Comments from
PJM Interconnection, L.L.C.

Prepared in advance of the July 23, 2026, FERC Technical Conference on PJM Governance and the Stakeholder Process, Docket No. AD26-7-000 for Panelists David Mills, Asim Z. Haque and David Anders

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I. Introduction and Summary

PJM Interconnection, L.L.C. respectfully submits these comments in advance of the Commission-led Technical Conference on PJM Governance and Stakeholder Reforms scheduled for July 23, 2026. The Commission has posed a practical question: What concrete reforms would improve PJM's ability to address operational and wholesale electricity market needs in a timely and efficient manner?

For PJM, this is not an abstract question. The PJM region is experiencing rapid load growth, tightening supply-demand conditions, changed resource economics and upward pressure on consumer costs. In this environment, governance and stakeholder processes play a direct role in determining how quickly and effectively PJM can respond to changing system needs.

PJM is committed to meeting this moment, and the Commission is appropriately examining whether aspects of PJM's governance and stakeholder processes should evolve to better enable our ability to do so. The stakeholder process has important strengths. It provides a structured forum in which a broad range of stakeholders can test ideas, raise concerns, evaluate risks and refine proposals before they are submitted to the Commission. This deliberative function is a core feature of the PJM construct, including the principle that all voices in the stakeholder process will be heard in a meaningful forum. It should be preserved in any consideration of reform.

PJM governance and stakeholder processes are not fundamentally broken. In fact, PJM and its stakeholders reach consensus on the majority of issues considered. However, for certain high-impact matters, the current process can produce a robust record without consistently producing a timely path to action. In those instances, the region benefits from both meaningful participation and a clear and effective decision point. This tension is discussed in these comments and will be supported by a statistical breakdown.

Further, while the PJM stakeholder process is highly structured and deliberative, it was not built for speed or operational agility.

PJM serves one of the fastest-growing and dynamic regions in the country. It must therefore be able to not only incorporate diverse stakeholder input, but also act with greater speed, clarity and decisiveness in bringing well-developed proposals before this Commission.

Many ideas will be advanced during this technical conference through testimony and written comments. It is important that the Commission evaluate these proposals in light of whether they will strengthen PJM's ability to efficiently serve 67 million consumers in a region that is central to the nation's economic growth.

PJM appreciates the Commission's willingness to examine these complex and important governance and stakeholder issues. In these comments, PJM seeks to:

- Provide background on PJM governance and statistical analysis on its stakeholder process.
- Discuss the importance of considering the benefits of PJM having unconditioned Federal Power Act (FPA) section 205 rights over its core regional transmission organization functions.
- Express the need for PJM stakeholder process enhancements that will allow for PJM and its stakeholders to advance issues with greater speed/efficiency.
- Express a continued desire to work with states and to provide for greater participation by the states to strengthen PJM's mission and regional alignment.
- Outline potential next steps to make progress on each of these issues.

II. PJM's Mission and the Regional Challenge

PJM's Operating Agreement establishes the Board's governing principles, including the safe and reliable operation of the bulk electric grid in the PJM region; the creation and operation of a robust, competitive and nondiscriminatory electric power market; and the principle that no Member or group of Members should have undue influence over the operation of the PJM region.

These principles matter because they establish the independence that is essential to PJM's role as a regional transmission organization and independent system operator. This independence allows PJM to coordinate a large multistate electric system without favoring any particular utility, generation owner, customer class or state policy preference.

PJM's core mission is the safe and reliable operation of the bulk electric system. Over time, PJM has carried out that mission by:

- Operating the regional transmission grid through changing system conditions
- Administering markets that have cost-effectively reinforced reliable grid operations
- Planning transmission expansion
- Facilitating the orderly entry and exit of resources through market forces
- Reforming interconnection processes
- Identifying emerging reliability risks as demand growth, resource retirements and infrastructure constraints converge

The context in which PJM carries out this mission has changed.

