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PJM Capacity Auction Procures Sufficient Resources To Meet RTO Reliability Requirement

Tighter Supply/Demand Balance Drives Higher Pricing Across the Region

(Valley Forge, PA – July 30, 2024) – PJM's capacity auction has competitively secured resources to meet the RTO reliability requirement for the 2025/2026 Delivery Year. Auction prices were significantly higher across the RTO due to decreased electricity supply caused primarily by a large number of generator retirements, combined with increased electricity demand and implementation of FERC-approved market reforms.

While the overall resource mix is adequate, two zones cleared just short of their reserve requirement, resulting in prices being set at the zonal cap.

The higher prices send a clear investment signal across PJM's 13 states and the District of Columbia.

"The capacity auction has been a valuable tool over time to help PJM competitively secure resources to meet reliability requirements," said President and CEO Manu Asthana. "The significantly higher prices in this auction confirm our concerns that the supply/demand balance is tightening across the RTO. The market is sending a price signal that should incent investment in resources."

The auction cleared a diverse mix of resources, including 48% of gas, 21% of nuclear, 18% of coal, 1% of solar, 1% of wind, 4% of hydro, 5% of demand response and 2% from other resources.

Specifically, the drivers of higher prices in this auction include:

- Decreased supply offers into the auction due mainly to generator retirements
- Increase in projected peak load
- FERC-approved market reforms, including improved reliability risk modeling for extreme weather and accreditation that more accurately values each resource's contribution to reliability

The amount of supply resources in the auction decreased again this year, continuing the trend from recent auctions and underlining PJM's [stated concerns](#) (PDF) about generation resources facing pressure to retire without replacement capacity being built quickly enough to replace them. Approximately 6,600 MW of generation have retired or have must-offer exceptions (signaling intent to retire) compared with the generators that offered in the 2024/2025 Base Residual Auction (BRA).

Meanwhile, the peak load forecast for the 2025/2026 Delivery Year has increased from 150,640 MW for the 2024/2025 BRA to 153,883 MW for the 2025/2026 Delivery Year. Additionally, FERC-approved market reforms contributed to tightening the supply and demand balance by better estimating the impact of extreme weather on load and more accurately determining resource reliability value.

These reliability concerns associated with reducing supply and increasing demand are not limited to PJM; the North American Electric Reliability Corporation has identified elevated risk to the reliability of the electrical grid for much of the country outside of PJM.

To facilitate the entry of new resources, PJM is implementing its FERC-approved generation interconnection reform, with approximately 72,000 MW of resources expected to be processed in 2024 and 2025.

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However, PJM remains concerned with the slow pace of new generation construction. Approximately 38,000 MW of resources currently have already cleared PJM's interconnection queue but have not been built due to external challenges, including financing, supply chain and siting/permitting issues.

"Interconnection process reform is proceeding, but hurdles remain for many projects outside of our process," said Stu Bresler, Executive Vice President – Market Services and Strategy. "We are considering ways to accelerate those who can successfully overcome those challenges and build."

PJM's capacity market, or Reliability Pricing Model, is one of multiple wholesale electricity markets managed by PJM, with Day-Ahead and Real-Time Energy markets accounting for the majority of total costs.

Overall Results

The auction produced a price of \$269.92/MW-day for much of the PJM footprint, compared to \$28.92/MW-day for the 2024/2025 auction. Capacity auction prices fluctuate annually based on the need for investment in generation resources.

This year's auction procured 135,684 MW for the period of June 1, 2025, through May 31, 2026. The total Fixed Resource Requirement (FRR) obligation is an additional 10,886 MW for a total of 146,570 MW.

The total procured capacity in the auction and resource commitments under FRR represents an 18.5% reserve margin, compared to a 20.4% reserve margin for the 2024/2025 Delivery Year.

Constrained Areas

While the price level across the RTO signals the need for investment in generation throughout the footprint, prices are higher, at the zonal cap, in the BGE zone in Maryland and the Dominion zone in Virginia and North Carolina. This is due to insufficient resources inside those regions and constraints on the transmission system that limit the ability to import capacity. These prices indicate that those regions would benefit from either additional resources, additional transmission to allow increased imports into those regions, or a combination of the two.

