

Background

PJM is scheduled to conduct its **Base Residual Auction (BRA) on July 9, 2025**, which will procure capacity resources for the June 1, 2026–May 31, 2027 delivery year (DY). After [prices settled more than 9x higher in the 2024 BRA](#), a cost increase of \$241/MW-day (over June 1, 2024–May 31, 2025 DY rates) for the June 1, 2025–May 31, 2026 DY, PJM has implemented a number of market design and interconnection changes aimed at mitigating potential record-high rate settlements. Here’s a quick summary of the historical actions leading that lead to the current state:

2016-2022: PJM had been working through changes to its market rules for capacity after state-level subsidies and uneconomic bidding behavior was resulting in artificially-low capacity auction clearing prices. In December 2021, Winter Storm Elliott happened, illustrating the need for tighter scrutiny on/rules for capacity resources—especially during extreme weather.

FEB-APRIL 2023: PJM [established the Critical Issue Fast Path \(CIFP\) process](#) to address capacity market concerns in the face of changing weather risk, anticipated generator retirements, and increased load growth. PJM later files to delay and update their auction schedule for 25/26 and beyond to allow FERC to act on the anticipated market rule changes.

JAN-JULY 2024: FERC approves the application of certain market rule changes to the 25/26 BRA that were proposed through PJM’s CIFP process. PJM conducts 25/26 BRA (July 17, 2024).

JULY 2024: Implementation of FERC-approved market reforms, such as improved reliability risk modeling for extreme weather and accreditation that more accurately values each resource’s contribution to reliability, resulted in decreased supply offers into the auction. Less MW offered, coupled with an increase in projected peak load, resulted in the auction clearing at prices that were 9x higher than the prior BRA. See [PJM’s 2025/26 BRA Results presentation](#).

SEPT-OCT 2024: In late September, several parties filed a complaint at FERC against PJM ([Docket EL 24-148](#)) seeking to include RMR resources in future capacity auctions and to delay the 26/27 BRA scheduled for December. PJM then asked FERC’s permission to [delay the December BRA for 2026/27](#) to give themselves, stakeholders, and FERC time to discuss the complex issues raised in the complaint and additional capacity market reforms. PJM also [issued a report on Oct. 11](#) refuting key elements of a [Sept. 20 analysis](#) from the Independent Market Monitor.

NOV 2024: FERC [approved PJM’s delayed auction schedule](#). PJM presented [proposed capacity market changes](#) to stakeholders on Nov. 8. Changes include: a change in the reference resource for the demand curve, recognizing some RMR in the BRAs, and the [Reliability Resource Initiative \(RRI\)](#), which provides a path for “shovel ready” projects to move quickly through the interconnection queue to help address PJM’s near-term reliability challenges.

DEC 2024: On Dec. 30, 2024, Pennsylvania Governor, Josh Shapiro, on behalf of the Commonwealth, [filed a complaint at FERC against PJM](#) seeking to reduce the administrative price cap used in PJM’s demand curve in advance of the 26/27 capacity auction. After discussions, PJM proposed an installed capacity (ICAP) price floor of \$175/MW-day and a price ceiling of \$325/MW-day for the next two BRAs (’26/27 and ’27/28).

FEB 2025: FERC [approved PJM’s Reliability Resource Initiative](#) and [Surplus Interconnection Service rules](#), which aim to expand access to the grid through underused interconnection capacity. [Get an update on PJM’s RRI selections](#).

