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PJM Board of Managers Approves Proposal to Address Capacity Market Reform
Decision Shows Successful Conclusion in Stakeholder Process

(Valley Forge, PA – July 8, 2021) – PJM Interconnection’s Board of Managers has approved a proposal to address long-standing concerns with the Minimum Offer Price Rule (MOPR) in the PJM capacity market.

Following presentations on nine proposals from PJM and its stakeholders, the PJM proposal received the highest sector-weighted vote by members. The PJM Board selected the proposal because it accommodates state policy and self-supply business models, addresses attempted exercises of buyer-side market power, and creates a sustainable market design by keeping clearing prices consistent with supply and demand fundamentals.

The PJM proposal achieved broad consensus under a unique, accelerated stakeholder process, called the Critical Issue Fast Path (CIFP). This was the first time the PJM Board has employed the CIFP process, an alternative to the normal stakeholder process designed to expeditiously resolve issues that are contentious or time sensitive.

“In the first-ever use of the CIFP process, stakeholders have successfully tackled a complex issue in a compressed time frame, achieving both a workable solution and broad consensus behind that solution,” said PJM President and CEO Manu Asthana.

“This proposal ensures that our capacity market accommodates state policy and self-supply business models, avoids customer costs of double-procurement, addresses attempted exercises of buyer-side market power, and creates a sustainable market design by keeping clearing prices consistent with supply and demand fundamentals,” Asthana said.

PJM expects to work diligently to make a FERC filing with the goal of incorporating the changes into the 2023/2024 Delivery Year Base Residual Auction, to be held in December 2021.

“We would like to sincerely thank the many stakeholders who invested time and energy to provide essential diversity of thought throughout this process,” said Mark Takahashi, Chair of the PJM Board of Managers. “We view the stakeholder process as a true strength of the organization, as it provides a venue for viewpoints across the industry to be heard and deliberated upon.”

An overview of the PJM proposal is available at PJM.com.

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 65 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region’s transmission grid, which includes over 85,103 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. PJM’s regional grid and market operations produce annual savings of $3.2 billion to $4 billion. For the latest news about PJM, visit PJM Inside Lines at insidelines.pjm.com.