PJM's 2026 Long-Term Load Forecast projects summer peak load growth of 3.6% per year over the next 10 years, with summer peak demand forecast to increase by 65,733 MW by 2036 and by 96,704 MW by 2046. PJM's current planning materials also show a widening supply and demand challenge, with 2025 supply of 181,533 MW, 2025 summer peak demand of 160,526 MW, and projected 2041 summer peak demand of approximately 241,000 MW. This increase is primarily being driven by the proliferation of data centers that support artificial intelligence advancement in the U.S. This month alone has produced multiple days that approach (and even exceed subject to verification) PJM's all-time peak demand day.

From a membership perspective, the region is more complex than it was when many of the existing stakeholder rules were developed. PJM's membership has grown substantially and now includes more than 1,100 Members across five sectors (ISO-NE has the next most with approximately 560). As PJM and its markets have grown, so too has the interest in PJM and specifically the monetization of varied technologies and business models creating heightened advocacy around the organization.

From a state perspective, PJM has also grown increasingly complex. PJM spans 14 jurisdictions, of which seven are restructured (competitive markets based) and seven are vertically integrated. Our states' policy priorities are not homogeneous. They diverge widely, with some states advancing decarbonization efforts and others prioritizing the preservation of base load resources, as just one example. Many of our states have evolved their objectives over time, and "reliability at least cost" may no longer be the sole driver for many of our states.

The growth of the footprint and the varied interests that have accompanied that growth are strengths when viewed from the lens of garnering diverse perspectives and industry knowledge. However, these varied interests can certainly be a challenge when trying to meet the principles articulated above around speed/efficiency in our stakeholder process and meeting this moment of rapid growth.

Despite so much change since PJM was first created in 1927 and the first stakeholder process reform effort in the early 2000s, PJM's value proposition has remained strong. The utilization of scale and markets has resulted in many billions of dollars in savings for consumers along with a secure and reliable power grid. But just as our system, Members, and states are evolving, the Commission is right to ask whether our governance and stakeholder processes should also evolve. We believe they should.

III. The Stakeholder Process Works Well in Many Cases, But Matters of Significance Can Stall

PJM's stakeholder process has long been a strength of the region. It allows for broad participation, technical review and the development of proposals. The process includes, and benefits from, many perspectives: residential ratepayers, consumer advocates, states, utilities, generators, suppliers, developers, large customers and other stakeholders. That openness should be preserved.

PJM also accomplishes much through this process. PJM's review of recent issue votes indicates that from 2023 through the first half of 2026, 66 of 75 issue votes passed, an overall pass rate of approximately 88%. Many of these successful votes involved more straightforward or narrowly focused issues, including expedited processes like Quick Fix and Consensus Based Issue Resolution (CBIR) Lite matters. That record shows that the process can work well for many issues.

Table 1. Recent Senior Standing Committee Votes

Year	Total Issue Votes	Issues Passed	Issues Failed	Percent Passed	Percent Voted by Acclamation	Percent Voted by Sector-Weighted Vote
2023	23	21	2	91.3%	64.8%	35.2%
2024	22	18	4	81.8%	70.6%	29.4%
2025	22	20	2	90.9%	55.1%	44.9%
2026 YTD	8	7	1	87.5%	47.3%	52.7%
Total	**75**	**66**	**9**	**88.0%**		

The difficulty arises with matters of significance; those issues that are complex, financially significant, operationally sensitive or polarizing across sectors. When these issues are presented through more fulsome processes, including CBIR or Critical Issue Fast Path (CIFP), the process may not produce consensus. Instead, and somewhat expectedly, stakeholders become more entrenched, making it difficult to move from competing positions toward a compromise that can command sector-weighted support.

The table below diagrams the issues that have failed over the last few years, all of which are very relevant to PJM's core business functions.

Table 2. Matters of Significance Failed Votes

Year	Month	Issue
Failed Issues (Nothing Passed)		
2023	August	Critical Issue Fast Path – Resource Adequacy (Workshop and Senior Task Force prior to CIFP)
2023	October	Capacity Offer Opportunities for Generation with Co-Located Load
2024	March	Evaluation of Energy Efficiency Resources for 2025/2026 BRA (Solution for 2026/2027 BRA later passed in August 2024)
2024	July	Reserve Certainty – Reserve Requirement Revisions (Reserve Deployment issue brought at the same time passed)
2024	August	Re-evaluation of Financial Parameters Used in CONE for 2027/2028 BRA
2025	August	ELCC Accreditation Methodology
2025	November	Critical Issue Fast Path – Large Load Additions
2026	June	Critical Issue Fast Path – Connect and Manage (Solution for CIFP – RBP voted separately and passed)
Failed Issues (Future Success)		
2024	May	Demand Response Availability Window Quick Fix Solution initially failed in May (Stakeholder Sponsored); issue later passed in August following a CBIR process

