

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

PJM Interconnection, L.L.C.  
Proposal to Extend the Price Cap and  
Price Floor for 2028/29 & 2029/30

**Docket No. ER26-1556-000**

**COMMENTS OF THE COMMONWEALTH FOUNDATION**  
**FOR PUBLIC POLICY ALTERNATIVES, THE BUCKEYE INSTITUTE,**  
**AND THE UNDERSIGNED ORGANIZATIONS**

March 20, 2026

**I. INTRODUCTION**

The Commonwealth Foundation for Public Policy Alternatives, The Buckeye Institute, the Cardinal Institute for West Virginia Policy, and the undersigned organizations (collectively, "Commenters") respectfully submit these comments in response to PJM Interconnection's ("PJM") February 27, 2026 tariff filing proposing to extend the existing price cap and price floor for all Reliability Pricing Model ("RPM") Auctions through the 2028/2029 and 2029/2030 Delivery Years (Docket No. ER26-1556-000). Commenters represent the interests of ratepayers and the broader public across multiple states within the PJM footprint, including generation-rich states such as Pennsylvania, Ohio, and West Virginia whose ratepayers bear the cost consequences of a uniform price collar that socializes capacity costs across the U.S.'s largest regional grid, serving 13-states and the District of Columbia.

Commenters appreciate the unusual circumstances leading up to the initiation of price collars in the Base Residual Auction ("BRA") for the 2026/2027 and 2027/2028 Delivery Years, including controversies over market structure, pandemic-related delays, and unprecedented demand growth from data centers and continued electrification. All these challenges emphasize the importance of clear and consistent price signals to accelerate the development of a reliable electricity supply with appropriate cost allocation to uphold accountability.

**II. THE COMMISSION SHOULD REJECT THE EXTENSION OF UNIFORM PRICE COLLARS**

Commenters strongly urge the Commission to reject any extension of uniform price collars for the 2028/2029 and 2029/2030 Delivery Years. Extending caps would hinder new

generation from entering the market, exacerbating serious shortages of reliable power as demand surges.

Extending the price collar fails to address the underlying causes of rising capacity prices, sets a dangerous precedent of regulatory uncertainty, and drives away the investment needed to ensure rates do not continue to rise over an even longer time frame.

Commenters implore the Commission to keep in mind the credible warnings from PJM's Independent Market Monitor,<sup>1</sup> which has identified an existing generation shortage, and the North American Electric Reliability Corporation's ("NERC") 2025 Long-Term Reliability Assessment,<sup>2</sup> which identified elevated reliability risk across the PJM region. The Commission must prioritize policies that encourage new generation to avoid a human disaster should extreme weather strike.

### **III. THE UNIFORM COLLAR IS MORE PROBLEMATIC WITHOUT RECOGNITION OF LDA CONSTRAINTS**

Commenters are particularly concerned with the decision to impose a uniform Regional Transmission Organization ("RTO") wide cap that fails to recognize constrained Locational Deliverability Areas ("LDAs"), further distorting the effect of state policies that artificially suppress reliable generation.

Extending a flat price collar effectively subsidizes Virginia, Maryland, and New Jersey's decarbonization policies, including carbon pricing and stringent renewable mandates, which have led to accelerated plant retirements. These states have pursued policies that diminish reliable generation at the expense of generation-rich states like Pennsylvania, Ohio, and West Virginia.

Virginia's move to rejoin the Regional Greenhouse Gas Initiative ("RGGI"), advanced through House Bill 397 during the 2026 General Assembly session, will further heighten its reliance on generation from Pennsylvania, Ohio, and West Virginia.<sup>3</sup> Prior to the collar's implementation, PJM's capacity pricing through LDAs accurately reflected disparities among states.

The 2025/2026 BRA, the last auction conducted without the collar, demonstrated the value of LDA-specific pricing. Maryland's BGE LDA cleared at \$466.35 per megawatt ("MW")

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<sup>1</sup> Monitoring Analytics, LLC, "Complaint of the Independent Market Monitor" (Independent Market Monitor for PJM v. PJM Interconnection, L.L.C., Federal Energy Regulatory Commission, Docket No. EL26-XX), November 25, 2025, [https://www.monitoringanalytics.com/filings/2025/IMM\\_Complaint\\_re\\_Data\\_Center\\_Loads\\_Docket\\_No\\_EL26-XX\\_20251125.pdf](https://www.monitoringanalytics.com/filings/2025/IMM_Complaint_re_Data_Center_Loads_Docket_No_EL26-XX_20251125.pdf)

<sup>2</sup> North American Electric Reliability Corporation, "Long-Term Reliability Assessment," January 2026, [https://www.nerc.com/globalassets/our-work/assessments/nerc\\_ltra\\_2025.pdf](https://www.nerc.com/globalassets/our-work/assessments/nerc_ltra_2025.pdf).

