only warranted to deter buyer-side mitigation.<sup>75</sup> This argument is centered on an overly narrow reading of Commission precedent and, indeed, misconstrues and/or obscures one of the central holdings of the ISO-NE Collar Orders as it pertains to price floors.

According to Sierra Club, the April 21 Order erred in upholding the proposed price floor in PJM’s capacity market, because, as one ISO-NE order upholding the price floor on the FCM, explains “[t]he purpose of buyer-side mitigation’ such as price floors ‘is to prevent uneconomic entry,’ that is, to ‘deter the exercise of buyer-side market power and the resulting suppression of capacity market prices.’”<sup>76</sup> It follows, according to Sierra Club, that the purpose of price floors is to support buyer-side mitigation “where short-term conditions do not reflect long-term market fundamentals due to an influx of out-of-market resources.”<sup>77</sup> Sierra Club relies on a false converse—namely, just because price floors may be one example of buyer-side mitigation, it does not follow that price floors are only useful for the purpose of addressing buyer-side mitigation. Indeed, this narrow and logically

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<sup>73</sup> April 21 Order, 191 FERC ¶ 61,066 at P 60.

<sup>74</sup> Sierra Club Rehearing Request at 7.

<sup>75</sup> *Id.* (citing *ISO New England*, 135 FERC ¶ 61,029 at PP 18-43).

<sup>76</sup> *Id.*

<sup>77</sup> Sierra Club Rehearing Request at 7.

flawed argument effectively removes the one ISO-NE order on which Sierra Club relies from the overall context of the ISO-NE Collar Orders upholding the price floor as one side of a price collar, not merely because doing so would address buyer-side mitigation issues, but because the price floor is part of a balanced compromise arrived at only after the Commission has considered the issue, weighing the factors and risks and evaluating the issue from multiple angles before coming to a reasoned decision. Similarly, the April 21 Order engages in a balancing of factors and risks and evaluates the issue from multiple perspectives before coming to a reasoned decision. As noted above, the Commission acknowledges “the potential risk of over-procurement” but, in light of “the facts and circumstances presented in this record, [the Commission] find[s] that the benefits of PJM’s proposed temporary price floor outweigh” that potential risk.<sup>78</sup>

3. *JCA’s Position Is Undermined by the Holdings of the ISO-NE Collar Orders and the D.C. Circuit Opinion Upholding Those Orders*

JCA’s Rehearing Request relies heavily on dicta in the ISO-NE orders upholding the price floor of ISO-NE’s collar mechanism<sup>79</sup> to support the proposition that “[t]he Commission’s acceptance of PJM’s price floor proposal was unsupported, unreasoned, and contrary to Commission precedent” and “departs from precedent without acknowledgement, much less a reasoned explanation.”<sup>80</sup> Namely, JCA relies on these ISO-NE orders for the proposition that the Commission has generally disapproved of price floors and eschews artificial price supports.<sup>81</sup> JCA fails to confront the Commission’s

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<sup>78</sup> April 21 Order, 191 FERC ¶ 61,066 at P 60.

<sup>79</sup> JCA Rehearing Request at 2, 8-9, 18.

<sup>80</sup> *Id.* at 8-9 (citing *ISO New England*, 131 FERC ¶ 61,065 at P 19; *ISO New England*, 138 FERC ¶ 61,027 at PP 19, 57); *see id.* at 9 (“The April 21 Order departs from th[e] precedent without reasoned explanation.”).

<sup>81</sup> JCA Rehearing Request at 8-9.

central holding as it pertains to ISO-NE's price-floor—i.e., that, *despite the Commission's acknowledgement that it typically disfavors price floors*, the Commission *accepted* and even *extended* the proposed price floor to the FCM proposed in the ISO-NE Collar Orders. Indeed, far from departing from precedent and a lack of a reasoned explanation, the ISO-NE Collar Orders bolster the Commission's April 21 Order.