The various sectors are broken down as follows, and each has a 1.0 vote at the Members Committee, which is the final clearinghouse for proposals that advance through PJM's committee framework. The table below also includes the total number of voting Members in each sector, and how many of these Members **actually** voted in the CIFP for large load additions last year.

Table 3. Member Voting Participation: CIFP on Large Load Additions

Sector	Voting Block	Total Voting Members	Number That Voted in CIFP LLA[1]
End-Use Customers (Consumer Advocates and Industrials)	1.0	37	19–20
Electric Distributors (Municipals and Co-Ops)	1.0	45	33
Other Suppliers (Financial Traders, Demand Response Providers, "Catch All")	1.0	321	17–18
Transmission Owners	1.0	12	9–10
Generation Owners	1.0	110	32

Based on the requirement that 3.335 out of 5.000 of a sector-weighted vote is the threshold for a proposal to advance through PJM's committee framework, only two sectors need to say "no" to a proposal for it to fail. This occurs mainly in "matters of significance" as shown in the table above. It should also be noted that based on the total number of eligible Voting Members (525) and the total number of votes for or against in the CIFP-LLA (113), that a minority of our Voting Members (in the case of the CIFP LLA just 22%) are actually involved and voting on major issues. Combine this with the fact that many of these votes are conducted by proxy, and just a few individual voices/interests

[1] There were 11 packages up for vote; the ranges noted reflect different number of voters depending on the package.

can control whether an effort moves forward for 67 million consumers. These are not metrics and dynamics that lend themselves to PJM successfully moving with speed/efficiency to meet the moment we collectively find ourselves in.

On matters where sector interests diverge sharply, that structure can produce a stalemate. It is very possible this is due to rooted financial interests that exist not just with asset owners and market participants, but with those whose funding is dependent on continued expressions of advocacy at PJM. The result goes beyond inconvenience. In a period of rapid load growth and tightening reliability needs, such delay can result in degraded reliability, increased costs, a reduction in investment certainty in our markets and, most certainly, a delay in bringing issues to the Commission.

An example of the process's inability to move through a technically complex, yet important issue involves PJM's attempts to reform its reserve markets. The Reserve Certainty Senior Task Force (RCSTF) is a stakeholder effort that was launched in October 2023, and it is targeted for a Members Committee vote in October 2026 – three years later.

The process was initiated for PJM and its stakeholders to evaluate its reliability posture and identify opportunities for improvement given the energy transition and lessons learned from Winter Storm Elliott. "Reserve certainty" is derived from the idea that having an appropriate suite of ancillary service products coupled with the confidence that these resources in reserve will perform when called upon are necessary attributes in reserve markets.

Specifically, PJM has been experiencing poor performance of its reserves at the same time that PJM's reserve needs are increasing with the system. The existing reserve margins primarily address risk associated with large unit loss. While PJM will always need to manage contingency risk, this alone is no longer sufficient given the more dynamic uncertainties associated with the energy transition to more renewable resources. This issue also has broader impacts to consumer costs, as it directly ties into the concept of "uplift" payments and whether some of the costs that should be appropriately reflected in reserve pricing are instead relegated to uplift.

As the RCSTF phased its work, two of three early-phase issues received endorsement up through the Members Committee and were filed and accepted by FERC.[2] Just this month, the RCSTF endorsed a proposal to move forward to the Markets and Reliability Committee in August, with a 65.7% simple majority vote.

The RCSTF has met 42 times since initiation of this issue. As discussed in the next section, PJM may have been able to move this process along more quickly if it had the authority to make a filing under section 205 of the Federal Power Act, even absent endorsement.

Last year's CIFP on large load additions illustrates an additional challenge. At Stage 4, where proposals are presented in the presence of the PJM Board, stakeholders considered multiple proposals. No proposal reached the sector-weighted voting threshold required for Member approval. The fact that many proposals were considered is evidence of active participation. The fact that none reached the threshold for approval is evidence that participation alone is not always enough to produce timely action on matters of significance.