<sup>3</sup> Del. Charniele L. Herring et al., House Bill 397, Virginia General Assembly, 2026 Regular Session (passed March 2, 2026, House 63–35, Senate 21–19), <https://lis.virginia.gov/bill-details/20261/HB397>.

day and Virginia's Dominion LDA at \$444.26 per MW-day, reflecting genuine local constraints, while the RTO-wide price was \$269.92 per MW-day.<sup>4</sup> These price differentials appropriately assigned higher costs to constrained regions and sent investment signals where new capacity was most needed.

Moreover, the collar's distortionary effect compounds with each successive auction. PJM's own no-collar simulations reveal that the gap between the capped price and the market-clearing price nearly tripled, from \$59 per MW-day in the 2026/2027 BRA, to \$196 per MW-day in the 2027/2028 BRA.<sup>56</sup> Without the collar, the 2027/2028 auction would have cleared at \$529.80 per MW-day, and Virginia's Dominion LDA would have been the only constrained region at \$542.83 per MW-day, a signal that the collar entirely suppressed.

The collar does not merely delay market adjustment; it compounds the supply shortfall by suppressing the investment signals that attract new generation, while load continues to grow.

A collar that includes pricing adjustments for constrained areas better aligns with Sections 205 and 206 of the Federal Power Act, 16 U.S.C. §§ 824d, 824e, requiring just, reasonable, and not unduly discriminatory rates, and avoids penalizing states that are responding to price signals and facilitate new generation.

The Commission's cost causation principle requires that costs be allocated to those whose actions cause them. Virginia's Dominion LDA is driving the capacity shortfall through data center load growth while simultaneously constraining new supply through decarbonization mandates and the RGGI re-entry. Ratepayers in Pennsylvania, Ohio, and West Virginia should not bear the capacity costs caused by Virginia's simultaneous demand growth and supply suppression.

PJM must incorporate enhanced charges for constrained LDAs to ensure they pay their fair share or, otherwise, find a way to reflect LDA-specific constraints in capacity pricing.

#### **IV. THE COLLAR DISCOURAGES POSITIVE STATE SUPPLY-SIDE REFORMS**

Extending price collars undermines the incentive for states to adopt better energy policies, punishing states like Ohio that have pursued real supply-side reform, while shielding others from the cost of their own choices.

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<sup>4</sup> PJM Interconnection, L.L.C., "2025/2026 Base Residual Auction Report," July 30, 2024, <https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2025-2026/2025-2026-base-residual-auction-report.pdf>.

<sup>5</sup> PJM Interconnection, L.L.C., "2026/2027 Base Residual Auction Report," July 22, 2025, <https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2026-2027/2026-2027-bra-report.pdf>.

<sup>6</sup> PJM Interconnection, L.L.C., "2027/2028 Base Residual Auction Report," December 17, 2025, <https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2027-2028/2027-2028-bra-report.pdf>.

Ohio has taken concrete steps to fix the supply side of this problem, passing in May 2025 House Bill 15, the most comprehensive of these reforms, which eliminates lingering energy subsidies that distorted market incentives, eases regulatory burdens on new generation developers, prevents a reversion to re-regulation, and streamlines permitting to bring new capacity online faster. Building on that foundation, the state passed Senate Bill 103 in October, 2025, which alongside the proposed Senate Bill 294, seeks to further reform project approvals and required evaluations of new facilities on full, unsubsidized lifecycle costs. Together, these reforms work to bring more generation online and lower long-run costs. That is precisely what capacity markets are designed to reward.

A flat price collar severs the link between sound policy and real outcomes. Ohio cannot fully capture the gains from its own reforms and is simultaneously made to subsidize the mistakes of states like Virginia, Maryland, and New Jersey, whose carbon pricing, aggressive renewable mandates, and accelerated plant retirements have tightened regional supply. The collar spreads the costs of those policy failures across the interconnection, shielding the states responsible from the price pressure that would otherwise force a reckoning. States that export instability pay less than they should. States that export reliability gain less than they earned.

## **V. CONCLUSION**

The design intent of PJM's LDA pricing structure is to prevent exactly this outcome by assigning higher capacity costs to constrained regions. The flat collar does the opposite, rewarding states that have done the least to fix the problem. Rejecting the extension of price collars is essential for fostering a reliable and robust energy future for all PJM members, supporting both new generation and necessary state reforms.

Competitive power markets created a substantial generation surplus. Commenters ask that PJM and the Commission remain committed to competitive market principles responsible for decades of stable rates. In a changing landscape, it is critical to maintain clear rules and respect the principle of transparent cost allocation, ensuring states bear the consequences of their policy decisions rather than exporting higher prices across the interconnection.

Respectfully submitted,

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