



# GOVERNOR JOSH SHAPIRO

January 13, 2025

Mr. Mark Takahashi  
Chair, PJM Board of Managers  
PJM Interconnection  
PO Box 1525  
Southeastern, PA 19399-1525

Dear Mr. Takahashi:

On December 30, I filed a complaint at the Federal Energy Regulatory Commission requesting urgent changes to the way PJM plans to conduct its forthcoming 2026/27 capacity auction. Without those changes, PJM's auction stands to cost consumers up to \$20.4 billion more than the highest justifiable amount for capacity under the current constrained market conditions. As I have directly related to PJM's leadership team in multiple conversations, I find the specter of such a vast wealth transfer to be unacceptable.

In light of this prospect, it is irresponsible for PJM to push to conduct the next auction without directly addressing widespread concerns over the price cap. I write to you today to urge you to intervene with PJM leadership in support of reasonable measures to ensure that capacity prices will not spiral needlessly upwards, which in turn will prompt me to call for more sweeping changes, including a reevaluation of the responsibilities that states have entrusted to PJM.

In recent 205 filings, PJM has candidly admitted itself that serious defects exist in its capacity market design—especially with regard to bedrock assumptions regarding load growth and feasible market entry that have been disproven by real world events. Yet, PJM still maintains that the resulting substantial flaws in its price cap should not be considered in time to take effect in the next capacity auction. That approach risks forcing consumers to pay a bill that is billions of dollars too high.

PJM cannot be content to risk such enormous consequences for the 65 million people in our region.

PJM has refused to heed urgent calls to correct its price cap from its own Independent Market Monitor,<sup>1</sup> from the Organization of PJM States,<sup>2</sup> from five governors,<sup>3</sup> and

---

<sup>1</sup> Monitoring Analytics, Analysis of the 2025/2026 RPM Base Residual Auction Part D (Dec. 6, 2024), available at [https://www.monitoringanalytics.com/reports/Reports/2024/IMM\\_Analysis\\_of\\_the\\_20252026\\_RPM\\_Base\\_Residual\\_Auction\\_Part\\_D\\_20241206.pdf](https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_D_20241206.pdf).

<sup>2</sup> OPSI Letter Regarding Proposed Capacity Market Adjustments (dated Nov. 21, 2024), <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/2024/20241121-opsi-letter-re-proposed-capacity-market-adjustments.ashx>.

<sup>3</sup> Five Governors' Letter Proposing Capacity Market Reforms (dated Oct. 25, 2024), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20241025-governors-letter-regarding-capacity-auctions.ashx>.

Mr. Takahashi  
PJM Interconnection  
Page 2

now from a 206 complaint highlighting the acute design flaws that were identified by your own consultants in affidavits to FERC.<sup>4</sup> Responding to this public outpouring by pushing headlong to conduct the next auction without first resolving these serious concerns regarding the price cap threatens to undermine public confidence in PJM as an institution.

Pennsylvania is proud to have helped found PJM nearly 100 years ago and to remain your home today. We urgently want PJM to succeed in its mission to deliver reliable, affordable power for Pennsylvania and the region. The Commonwealth's proposed price cap modifications are measured, sensible safeguards that would: (1) respond to the current inability of new supply to enter in response to outsized price signals by abandoning the intended reliance on Gross CONE to set the price cap, and (2) instead maintain the 1.5 times Net CONE benchmark that has been employed in every PJM auction since 2007.

The PJM Board could choose to resolve the "cloud of uncertainty" that recent statements describe by instructing PJM staff to support these common-sense measures on an expedited basis at FERC. A failure to hear the voices of Pennsylvania consumers speaking against this market failure will cause me to question whether Pennsylvania should remain within a construct that inflicts such unjust outcomes on our consumers.

If you are interested in pursuing a resolution to protect consumers and provide all auction participants with greater predictability, I would be pleased to meet with Board members personally in the coming days to discuss further. Given the time limitations underscored in PJM's recent statements, I look forward to your response by Thursday, January 16, 2025.

Sincerely,



Governor Josh Shapiro

---

<sup>4</sup> *PJM Interconnection, L.L.C.*, Revisions to Reliability Pricing Model, Docket No. ER25-682-000 (Dec. 9, 2024), Attachment C, Affidavit of Dr. Samuel A. Newell.