[2] See PJM Interconnection, L.L.C., Letter Order, Docket No. ER24-2885 (Oct. 18, 2024) (regarding reserve deployment); PJM Interconnection, L.L.C., Letter Order, Docket No. ER24-3121 (Nov. 22, 2024) (regarding hourly notification times).

Table 4. Voting Breakdown: CIFP on Large Load Additions

CIFP-Large Load Additions Package Sponsor	Sector-Weighted Vote Tally (3.335 passes)
PJM	1.933
IMM	1.994
Joint Stakeholder Proposal	0.836
Data Center Coalition, Office of PA Gov., Exelon and PPL	1.904
PJM Legislator's Collaborative and NRDC	1.012
PA OCA and MD OPC	1.123
EKPC	0.574
Dominion	0.426
LS Power	1.176
DR Coalition	0.261
PSEG	0.412
SMECO	2.333

IV. Any Governance Reform Should Strengthen PJM's Ability To Act

PJM's ability to act depends on who has the legal authority to file proposed changes with the Commission. The Federal Power Act controls the burden of proof when a public utility files proposals to change rates, terms, conditions, rules or practices on file with the Commission. The standard of review for the Commission under section 205 is whether the proposal is just and reasonable and not unduly discriminatory or preferential. The Commission must act within 60 days of the filing, or the filing is deemed accepted.

By contrast, the burden of proof under a section 206 complaint or Commission-initiated proceeding requires a showing that the existing rate, term or condition is unjust and unreasonable, or unduly discriminatory or preferential before a replacement rate can be ordered. This requires the Commission to assess the efficacy of PJM's proposed replacement rate as compared with all other replacement rate proposals. Further, the Commission is not under a 60-day time clock for 206 actions.

Having section 205 filing rights matters because it allows a proposal to be put before the Commission without first requiring the filer to prove that the existing rule is unjust and unreasonable, and it also includes a definitive 60-day clock.

PJM's current governing documents divide section 205 filing rights across different entities and subject areas. PJM has section 205 rights over some areas, mainly the capacity market. But in other core areas, including the energy and ancillary services markets and the Regional Transmission Expansion Plan process, PJM's ability to file under section 205 is conditioned on Members Committee approval. Without Members Committee approval, PJM may be required to proceed under the more restrictive requirements of section 206. That dynamic can limit the ability of important issues to reach the Commission for adjudication in a timely manner.

This division is, in many cases, an accident of history dating back to the formation of PJM as an RTO and the unique timing and circumstances that were before the stakeholders at the time.

Table 5. Current Section 205 Filing Rights by Core Function

Core Area	Principal Governing Document(s)	Current Section 205 Filing Authority
Capacity market	Tariff and Reliability Assurance Agreement	PJM
Energy and ancillary services markets	Operating Agreement	Members Committee (conditioned)
Operations – emergency procedures	Operating Agreement	Members Committee (conditioned)
Operations – transmission service	Tariff	PJM
Planning – Regional Transmission Expansion Plan process	Operating Agreement	Members Committee (conditioned)
Planning – interconnection process	Tariff	PJM

This structure is especially important for the energy and ancillary services markets and transmission planning. These are core RTO functions that affect resource performance, dispatch, operational flexibility, transmission expansion, and the ability to accommodate changing load and resource patterns. PJM should be able to ask the Commission to review reforms in these areas consistent with the burden of proof that other RTOs and ISOs need to meet when filing reforms before the Commission on these same topics. There is no reason in our view why PJM (and ultimately the Commission) should face a higher hurdle to propose reforms in these areas than other RTOs and ISOs.

Indeed, as explained above, PJM's stakeholder process to reform its reserve markets is on pace to take three years to complete. Having 205 rights could have accelerated this effort, as Members would know that PJM could utilize its 205 authority for a matter that PJM views to be critical.

While PJM has mechanisms to move more quickly, as articulated in Manual 34 [Quick Fix, Enhanced Liaison Committee (ELC), CIFP], without corresponding 205 rights, there simply is not the same incentive for stakeholders to move issues forward with expediency. Further, each of these mechanisms can only be used in very specific circumstances and can also be highly procedural.