Auction Background

This PJM capacity auction, called the Base Residual Auction, procures power supply resources in advance of the delivery year to meet electricity needs in the PJM service area.

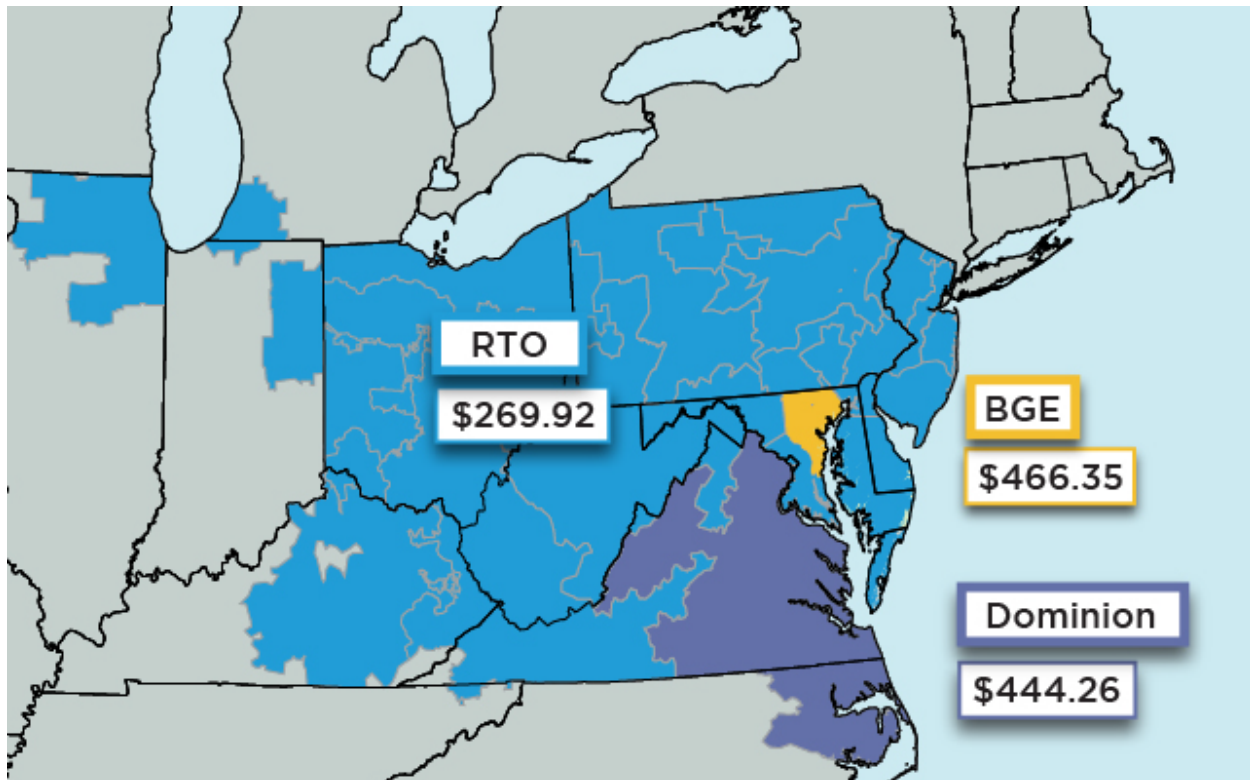
Auctions are usually held three years in advance of the delivery year. The 2025/2026 auction was originally scheduled to be held in May 2022, but auctions had been suspended while FERC considered approval of new capacity market rules. PJM has compressed its auction calendar to return to a three-year-forward basis. The next BRA, for the 2026/2027 Delivery Year, is currently scheduled for December 2024.

A detailed report of the results is available on PJM's [capacity market web page](#).

2025/2026 Capacity Prices

Delivery Area	Capacity Price (\$/MW-day)	Transmission Zone Affected
RTO	\$269.92	
BGE	\$466.35	Baltimore Gas and Electric
DOM	\$444.26	Dominion

2025/2026 Capacity Prices



[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 88,115 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.