**D.     *The April 21 Order Correctly Dismissed the Complaint with Prejudice in Accordance with the Joint Motion and Stipulation***

The April 21 Order, having accepted PJM's price collar filing, correctly dismisses the Complaint with prejudice in accordance with the Joint Motion and Stipulation<sup>82</sup> wherein both named parties to the Complaint, pursuant to Rule 206(j) of the Commission's Rules of Practice and Procedure,<sup>83</sup> requested dismissal of the Complaint with prejudice "upon Commission acceptance of PJM's proposed Collar 205 Filing."<sup>84</sup> Not only is the Commission's decision to dismiss the Complaint with prejudice in accordance with the wishes of the Complainant and Respondent, but dismissal, with prejudice, supports efforts to address uncertainty and maintain confidence in PJM's capacity market during a transitional period. In addition, dismissing the Complaint is in line with Commission precedent, which values judicial economy and order. Sierra Club and JCA, both Intervenor to the Complaint proceeding, now request that the Commission grant the Complaint over the Joint Motion and Stipulation.<sup>85</sup> But granting such relief would effectively undermine efforts to stabilize PJM's capacity market, is not supported by Commission precedent, and is neither in the interest of judicial economy nor order. For

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<sup>82</sup> April 21 Order, 191 FERC ¶ 61,066 at P 65.

<sup>83</sup> 18 C.F.R. § 385.206(j).

<sup>84</sup> Joint Motion and Stipulation at 3.

<sup>85</sup> JCA Rehearing Request at 21; Sierra Club Rehearing Request at 24.

these reasons, Sierra Club and JCA’s request undermines the interest of consumers and suppliers alike.

As JCA acknowledges, two components of the price collar filing made pursuant to section 205 of the Federal Power Act—i.e., the price floor and the price ceiling—are proposed as a single package; therefore, “[r]ejecting the section 205 filing (without granting the complaint) would leave customers exposed to excessive prices under the current price cap[.]”<sup>86</sup> Continuing to proceed with the Complaint necessarily creates uncertainty and would be contrary to efforts to maintain stability and confidence in PJM’s capacity market as the market is in the midst of a significant transition.

The Commission regularly dismisses complaints upon a joint motion from a complainant and respondent to dismiss and satisfaction of stipulation.<sup>87</sup> Where the named, captioned parties to a complaint have requested such relief, and sufficient evidence demonstrates satisfaction, dismissal may be granted over the objections of intervenors.<sup>88</sup> Indeed, as the Commission has held, granting a motion to dismiss, with prejudice, upon satisfaction, “is in the public interest because it conserves the resources of the parties and the Commission and provides rate certainty[.]”<sup>89</sup>

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<sup>86</sup> JCA Rehearing Request at 21 (citing *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 114-15 (D.C. Cir. 2017)).

<sup>87</sup> See, e.g., *Welcome Solar, LLC v. PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,146 (2025); *Enerwise Glob. Techs., LLC v. PJM Interconnection, L.L.C.*, 189 FERC ¶ 61,139 (2024); *Cal. Dep’t of Water Res. v. Nev. Power Co.*, 80 FERC ¶ 61,320 (1997).

<sup>88</sup> See, e.g., *Union Oil of Cal. v. Cook Inlet Pipe Line Co.*, 73 FERC ¶ 63,006 (1995).

<sup>89</sup> *ARCO v. Calnev Pipe Line L.L.C.*, 99 FERC ¶ 61,209, at P 8 (2002).

## II. CONCLUSION

For the foregoing reasons, PJM respectfully requests that the Commission accept this Answer and deny the Rehearing Requests and uphold the April 21 Order.

Respectfully submitted,

/s/ Vivian W. Chum

Craig Glazer  
Vice President–Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 423-4743  
craig.glazer@pjm.com

Ryan J. Collins  
Vivian W. Chum  
Wright & Talisman, P.C.  
1200 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 393-1200  
collins@wrightlaw.com  
chum@wrightlaw.com

Chenchao Lu  
Associate General Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, PA 19403  
(610) 666-2255  
chenchao.lu@pjm.com

*On Behalf of  
PJM Interconnection, L.L.C.*

June 13, 2025

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, this 13th day of June 2025.

/s/ Vivian W. Chum

Vivian W. Chum

WRIGHT & TALISMAN, P.C.

1200 G Street, N.W., Suite 600

Washington, DC 20005-3898

*Attorney for*

***PJM Interconnection, L.L.C.***