These additional 205 rights would not come at the expense of meaningful engagement and transparency of the existing stakeholder process. That is, even if PJM has 205 rights, we would still create opportunities for stakeholders to be heard and to have open and transparent discussions about proposals. PJM does this today using formal stakeholder processes even when seeking reform to the capacity market where PJM has 205 rights.

Once filed, stakeholders, of course, may continue to provide feedback or challenge the proposal before the Commission. The Commission, not stakeholder voting outcomes or PJM, is ultimately responsible for determining whether a proposed Tariff change is just and reasonable under the Federal Power Act.

The true strength of the stakeholder process lies in the diverse perspectives and the feedback provided by our stakeholder body on any given proposal. Consensus is desirable but is not a panacea. Like-minded stakeholders could produce a proposal that unintentionally compromises reliability. We respect our stakeholders and their feedback immensely. That feedback is essential to allow for the best possible proposal to be presented to the Commission. But we ask the Commission to consider whether conditioned 205 rights over certain of PJM's core business functions remain appropriate based on the challenging environment that we are collectively operating within.

PJM is an outlier. Our peer ISOs/RTOs do not have such conditioning of their 205 rights, and it is worth examining whether PJM, the largest grid operator in the nation that has a mission to serve 67 million consumers reliably, should have greater autonomy than it has today to act decisively on emergent matters. Aligning PJM's authority more closely with peer RTOs would modernize governance while preserving necessary elements of meaningful engagement and transparency.

PJM respectfully submits that governance reform should strengthen the institution’s ability to identify needed reforms and present them to the Commission for timely review. Our objective is to align authority with accountability. To that end, the Commission should consider whether PJM should possess unconditioned section 205 filing rights across all its core operational, market and transmission planning responsibilities, subject to Board oversight and informed by stakeholder engagement. Such a framework would preserve stakeholder participation while ensuring that important issues can be presented to the Commission for resolution when consensus proves elusive.

V. Any Stakeholder Reform Should Preserve Participation and Improve Speed

The Commission should support reforms that preserve the strengths of PJM's stakeholder process while improving speed, focus and accountability. PJM supports stakeholder input for critical decisions; however, PJM is recommending that stakeholder input be organized in a way that allows critical issues to reach a conclusion.

PJM's stakeholder process rule book, known as Manual 34, sets the procedures by which PJM, Members, states and other stakeholders identify issues, develop proposals, build consensus, and vote on changes to PJM's rules and practices. Manual 34 and the CBIR process were developed to provide structure, transparency and broad participation. Those goals remain important.

But the process was designed without a particular and special focus on speed, and several past stakeholder process reforms added procedural structure and did little in the way of cutting timelines.

PJM's governance history reflects this evolution. From 1997 to 2002, there were no detailed written rules for operation of the stakeholder process beyond the Operating Agreement provisions governing the Members Committee. The Chairman's Advisory Team produced the first Members Handbook in 2002. Later efforts, including the Governance Working Group, the Governance Assessment Special Team and the Super Forum, produced additional process enhancements, Manual 34, the CBIR process and a few expedited processes that, again, are highly procedural. They were not solely focused on making the process faster.

Table 6. Selected Stakeholder Process Reform History

Reform Effort	Primary Driver	Principal Result
Chairman's Advisory Team (2002)	Need for basic process structure	Members Handbook and stakeholder group charters
Governance Working Group (2004–2006)	Governance and balance-of-power concerns	Members Handbook revisions and process enhancements
Governance Assessment Special Team (2008–2010)	Order 719 compliance and stakeholder process rules	Manual 34, CBIR and Enhanced Liaison Committee process
Super Forum (2018–2019)	Prioritization and contentious issues	Critical Issue Fast Path process
Survey and action plan (2020)	Stakeholder process enhancements	PJM implemented items within its authority; other items required stakeholder or Commission action.

Specifically, as to the reform effort in 2020, PJM interviewed our most active Members in all five sectors utilizing a standardized set of questions around engagement, process, governance and overall thoughts on reform. PJM analyzed the results and separated recommendations into two distinct groups: those enhancements that PJM could implement on its own and those enhancements that required stakeholder or Commission action to effectuate. The primary underpinning for the existence of the second category is that Manual 34 (along with the Operating Agreement) can only be amended by a two-thirds sector-weighted vote of the Members.