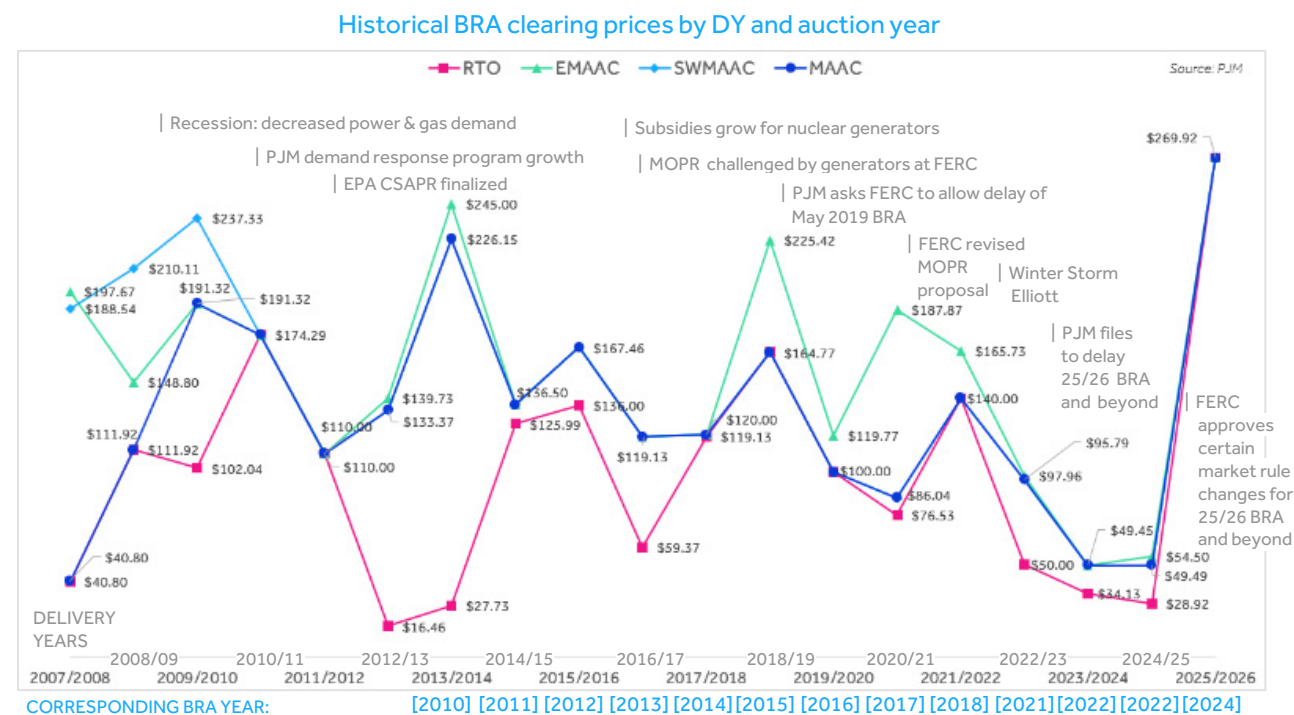
APRIL 2025: On April 21, 2025, FERC [approved the proposal](#) to implement a limited-time ICAP price floor of \$175/MW-day and a price cap of \$325/MW-day, which will be applied in its 2026/27 and 2027/28 BRAs.

What does this mean for the '26/27 BRA?

Although just last year PJM implemented market reforms (see July 2024 above), the actions that have occurred since implementation of those reforms have resulted in some *additional* market reforms that will be applied to the ’26/27 auction. To note, PJM didn’t have an ICAP price floor previously and the price cap was a calculation that included the “cost of new entry.” Under PJM’s initial planning parameters for the ’26/27 auction, the cap value would’ve been between \$678 and \$709/MW-day. The new, higher price floor (\$175/MW-day) is intended to help ensure that some resources that otherwise would/could not continue to remain online can, and the new lower cap (\$325/MW-day) will ensure that the auction doesn’t risk clearing as high as it could have, absent the lower cap.

Historical BRA results across a changing regulatory landscape

Although 25/26 \$/MW-day rates are the highest to-date, capacity prices have seen their ups and downs. Here’s a look at historical pricing, as well as the changing regulatory and market environment that has resulted in capacity price fluctuations.



About PJM’s capacity market

PJM’s capacity market, called the [Reliability Pricing Model \(RPM\)](#), ensures long-term grid reliability by securing the appropriate amount of power supply resources needed to meet predicted future energy demand. To do this, PJM conducts a series of auctions. The Base Residual Auction (BRA) occurs first and is used to procure resource commitments to meet the region’s unforced capacity obligation for each capacity delivery year (DY), which is June 1– May 31. Then PJM conducts three incremental auctions (IAs) in the months following the BRA, which allow for replacement resource procurement and increases/decreases in resource commitments due to reliability requirement adjustments. Capacity auctions pay a single clearing price based on the offer of the last resource needed to meet requirements and the BRA results are most important to gauging rates for a particular DY.

How this trickles down to your electricity supply costs: PJM allocates the cost of the resource commitments to load serving entities (LSEs) like NRG through a Locational Reliability Charge, which is then paid to power supply resources (i.e. generators) for performance. Retail suppliers and local utility companies pass on the cost of securing capacity to their customers, which is a required component of electricity supply service. As a reminder: capacity costs for businesses are calculated by the **capacity rate x peak load contribution**. Even though there is no way to control what rates may settle at, there can be opportunities to control your peak load contribution through [load management](#), which is a service NRG offers.

Condensed BRA schedule

Traditionally PJM would hold a BRA three years prior to the DY, followed by the three IAs leading up to start of the DY. This schedule was devised to permit new entry of/reinvestment in generation resources, allow informed and timely retirement decisions, and better align PJM’s transmission planning process. Due to the regulatory matters noted above, the schedule has been condensed since 2021. As it currently stands, **PJM won’t get back to the classic BRA schedule of three years in advance until May 2027**, when they expect to conduct the BRA for the 2030/31 DY.

DY 22/23 BRA	DY 23/24 BRA	DY 24/25 BRA	DY 25/26 BRA	DY 26/27 BRA	DY 27/28 BRA	DY 28/29 BRA	DY 29/30 BRA	DY 30/31 BRA
JUNE 2021	JUNE 2022	DEC 2022	JULY 2024	JULY 2025	DEC 2025	MAY 2026	DEC 2026	MAY 2027