Table 7. PJM's Approach

Suggestions That PJM Can Implement	
Greater scrutiny on sector selection/review	Consider use of accelerated processes.
Summarizing FERC orders at stakeholder meetings	PJM positioning/assertion of independence in process
PJM enhanced review of problem statement/issue charges	Streamline education.
Internal process improvements	Enhanced parliamentarian training
Best practices from other ISO/RTO structures	Targeted facilitation training
Work with states on governance reform.	Sequence/prioritize issues in the stakeholder process.
Suggestions Requiring Affirmative Sector-Weighted Vote	
205 rights over energy market and RTEP rules	NOPR-like process to collect comments
Issue gating	Restricting motions brought from the floor
Quorum requirements	Sector reorganization
Rep and proxy rules	Voting reform
Publish sector-weighted votes at lower committees.	MRC sole reviewer/endorser of issue charges
Limiting proposals from lower committees	Sector challenge timing

PJM worked to advance efforts for each item in the first category and left the second category for the Members to pursue since only they could effectuate change in these areas.

The next phase of reform should be focused on speed and accountability. PJM recommends that the Commission provide support to the following reforms that PJM and the Members can then work to implement.

1. Create an additional expedited process, or expand existing expedited tools, for high-priority reliability, market and planning issues. PJM has Quick Fix, CBIR Lite, the ELC and CIFP, but these tools apply only in specific circumstances and are highly procedural. PJM should have a practical pathway to obtain stakeholder input quickly and then proceed where necessary.
2. Apply time gates to stakeholder processes. No critical stakeholder process should continue indefinitely. For issues that materially affect reliability, market performance, resource adequacy, large load integration or transmission planning, etc., PJM and its stakeholder body should enforce defined timelines for issue identification, options development, stakeholder comment, voting and escalation. If consensus cannot be reached within that timeline, PJM should be able to bring the matter to its Board and, where appropriate, to the Commission.
3. Conduct more business in writing where appropriate. PJM held over 400 stakeholder meetings in 2025. PJM can preserve participation without requiring every issue to move through repeated meetings. Written submissions, posted questions and answers, recorded technical presentations, and structured comment windows can reduce duplication while maintaining transparency.

4. Reduce duplicative meetings and prioritize issues. PJM and stakeholders have finite time and technical resources. The process should distinguish between issues that require extended stakeholder work and issues that can be handled through written comment, staff recommendation or a shorter review process.
5. Use technology to improve transparency and reduce repetition. PJM is committed to exploring meeting recordings, searchable materials, posted Q&A and technology-assisted summaries, subject to appropriate legal and quality controls. These tools can help stakeholders who cannot attend every meeting while reducing repeated discussions across committees. Commission support for this effort would be of assistance in effectuating technological change within PJM's existing processes.

These reforms should be designed to reflect all views, including dissenting opinions. Minority positions should still be documented and presented to the Board and the Commission. The objective is to ensure that dissent is heard without acting as a veto over whether an issue can be placed before the Commission.

VI. Enhancements to the State Role in PJM Governance

States play an important role in PJM's deliberative processes. It is undisputed that states retain primary jurisdiction over resource adequacy, integrated resource planning, siting and permitting, retail rate design, and retail cost allocation. Although the exact state role may differ based on whether the state has restructured and limited its role over generation as opposed to states that retained traditional regulation over generation, there is no question that the states play a key role that needs to be effectively incorporated into PJM decision-making. Collectively, these state-level authorities play a major role in determining whether the PJM region can meet this historic load growth while maintaining reliability and addressing affordability concerns.

PJM has long worked with the states, including through the Organization of PJM States, Inc. (OPSI). PJM supported the formation of OPSI in 2005 and has maintained a structured relationship with the organization ever since. PJM meets regularly with its state utility regulators, and the OPSI Board meets with the PJM Board three times per year to discuss priorities and pressing matters. That relationship has provided a useful channel for PJM to receive state input. It should be noted that during the formation of PJM as an independent entity, the states chose not to be Members of PJM so as to not be placed in a position to vote or otherwise opine on matters that may subsequently come before them in their role as state commissioners.

More recently, the energy politics in each of the PJM states has become more complex. Within individual states, PJM may hear from governors, utility commissioners, legislators, consumer advocates and other public officials who each hold diverging views. The range of diverse voices speaking for each of the states can make it difficult for PJM to determine how best to incorporate any given state's view into its decision-making.

PJM is responsive and shows great deference to the states. As a recent example, after the 2025/2026 capacity auction results that expressed a major uptick in pricing appropriately reflecting challenged supply/demand conditions, PJM made many changes in advance of the 2026/2027 auction as requested by many of our states. Such changes included a "must-offer" requirement for all resources in the capacity market, the inclusion of Reliability Must-Run resources in the market and the pricing cap/floor proposal.

The Commission should encourage a state engagement model that strengthens PJM as a regional institution rather than fragmenting regional decision-making. States should have meaningful opportunities to communicate priorities, identify concerns and inform PJM's understanding of emerging policy developments. At the same time, any governance reforms should preserve PJM's independence and its ability to carry out its Commission-approved responsibilities on a regional basis. The objective should be to strengthen PJM as an institution, which will in turn enhance our mission to deliver power reliably and run markets to promote economic benefits for 67 million consumers.

State gains in PJM governance should be coupled with responsibility and accountability in the region. States already exercise substantial influence over regional outcomes through decisions affecting resource adequacy – integrated resource planning, siting and permitting, decisions about whether and how to integrate large loads, and policies driving resource entry and exit. As discussions regarding governance reform continue, it is appropriate to recognize both the opportunities and responsibilities associated with that influence.

PJM welcomes the states' views on the enhanced role they envision and how that role can be structured. PJM is open to discussions around how PJM can enhance opportunities for state participation and better define roles and responsibilities. But such proposals should be paired with an appropriate level of responsibility and accountability based upon our states' very important role – especially in maintaining resource adequacy for the region. Failure to reconcile requested gains with the states' jurisdictional responsibilities could serve to exacerbate the region's already challenging position.

VII. Next Steps

PJM appreciates the Commission holding this Technical Conference and outlines below possible options for moving forward. Commission guidance on the above-identified issues, through informal statements made by Commissioners at the Technical Conference as well as formal Commission issuances, would be welcome. The options for next steps that the Commission could pursue include:

Option One: The Commission could provide guidance and encourage PJM and its stakeholders, including the states, to work toward a resolution of identified issues through the stakeholder process and encourage PJM to bring forth a filing pursuant to section 205 of the Federal Power Act (and to make necessary changes to Manual 34) to address the identified concerns.

Option Two: The Commission could initiate a proceeding pursuant to section 206 of the Federal Power Act to address the 205 matter, stakeholder process improvements or even the role of states. Should the Commission decide to utilize this formal authority, PJM encourages the Commission to narrowly scope out the areas of concern with precision so as to advance a prompt resolution. Such an initial order could institute a paper hearing briefing process and ultimately culminate in an order requiring action by PJM. Should the Commission decide to employ this formal process, PJM encourages the Commission to also consider utilizing Option Three and promptly *sua sponte* initiate a settlement process, as further set forth in Option Three.

Option Three: The Commission could appoint a settlement judge to oversee a structured, time-bound discussion of specific issues utilizing a settlement process and, importantly, the settlement privilege and confidentiality requirements. This process could be deployed with or without the issuance of an order pursuant to section 206 of the Federal Power Act. Again, the concerns and issues should be identified with precision and the scope narrowly defined. Such issues may include:

a. Whether the conditioning of PJM's section 205 rights as set forth in the Operating Agreement affords PJM sufficient independence as required by Order 2000, particularly with respect to the schedules and section 205 rights over the energy and ancillary service markets (as set forth in Schedule Nos. 1 and 2) and regional and interregional planning (as set forth in Schedule Nos. 6, 6-A and 6-B)

b. Whether the roles and responsibilities of the states and the District of Columbia are adequately defined in the PJM governing documents and whether additional opportunities for participation in PJM governance should be provided for the states and the District of Columbia, as well as any attendant additional financial support